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XINGFA ALUMINIUM HOLDINGS LIMITED

興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 98)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

1. Revenue increased by 5.4% to approximately RMB11,886.9 million (2019: RMB11,280.8 million).
2. Sales volume rose by 6.5% to 651,721 tonnes (2019: 612,223 tonnes).
3. Gross profit increased by 9.4% to approximately RMB1,629.4 million (2019: RMB1,489.8 million).
4. Profit attributable to Shareholders for the Year increased by 26.3% to approximately RMB765.4 million (2019: RMB606.1 million).
5. Earnings per share were RMB1.83 (2019: RMB1.45).
6. The Board recommended the payment of a final dividend of HKD0.36 per ordinary share for the year ended 31 December 2020 (2019: HKD0.28).

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 2020 (“**Year**”), together with the comparative figures for the corresponding financial year ended 31 December 2019 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Renminbi)

		2020	2019
	Note	RMB'000	RMB'000
Revenue	2	11,886,862	11,280,848
Cost of sales		<u>(10,257,443)</u>	<u>(9,791,036)</u>
Gross profit		1,629,419	1,489,812
Other income	3	146,409	105,959
Distribution costs		(359,999)	(293,075)
Administrative expenses		(396,106)	(383,138)
Impairment loss on trade receivables and other receivables		<u>(53,058)</u>	<u>(47,175)</u>
Profit from operations		966,665	872,383
Finance costs	4(a)	(101,592)	(151,480)
Share of profit of an associate		<u>8,339</u>	<u>2,567</u>
Profit before taxation	4	873,412	723,470
Income tax	5	<u>(111,953)</u>	<u>(120,864)</u>
Profit for the year		<u>761,459</u>	<u>602,606</u>
Attributable to:			
Equity shareholders of the Company		765,385	606,109
Non-controlling interests		<u>(3,926)</u>	<u>(3,503)</u>
Profit for the year		<u>761,459</u>	<u>602,606</u>
Earnings per share	7		
Basic (RMB yuan)		<u>1.83</u>	<u>1.45</u>
Diluted (RMB yuan)		<u>1.83</u>	<u>1.45</u>

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 2020

(Expressed in Renminbi)

	2020	2019
	RMB'000	RMB'000
Profit for the year	761,459	602,606
Other comprehensive income for the year may be reclassified subsequently to profit or loss (after tax):		
Exchange differences on translation of financial statements of operations outside the Mainland China	3,094	(742)
Cash flow hedge: net movement in the hedging reserve	(4,828)	(2)
Other comprehensive income for the year	(1,734)	(744)
Total comprehensive income for the year	759,725	601,862
Attributable to:		
Equity shareholders of the Company	763,651	605,365
Non-controlling interests	(3,926)	(3,503)
Total comprehensive income for the year	759,725	601,862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment property		73,008	71,694
Property, plant and equipment		2,271,247	2,188,673
		2,344,255	2,260,367
Right-of-use assets		336,187	358,620
Intangible assets		3,779	–
Interest in an associate		6,319	5,791
Deferred tax assets		53,171	43,641
		2,743,711	2,668,419
Current assets			
Inventories and other contract costs	8	1,252,507	1,134,375
Trade and other receivables	9	3,759,646	3,103,556
Pledged deposits		170,558	327,037
Cash and cash equivalents		509,639	528,003
		5,692,350	5,092,971
Current liabilities			
Trade and other payables	10	3,321,622	2,738,786
Contract liabilities	11	197,670	164,027
Loans and borrowings		811,424	1,284,005
Lease liabilities		2,368	6,907
Current taxation		54,013	68,648
		4,387,097	4,262,373
Net current assets		1,305,253	830,598
Total assets less current liabilities		4,048,964	3,499,017
Non-current liabilities			
Loans and borrowings		318,868	414,407
Lease liabilities		6,523	13,921
Deferred income		14,663	20,200
Deferred tax liabilities		10,977	11,609
		351,031	460,137
Net assets		3,697,933	3,038,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2020

(Expressed in Renminbi)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Capital and reserves		
Share capital	3,732	3,731
Reserves	3,693,460	3,034,604
Total equity attributable to equity shareholders of the Company	3,697,192	3,038,335
Non-controlling interests	741	545
Total equity	3,697,933	3,038,880

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

(Expressed in Renminbi)

	2020 RMB'000	2019 RMB'000
Operating activities		
Cash generated from operations	1,109,296	1,057,592
Income tax paid	(135,050)	(101,826)
Land Appreciation Tax paid	(848)	(2,192)
Net cash generated from operating activities	973,398	953,574
Investing activities		
Interest received	53,899	42,734
Proceeds received upon maturity of pledged deposits	1,878,340	1,041,802
Payment for pledged deposits	(1,721,861)	(1,022,077)
Payment for purchase of property, plant and equipment	(438,918)	(560,535)
Payment for deposit of commodity futures contracts	(160,000)	–
Proceeds received from deposit of commodity futures contracts	175,354	–
Proceeds from disposal of property, plant and equipment	3,213	4,466
Net cash used in investing activities	(209,973)	(493,610)
Financing activities		
Capital element of lease rentals paid	(4,041)	(3,430)
Interest element of lease rentals paid	(654)	(716)
Interest paid	(101,351)	(161,264)
Proceeds from loans and borrowings	1,958,924	2,437,078
Repayment of loans and borrowings	(2,527,740)	(2,583,697)
Proceeds from shares issued under share option scheme	316	–
Capital injecting from the non-controlling interests of subsidiary	–	4,300
Dividends paid to equity shareholders of the Company	(106,904)	(73,465)
Net cash used in financing activities	(781,450)	(381,194)
Net (decrease)/increase in cash and cash equivalents	(18,025)	78,770
Cash and cash equivalents at 1 January	528,003	448,787
Effect of foreign exchange rate changes	(339)	446
Cash and cash equivalents at 31 December	509,639	528,003

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 the Group for the year ended 31 December 2020 but are extracted from those consolidated financial statements.

Those financial statements have been prepared in accordance with all applicable 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. Those 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 amendments to 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 accounting periods reflected in those financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 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 Group has applied the following amendments to IFRSs issued by the IASB to those financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior years 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.

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines or service line		
– Sales of aluminium profiles	11,581,973	10,944,177
– Sales of aluminium panels, aluminium alloy, moulds and spare parts	279,010	235,633
– Sales of completed properties	14,984	81,599
– Revenue from processing service contracts	10,895	19,439
	<u>11,886,862</u>	<u>11,280,848</u>

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 (2019: 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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is expected to be recognised as revenue within one year.

(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.
- All other segments: include the revenue generated from processing service contracts related to aluminium products, sale of office premises and residential properties and sale of aluminium panels, aluminium alloy, moulds and spare parts.

(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 2020 and 2019 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2020	2019 (Note)	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue								
Revenue from external customers (point in time)	2,320,269	2,210,691	9,261,704	8,733,486	304,889	336,671	11,886,862	11,280,848
Reportable segment profit								
Gross profit	228,534	213,787	1,246,404	1,105,520	154,481	170,505	1,629,419	1,489,812

(ii) Reconciliations of reportable segment profit

	2020 RMB'000	2019 RMB'000
Reportable segment profit derived from the Group's external customers	1,629,419	1,489,812
Other income	146,409	105,959
Distribution costs	(359,999)	(293,075)
Administrative expenses	(396,106)	(383,138)
Impairment losses on trade receivables and other receivables	(53,058)	(47,175)
Finance costs	(101,592)	(151,480)
Share of profit of an associate	8,339	2,567
Consolidated profit before taxation	873,412	723,470

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of non-current assets by geographical market has not been presented as over 99% (2019: 97%) of the revenue are generated from the People's Republic of China ("PRC") market.

3 OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	53,899	42,734
Government grants (<i>i</i>)		
– Unconditional subsidies	30,341	25,788
– Conditional subsidies	26,274	25,354
Rental income	13,594	13,429
Net foreign exchange (loss)/gain	(3,769)	2,150
Cross currency interest rate swap: cash flow hedges, reclassified from equity	(737)	(696)
Changes in fair value of commodity future contracts recognised as hedge ineffectiveness	26,067	–
Gain/(loss) on disposal of property, plant and equipment, and right-of-use assets	740	(2,800)
	146,409	105,959

- (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 RMB30,341,000 (2019: RMB25,788,000) 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 2020 was RMB26,274,000 (2019: RMB25,354,000).

4 PROFIT BEFORE TAXATION

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

(a) **Finance costs:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on bank loans	92,177	131,743
Interest expenses on discounted bills	7,629	18,939
Interest on lease liabilities	654	716
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	100,460	151,398
Cross currency interest rate swap: cash flow hedges, reclassified from equity	1,132	82
	<hr/>	<hr/>
	101,592	151,480
	<hr/> <hr/>	<hr/> <hr/>

(b) **Staff costs:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contributions to defined contribution retirement plans	57,423	69,776
Equity-settled share-based payment expenses	1,794	2,325
Salaries, wages and other benefits	900,312	765,532
	<hr/>	<hr/>
	959,529	837,633
	<hr/> <hr/>	<hr/> <hr/>

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 Hong Kong 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 2020 (2019: HKD30,000).

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

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

To relieve the difficulties encountered by enterprises due to coronavirus disease 2019 pandemic, pursuant to related policies consented by the State Council of the PRC, major subsidiaries of the Company in PRC were entitled to reduce its contribution to the pension insurance, unemployment insurance, and work injury insurance by 50% amounting to RMB14,156,000 (2019: Nil) from February 2020 to April 2020.

(c) **Other items:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation charge		
– Investment properties	2,093	945
– Other property, plant and equipment	393,800	323,018
– Right-of-use assets	12,409	12,334
Amortisation cost of intangible assets	343	–
Provision/(reversal) of impairment losses on		
– trade receivables	52,870	48,296
– other receivables	188	(1,121)
Auditors' remuneration		
– audit services	1,355	1,355
– other services	760	760
Cost of inventories (i)/(Note 8)	10,257,443	9,791,036
Research and development costs (ii)	526,769	490,223

(i) Cost of inventories for the year ended 31 December 2020 included RMB959,500,000 (2019: RMB800,668,000) relating to depreciation and staff costs, which amount is also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses, and net gain of RMB96,952,000 (2019: Nil) reclassified from other comprehensive income on commodity futures contracts which were designated as cash flow hedging instruments.

(ii) Research and development costs for the year ended 31 December 2020 included RMB139,380,000 (2019: RMB133,885,000) relating to depreciation and staff costs of employees, 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.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for PRC corporate income tax ("CIT")	113,931	111,018
Provision for PRC land appreciation tax ("LAT")	1,332	4,842
	<u>115,263</u>	<u>115,860</u>
Deferred tax		
Reversal and origination of temporary differences	(3,310)	5,004
	<u>111,953</u>	<u>120,864</u>

- (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 2020 (2019: 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 2019.

The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20 subject to a maximum reduction of HK\$20,000 for each business (2019: a maximum reduction of HK\$20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019).

- (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 2020 (2019: 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 "High and New Technology Enterprises" ("**HNTE**") and entitled to the preferential income tax rate of 15% for 2020 (2019: 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 to a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

As at 31 December 2020, deferred tax liabilities of RMB10,977,000 (2019: RMB11,609,000) 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 2020, Guangdong Xingfa, Xingfa Henan and Xingfa Jiangxi obtained approval from local tax authorities to claim super deduction on research and development expenses incurred in 2019. As such, the income tax for 2020 was reduced by RMB18,002,000 (2019: RMB11,843,000). Such additional tax deduction on research and development expenses equals 75% (2019: 75%) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	873,412	723,470
Less: LAT	<u>1,332</u>	<u>4,842</u>
Profit before CIT and Hong Kong Profits Tax	<u>872,080</u>	<u>718,628</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	214,115	184,666
Tax effect of non-deductible expenses	760	860
Tax effect of share of profit of an associate	(1,251)	(385)
Effect of tax concessions	(90,369)	(68,464)
Super deduction on research and development expenses in respect of prior year (<i>Note 5(a)(v)</i>)	(18,002)	(11,843)
Effect of withholding on undistributed profits retained by PRC subsidiaries	<u>5,368</u>	<u>11,188</u>
CIT and Hong Kong Profits Tax	110,621	116,022
Add: LAT	<u>1,332</u>	<u>4,842</u>
Income tax expense	<u>111,953</u>	<u>120,864</u>

6 DIVIDENDS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividends proposed after the end of reporting year of HKD0.36 per ordinary share (2019: HKD0.28)	<u>126,697</u>	<u>105,324</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD0.28 per ordinary share (2019: HKD0.20)	<u>106,904</u>	<u>73,465</u>

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 RMB765,385,000 (2019: RMB606,109,000) and the weighted average number of 418,008,000 ordinary shares (2019: 418,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Issued ordinary shares at 1 January	418,000	418,000
Effect of share options exercised	<u>8</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u>418,008</u>	<u>418,000</u>

(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 RMB765,385,000 (2019: RMB606,109,000) and the weighted average number of ordinary shares of 419,115,000 shares (2019: 418,176,000), calculated as follows:

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

	2020 RMB'000	2019 RMB'000
Profit attributable to ordinary equity shareholders (diluted)	<u>765,385</u>	<u>606,109</u>

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

	2020 '000	2019 '000
Weighted average number of ordinary shares at 31 December	418,008	418,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>1,107</u>	<u>176</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>419,115</u>	<u>418,176</u>

8 INVENTORIES AND OTHER CONTRACT COSTS

	2020 RMB'000	2019 RMB'000
Inventories		
Aluminium profiles manufacturing		
– Raw materials	383,304	312,721
– Work in progress	132,942	110,018
– Finished goods	<u>485,981</u>	<u>461,193</u>
	<u>1,002,227</u>	<u>883,932</u>
Completed properties for sale		
– Land use rights	28,273	28,538
– Deed tax	2,839	2,866
– Construction costs	<u>219,168</u>	<u>219,039</u>
	<u>250,280</u>	<u>250,443</u>
	<u>1,252,507</u>	<u>1,134,375</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount of inventories sold	10,257,443	9,791,036

All of the inventories are expected to be recovered within one year, except for completed properties for sale which is expected to be recovered after more than one year.

9 TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade debtors and bills receivable, net of loss allowance	<i>(i)/(ii)</i>	3,411,421	2,824,832
Other debtors, net of loss allowance	<i>(iii)</i>	106,927	79,887
Financial assets measured at amortised cost		3,518,348	2,904,719
Dividend receivable	<i>(iv)</i>	27,655	19,855
Deposits and prepayments		199,172	178,982
Derivative financial instruments – held as cash flow hedging instruments		14,471	–
		3,759,646	3,103,556

- (i) No trade debtor was pledged as securities for bank loans of the Group as at 31 December 2020 (31 December 2019: Nil).
- (ii) Bills receivable of RMB671,890,000 was pledged as securities for issuance of bills payables of the Group as at 31 December 2020 (31 December 2019: RMB355,600,000) (Note 10).

No bills receivable was pledged as securities for bank loans of the Group as at 31 December 2020 (31 December 2019: Nil).

- (iii) As at 31 December 2020, loss allowance on other debtors is RMB2,482,000 (31 December 2019: RMB2,294,000).
- (iv) As at 31 December 2020, dividend receivable of RMB27,655,000 (31 December 2019: RMB19,855,000) 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 2020 included amounts due from related parties of RMB48,005,000 (31 December 2019: RMB43,792,000). The amount of trade and other receivables that is expected to be recovered after more than one year is RMB10,165,000 (2019: RMB12,882,000), which relates to retention money of construction contracts. All of the other current trade and other receivables are expected to be recovered or recognised as expense within one year.

Aging analysis

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	1,671,973	1,574,144
1 to 3 months	839,427	704,279
3 to 6 months	676,807	393,040
Over 6 months	223,214	153,369
	<u>3,411,421</u>	<u>2,824,832</u>

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

10 TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	951,766	814,775
Bills payable	1,616,647	1,284,032
Accrued payroll and benefits	265,037	219,521
Other payables and accruals	470,096	392,202
Interest payable	1,796	2,209
Deferred income	16,280	25,349
	<u>3,321,622</u>	<u>2,738,088</u>
Financial liabilities measured at amortised cost (a)		
Derivative financial instrument:		
– held as cash flow hedging instruments (b)	<u>–</u>	<u>698</u>
	<u>3,321,622</u>	<u>2,738,786</u>

(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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	706,016	715,231
1 to 3 months	594,588	384,420
3 to 6 months	747,522	583,421
Over 6 months	520,287	415,735
	<u>2,568,413</u>	<u>2,098,807</u>

As at 31 December 2020, bills payable of RMB267,847,000 was secured by bills receivables of the Group (31 December 2019: RMB162,500,000) (Note 9), bills payable of RMB1,084,500,000 was secured by pledged deposits of the Group (31 December 2019: RMB909,172,000).

(b) Derivative financial instrument

As at 2 September 2019, the Group entered into cross-currency interest rate swap contracts with HSBC Bank (China) Company Limited in respect of short-term loans in aggregate of US\$15,000,000 (equivalent to RMB104,940,000), under which the Group converted the United States (“US”) dollar loans at floating exchange rate into RMB loans at fixed-rate. The purpose of the cross-currency interest rate swap contracts is to hedge against the interest rate risk and foreign currency risk of the US dollar liabilities.

The cross-currency interest rate swaps contracts matured in August 2020 matching the maturity of the related loans. The Group applies a hedge ratio of 1:1. The existence of an economic relationship between cross-currency interest rate swap contracts and the US dollar floating-rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January	(2)	–
Effective portion of the cash flow hedge recognised in other comprehensive income	(1,867)	(780)
Amounts reclassified to profit or loss (<i>Note (i)</i>)	<u>1,869</u>	<u>778</u>
Balance at 31 December (<i>Note (ii)</i>)	<u><u>–</u></u>	<u><u>(2)</u></u>
Change in fair value of the forward exchange contracts during the year	<u>(1,867)</u>	<u>(780)</u>
Effective portion of the cash flow hedge recognised in other comprehensive income	<u><u>(1,867)</u></u>	<u><u>(780)</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Aluminium profiles contracts		
– Billings in advance of performance	194,408	163,923
Completed properties for sale		
– Forward sales deposits and instalments received	<u>3,262</u>	<u>104</u>
	<u><u>197,670</u></u>	<u><u>164,027</u></u>

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

– Aluminium profiles contracts

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the contracts exceeds the amount of the deposit. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

– **Completed properties for sale**

The Group receives 50%-100% of the contract value as deposit from customers when they sign the sales and purchase agreement. The deposit is recognised as a contract liability until the properties are legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

Movements in contract liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January	164,027	218,248
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 year	(164,027)	(218,248)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	194,408	163,923
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	<u>3,262</u>	<u>104</u>
Balance at 31 December	<u>197,670</u>	<u>164,027</u>

No billings in advance of performance and forward sales instalments received is expected to be recognised as income after more than one year (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

Industry Review

In the past year, the global economy experienced the most serious impact in recent years due to various factors including the coronavirus disease 2019 (“**COVID-19**”) pandemic, escalating Sino-US trade frictions and global economic slowdown. As a result, various major economies suffered a setback, and international logistics, business operations were also hampered, affecting the development pace of many industries and businesses. However, the PRC government implemented stringent and rapid epidemic prevention measures and successfully contained the epidemic under effective control, which not only allowed the businesses to rapidly return to their development paths, but also enabled China to become the only country in the world to maintain positive economic growth.

Despite macroeconomic setbacks, the central government still demonstrated strong determination to control housing prices and to deleverage when facing the problem of domestic housing bubble. From mid-2020 to early 2021, it implemented the “three red lines (三條紅線)” requirements respectively, setting the ceilings on the proportion of bank mortgage and the proportion of individual mortgage. It also suggested to speed up the collection of real estate tax to rectify the domestic property sector in both the supply and demand aspects, optimize the overall financing environment, reduce bubble bursting risk, and ensure the healthy and orderly development of the whole sector in the long run. According to the announcement made by the People’s Court of the PRC, in 2020 there was a total of over 470 enterprise publishing bankruptcy announcements (source: <http://finance.eastmoney.com/a/202101011758834593.html>), which are mainly focused on small and medium-sized real estate enterprises in third and fourth tier cities, thus reshaping the housing industry, and the real estate market is leaning towards leading major real estate enterprises with solid financial strength and abundant resources. 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 the sales and market share of construction aluminium profiles of the Group.

With years of development in 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 may 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, the aluminium profile market in China is relatively fragmented, and product homogenization is obvious, hence both the market prices and processing costs are declining. As one of China's leading aluminum profile manufacturers, Xingfa focuses more on the supply of high-end aluminum profiles, with leverage on our higher quality service, flexible management, professional management and continuous enhancement of the capabilities of research and development, technology and processing, the Group can benefit from China's rapid economic recovery in the year to increase revenue and profit overall, continue to expand market share, thereby becoming the premier brand of construction aluminium profiles in the PRC.

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 31 December 2020, the Group had obtained approximately 103 national patents and participated in the drafting of approximately 1,550 national and industry standards. Currently, we are also one of the world's largest suppliers of electrical conductive aluminium profiles for metro vehicles. In recent four years, the Group has focused on gradually establishing our sales outlets in the prefecture-level cities in Southern China and Eastern China, and at the same time has invested its resources to establish sales outlets in key cities of relatively under-developed regions, and apparent positive results were seen from the regional sales data.

For Xingfa, year 2020 was full of external challenges and it was also a year of sustaining positive growth amid the adversity by overcoming all the barriers. The epidemic during the year exerted temporary impact on the overall operation of the Group. As the domestic epidemic broke out in the beginning of the year, our domestic orders were postponed as a result of suspension of real estate projects. After the resumption of production, the Group gave priority to processing overseas orders and was able to manage the sales decline in the first quarter to be under control. Since the second quarter, with the outbreak of COVID-19 in China being under control within a short period of time, augmented by the rapid recovery of the Chinese economy in the second half of the year, the growth of our domestic orders picked up again and our best monthly sales figures ever was recorded. Although the sales price of aluminum profiles and product processing charges decreased slightly due to the impact of market environment, our high quality products and quality service standards are widely favoured by customers and the successful growth in sales volume drove the Group's revenue to keep on rising.

During the period under review, the Group continued to seek participation in landmark projects and was approved as a lead supplier to provide aluminium profiles for Hangzhou Asian Games Village, Canal Asian Games Park, Beijing Winter Olympic Games arena, Historical Memorial Hall of the Communist Party of China, Sub-center of Beijing, Hangzhou Xiaoshan International Airport, Chengdu Tianfu International Airport, Xiong'an High-speed Railway Station and Shenzhen campus of Sun Yat-sen University, demonstrating that the quality of the Group's products have received high regard of the market.

For overseas sales, during the year, the Group continued to promote the sales of aluminium profiles in Australia, New Zealand, Vietnam, Singapore, Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Japan, Egypt, Chile, South Africa and West Africa, and had its very first shipment of products to the United Kingdom. However, owing to the acute epidemic situation overseas, overseas customers' intention to purchase was weakened, together with the restrictions of international logistics, our overseas sales declined year-on-year in the second half of the year, which slightly reduced the yearly overseas sales income. At the same time, the development pace of Australian production base is also affected to some extent.

Revenue

For the year ended 31 December 2020, the revenue and sales volume of the Group increased by 5.4% and 6.5% to approximately RMB11,886.9 million and 651,721 tonnes respectively (2019: RMB11,280.8 million and 612,223 tonnes respectively), of which the sales of construction aluminium profiles and industrial aluminium profiles accounted for 77.9% and 19.5% of the revenue respectively. The gross profit of the Group for the year increased by 9.4% year-on-year to approximately RMB1,629.4 million. The gross profit margin was 13.7% (2019: 13.2%), and such an increase was mainly due to proper control over the price of materials with the Company's strict bidding procedures for the procurement of production materials, as well as strict control over leakage by implementing refined production in the production process, a decrease in cost per tonne by improving the processing skills continuously and hedging for the procurement of raw materials. During the Year, the profit attributable to owners of the Company was approximately RMB765.4 million, representing an increase of 26.3% year-on-year.

Construction aluminium profiles

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

In 2020, the revenue of construction aluminium profiles increased by 6.0% to approximately RMB9,261.7 million (2019: RMB8,733.5 million), and sales volume increased by 6.3% to approximately 502,948 tonnes (2019: 473,305 tonnes).

Industrial aluminium profiles

The industrial aluminium profiles are mainly plain aluminium profiles, which can be used as the frame of container box, such as new electrical conductive profiles of urban railway locomotives and ship components. 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 2020 increased by 5.0% to approximately RMB2,320.3 million (2019: RMB2,210.7 million), and sales volumes increased by 5.7% to approximately 144,142 tonnes (2019: 136,395 tonnes).

PROSPECT

Looking forward into 2021, the PRC government continues to introduce more real estate policies, such as the new regulations of “Dual Concentration (兩集中)” to stabilize market growth. A stable home is the haven of Chinese people, therefore Chinese people have regarded housing as a necessity after thousand years of development. In order to stabilize the housing price, on the basis of the results achieved in past three years in deleveraging, the PRC government will continue to shift towards stabilized leveraging and ensure the debt ratio of real estate enterprises is stable and the bottom line of non-occurrence of major debt risks is firmly defended. As the market size of construction aluminium profile remains large, the future development of Xingfa’s construction aluminium profile business will no longer be led by increase in volume. Instead, we will focus more on cost control, improvements in the management, technology, quality and service standards, and thereby moving towards the goal of pushing profit margin.

In facing the surrounding challenges and uncertainties, the Board of Directors and the management of the Group are more firmly convinced of the importance of continuous internal improvement, with the long-term sustainable development as the goal, they will lead the development of upgrading and optimization in terms of management of Xingfa, production, research and development and other aspects of Xingfa. The management reform initiated by the Group in 2019 achieved development progress during the year. The integrated strategy of production, supply and marketing has significantly shortened the entire sales and production process by 5-7 days, and the lead time is shorter than industry peers. This has not only improved the overall effectiveness and efficiency, but also improved customer loyalty and brought in more orders. For human resources, the Group adopts the Amoeba business strategy, clearly conveys the development direction, corporate culture, organizational structure and the operating philosophy to every employee and department, implements the business model of high transparency and participation of everyone, nourishes our future leadership, and unites all members of Xingfa to move towards the same goal.

Xingfa is actively carrying out the upgrading plan of intelligent production base and digital production management, so as to improve the Group's production efficiency, risk resistance ability and flexibility in coping with uncertainty. The Group has set up the Project Management Department to undertake intelligent manufacturing functions and to implement the transformation into data and digitalisation of production line and production management. In the future, we can collect big data to precisely manage and optimise production lines, to significantly reduce scrap volume, improve production effectiveness and efficiency, and ensure product quality. Moreover, the Group is also synchronously improving our service, technology and processing quality to enhance the overall long-term operating efficiency, increase product mix and improve quality from multiple perspectives in a bid to provide customers with top quality aluminum profiles.

In terms of research and development, the Group is committed to achieving its dual-engine development in construction aluminium profiles and industrial aluminium profiles based on its market and technological experiences in construction aluminium profile to expand the industrial aluminium profile market. The precision manufacturing base situated at Sanshui Industrial Park in Guangdong Province had already been completed during the year. The first automatic backlog machine production line was in trial production on 25 October 2020, other production lines will be gradually installed in 2021, and it is expected to commence full production in May 2021. The said base is planned to produce high-end industrial aluminum profiles for sectors such as high-end electronic communication equipment, heat cooling equipment, medical equipment and military applications, which is an important step for the Group to implement the dual-engine development. Apart from the dedicated production facilities, by the end of 2020, the Group also set up separate research and development department and sales department for industrial aluminum profile, and will develop more industrial aluminum profile products and orders, and strengthen the technology of primary, fine and deep processing. It is expected that 2021 will witness the result of research and development for the first batch of industrial aluminum profile products and it will be expanded along the technology roadmap in the future. The lightweight transport development is the future development trend, the Group devoted tremendous efforts in researching and developing the aluminum profiles suitable for the electrical conductive parts of light railway this year. Owing to the high technical content and barriers of entry, as well as the huge investment in the preliminary stage, market competition is not intense, As the leader, the Group possesses first mover advantage and can enjoy the economies of scale in the long run.

In the long run, The Group will remain cautious and optimistic about the prospects of the aluminium profile markets. As the market is gradually becoming matured, smaller-scale peers will be eliminated one after another because the market environment becomes difficult, and leading enterprises will benefit from the continuous production capacity integration. Meanwhile, the application of industrial aluminium profiles will become more extensive in the future, which will have a positive impact on the Group's business with the rollout of more results in the research and development of industrial aluminum profiles. 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 our shareholders and stakeholders.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for the Year increased by 5.4% and 6.5% year-on-year to approximately RMB11,886.9 million and 651,721 tonnes respectively (2019: RMB11,280.8 million and 612,223 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 6.3% to 502,948 tonnes (2019: 473,305 tonnes). Meanwhile, the sales volume of industrial aluminium profiles for the Year also increased by 5.7% to 144,142 tonnes (2019: 136,395 tonnes).

The following table sets forth the details of our revenue by reportable segments for the years ended 31 December 2020 and 2019:

	2020 RMB'000	2019 <i>RMB'000</i>
Manufacturing and sale of aluminium profiles		
– Construction aluminium profiles	9,261,704	8,733,486
– Industrial aluminium profiles	2,320,269	2,210,691
	11,581,973	10,944,177
All other segments	304,889	336,671
Total	11,886,862	11,280,848

Note: Our Group's revenue from all other segments represented revenue generated from processing service contracts related to aluminum products, sale of office premises and residential properties 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 9.4% year-on-year to approximately RMB1,629.4 million (2019: RMB1,489.8 million).

The overall gross profit margin for the Year of the Group remained stable at 13.7% (2019: 13.2%), and the sales to production ratio remained stable at 99% (2019: 99%).

The following table sets forth the gross profit margin of our aluminium profiles in 2020 and 2019:

	2020	2019
Construction aluminium profiles	13.5%	12.7%
Industrial aluminium profiles	9.8%	9.7%

The gross profit margin of construction aluminium profiles increased to 13.5% for the Year as compared to that of 2019. Such increase was in line with the increase in revenue while cost remained stable as a result of hedging for the procurement of raw materials.

The gross profit margin of industrial aluminium profiles remained stable at 9.8% for the Year as compared to that of 2019. This was mainly attributable to the hedging for the procurement of raw materials.

Other income

Other income of the Group for the Year increased significantly by 38.1% year-on-year to approximately RMB146.4 million (2019: RMB106.0 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 22.8% to approximately RMB360.0 million (2019: RMB293.1 million), which accounted for 3.0% of the revenue (2019: 2.6%). 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. As a result, the administrative expenses of the Group for the Year increased by 3.4% to approximately RMB396.1 million (2019: RMB383.1 million), which accounted for 3.3% of the revenue (2019: 3.4%).

Finance costs

Finance costs decreased by 32.9% to approximately RMB101.6 million for the Year (2019: RMB151.5 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 26.3% year-on-year to approximately RMB765.4 million (2019: RMB606.1 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 2020 and 2019:

	2020	2019
Current ratio (<i>Note i</i>)	1.30	1.19
Quick ratio (<i>Note ii</i>)	1.01	0.93

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 for the Year which was mainly due to the decrease in bank loan balances as at 31 December 2020 as compared to that as at 31 December 2019.

Quick ratio improved for the Year which was mainly due to the decrease in bank loan balances as at 31 December 2020 as compared to that as at 31 December 2019.

Gearing ratio

The following table sets out our Group's gearing ratio as at 31 December 2020 and 2019:

	2020	2019
Gearing ratio (<i>Note</i>)	13.4%	21.9%

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 2019 which was mainly due to the decrease in bank loan balances as at 31 December 2020.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the years ended 31 December 2020 and 2019:

	2020	2019
Inventory turnover days (<i>Note</i>)	42	42

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 maintained at a similar level when compared with last year, leading to the same inventory turnover days for the Year as compared to that of 2019.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during the years ended 31 December 2020 and 2019:

	2020	2019
Debtors' turnover days (<i>Note</i>)	96	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 increased for the Year as compared to that of 2019. This was because repayments from certain downstream customers were slower during the Year.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during the years ended 31 December 2020 and 2019:

	2020	2019
Creditors' turnover days (<i>Note</i>)	83	75

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 2019. 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 2020, the Group's loans and borrowings dominated in RMB amounted to approximately RMB1,130.3 million (31 December 2019: RMB1,698.4 million).

Save for typically lower borrowing requirements in the first quarter of the year due to holidays during the Chinese Lunar New Year, there was no seasonality in the Group's bank borrowing requirements.

Banking facilities and guarantee

As at 31 December 2020, the banking facilities of the Group amounted to approximately RMB8,755.0 million (31 December 2019: RMB7,690.4 million), of which approximately RMB2,265.0 million were utilised (31 December 2019: RMB2,599.1 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 RMB438.9 million (2019: RMB560.5 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 2020, the Company had 418,068,200 ordinary shares of HK\$0.01 each in issue. During the Year, 17,000 ordinary shares and 51,200 ordinary shares were issued upon exercise of share options granted under the share option scheme of the Company by an employee and by Ms. ZHANG Li, an executive Director, respectively. Save as disclosed above, 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 2020 and 2019:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net cash generated from operating activities	973,398	953,574
Interest received	53,899	42,734
Payment for purchase of property, plant and equipment	(438,918)	(560,535)
Interest paid	(101,351)	(161,264)
Net decrease in loans and borrowings	(568,816)	(146,619)
Dividends paid to equity shareholders of the Company	(106,904)	(73,465)

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, 14 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 RMB15.0 million (2019: RMB81.6 million), with gross profit margin at 64.8% (2019: 53.3%).

HUMAN RESOURCES

As at 31 December 2020, our Group employed a total of approximately 8,345 full-time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 2020, our Group's total expenses on the remuneration of employees were approximately RMB959.5 million, representing approximately 8.1% 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 HKD0.36 per ordinary share for the Year (2019: HKD0.28) to Shareholders whose names appear on the register of members of the Company on Friday, 11 June 2021.

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 Friday, 25 June 2021.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

Equity Transfer

In order to facilitate the strategic restructuring of the structure of the Group, Xingfa Jiangxi, an indirect wholly-owned subsidiary of the Company which owned 80% of the equity interest of Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd (“**Jiangxi Jingxing**”), and Guangzhou Jingxing Construction Technology Company Limited (“**Guangzhou Jingxing**”), a non-wholly owned subsidiary of China Lesso Group Holdings Limited, a substantial Shareholder, entered into an equity transfer agreement on 4 February 2021, pursuant to which Xingfa Jiangxi agreed to transfer its entire equity interest in Jiangxi Jingxing to Guangzhou Jingxing at a consideration of RMB10 million (“**Equity Transfer**”). Completion of the Equity Transfer took place on 12 March 2021. Immediately upon completion of the Equity Transfer, the Group ceased to hold any interest in Jiangxi Jingxing. Jiangxi Jingxing ceased to be accounted for as an associate of the Group. For further details of the Equity Transfer, please refer to the announcements of the Company dated 18 December 2020 and 4 February 2021.

Exercise of share options

Subsequent to the end of the Year and up to the date of this announcement, an aggregate of 86,000 ordinary shares were issued upon exercise of share options granted under the share option scheme of the Company by four employees of the Group at an exercise price of HK\$5.46 per share. As at the date of this announcement, 418,154,200 ordinary shares of HK\$0.01 each in the share capital of the Company were in issue.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Thursday, 27 May 2021, the register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021 (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, 21 May 2021.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Friday, 11 June 2021 (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, 8 June 2021.

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 Rules Governing the Listing of Securities on the Stock Exchange ("**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 two board meetings. The Company has deviated from this code provision as the Board has discussed matters of the Group 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

The 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 (“**Code of Conduct**”) regarding Directors’ securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code and the Code of Conduct 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, the majority thereof must be independent non-executive directors, and 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 management, serves as the chairman of the audit committee.

The audit committee of the Board has met with the management and external auditors of the 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 2020 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 2020 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 2020 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 2021

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