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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 2022

FINANCIAL HIGHLIGHTS

1. Revenue increased by 9.7% to approximately RMB16,933.1 million (2021: RMB15,432.9 million).
2. Sales volume rose by 3.7% to 710,534 tonnes (2021: 685,006 tonnes).
3. Gross profit decreased by 2.0% to approximately RMB1,774.7 million (2021: RMB1,811.8 million).
4. Profit attributable to Shareholders for the Year decreased by 48.4% to approximately RMB457.8 million (2021: RMB887.8 million).
5. Earnings per share were RMB1.09 (2021: RMB2.12).
6. The Board recommended the payment of a final dividend of HKD0.37 per ordinary share for the year ended 31 December 2022 (2021: HKD0.80).

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 2022 (“**Year**”), together with the comparative figures for the corresponding financial year ended 31 December 2021 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in Renminbi)

		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	16,933,064	15,432,900
Cost of sales		<u>(15,158,361)</u>	<u>(13,621,056)</u>
Gross profit		<u>1,774,703</u>	<u>1,811,844</u>
Other income	3	132,138	132,983
Distribution costs		(288,446)	(314,575)
Administrative expenses		(410,523)	(401,076)
Impairment loss on trade and other receivables		<u>(552,098)</u>	<u>(79,455)</u>
Profit from operations		655,774	1,149,721
Finance costs	4(a)	(138,874)	(101,063)
Share of loss of an associate		(5,016)	(581)
Gain on disposal of an associate		–	3,460
Gain on loss of control on a subsidiary		<u>–</u>	<u>3,664</u>
Profit before taxation	4	511,884	1,055,201
Income tax	5	<u>(50,575)</u>	<u>(168,084)</u>
Profit for the year		<u>461,309</u>	<u>887,117</u>

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Attributable to:			
Equity shareholders of the Company		457,774	887,800
Non-controlling interests		3,535	(683)
		<u>461,309</u>	<u>887,117</u>
Profit for the year		<u>461,309</u>	<u>887,117</u>
Earnings per share			
Basic (<i>RMB yuan</i>)	7	<u>1.09</u>	<u>2.12</u>
Diluted (<i>RMB yuan</i>)		<u>1.09</u>	<u>2.11</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 2022

(Expressed in Renminbi)

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	461,309	887,117
Other comprehensive income for the year (after tax):		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at FVOCI — net movement in fair value reserve (non-recycling)	2,298	–
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the Mainland China	1,455	(1,287)
Cash flow hedge: net movement in the hedging reserve	(70,846)	110,217
Other comprehensive income for the year	(67,093)	108,930
Total comprehensive income for the year	394,216	996,047
Attributable to:		
Equity shareholders of the Company	390,681	996,730
Non-controlling interests	3,535	(683)
Total comprehensive income for the year	394,216	996,047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in Renminbi)

		31 December 2022	31 December 2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		2,845,925	2,534,160
Investment property		199,052	169,427
		3,044,977	2,703,587
Right-of-use assets		401,813	330,465
Intangible assets		2,998	3,410
Interest in an associate		3,959	8,975
Equity securities designated at fair value through other comprehensive income (FVOCI)		32,847	11,183
Derivative financial instruments		8,556	–
Deferred tax assets		145,621	68,434
		3,640,771	3,126,054
Current assets			
Derivative financial instruments		3,402	15,289
Inventories and other contract costs	8	1,453,525	1,481,803
Trade and other receivables	9	4,751,383	4,667,569
Prepayments		172,381	199,421
Pledged deposits		224,736	208,919
Cash and cash equivalents		1,849,773	1,643,133
		8,455,200	8,216,134
Current liabilities			
Trade and other payables	10	4,420,769	4,725,224
Contract liabilities	11	378,517	228,274
Loans and borrowings		550,452	492,617
Lease liabilities		2,427	2,005
Derivative financial instruments		–	5,908
Current taxation		70,885	89,057
		5,423,050	5,543,085
Net current assets		3,032,150	2,673,049
Total assets less current liabilities		6,672,921	5,799,103

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities		
Loans and borrowings	1,948,554	1,258,742
Lease liabilities	5,624	5,447
Deferred income	41,579	25,566
Deferred tax liabilities	21,700	29,948
	<u>2,017,457</u>	<u>1,319,703</u>
Net assets	<u><u>4,655,464</u></u>	<u><u>4,479,400</u></u>
Capital and reserves		
Share capital	3,753	3,744
Reserves	4,648,118	4,475,598
	<u>4,651,871</u>	<u>4,479,342</u>
Total equity attributable to equity shareholders of the Company	<u>4,651,871</u>	<u>4,479,342</u>
Non-controlling interests	<u>3,593</u>	<u>58</u>
	<u><u>4,655,464</u></u>	<u><u>4,479,400</u></u>
Total equity	<u><u>4,655,464</u></u>	<u><u>4,479,400</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

(Expressed in Renminbi)

	2022 RMB'000	2021 RMB'000
Operating activities		
Cash generated from operations	943,990	1,464,844
Income tax paid	(138,260)	(123,220)
Dividend withholding tax paid	(14,718)	(8,000)
Land Appreciation Tax (“LAT”) paid	(245)	(329)
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Net cash generated from operating activities	790,767	1,333,295
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Investing activities		
Interest received	59,344	78,083
Proceeds received upon maturity of pledged deposits	2,384,619	2,224,825
Payment for pledged deposits	(2,400,436)	(2,263,186)
Payment for purchase of property, plant and equipment and land use rights	(975,097)	(686,834)
Payment for deposit of commodity futures contracts	(141,000)	(15,000)
Refund from deposit of commodity futures contracts	161,869	28,861
Proceeds from disposal of property, plant and equipment	20,312	2,815
Proceeds from disposal of associate	–	10,000
Dividend received from associates	–	27,655
Payment for purchase of unlisted equity securities	–	(11,183)
Loss of control on a subsidiary, net of cash disposed	–	(854)
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Net cash used in investing activities	(890,389)	(604,818)
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Financing activities		
Capital element of lease rentals paid	(1,985)	(1,603)
Interest element of lease rentals paid	(515)	(397)
Interest paid	(139,052)	(92,742)
Proceeds from loans and borrowings	3,527,664	3,267,714
Repayment of loans and borrowings	(2,780,017)	(2,646,647)
Proceeds from shares issued under share option scheme	5,838	6,084
Dividends paid to equity shareholders of the Company	(285,419)	(123,631)
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Net cash generated from financing activities	326,514	408,778
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Net increase in cash and cash equivalents	226,892	1,137,255
Cash and cash equivalents at 1 January	1,643,133	509,639
Effect of foreign exchange rate changes	(20,252)	(3,761)
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Cash and cash equivalents at 31 December	1,849,773	1,643,133
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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 2022 but are extracted from those consolidated financial statements.

These 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 (the “**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. Significant accounting policies adopted by the Group are disclosed below.

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 these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 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 Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendment to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purposes of assessing whether a contract is onerous, the costs of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of aluminium products and sale of completed properties. Further details regarding the Group's principal activities are disclosed in Note 2(b).

(i) Disaggregation of revenue

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

	2022 <i>RMB'000</i>	2021 <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	16,450,403	14,963,364
— Sales of aluminium panels, aluminium alloy, moulds and spare parts	472,824	451,543
— Sales of completed properties	8,071	13,079
— Revenue from processing service contracts	1,766	4,914
	<u>16,933,064</u>	<u>15,432,900</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 with whom transactions have exceeded 10% of the Group's revenue (2021: Nil).

(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 aluminium panels, aluminium alloy, moulds and spare parts, sale of office premises and residential properties.

(i) Segment results

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 are allocated to the reportable segments with reference to sales generated by those segments.

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 gross 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 2022 and 2021 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	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)	<u>2,723,032</u>	<u>2,869,879</u>	<u>13,727,371</u>	<u>12,093,485</u>	<u>482,661</u>	<u>469,536</u>	<u>16,933,064</u>	<u>15,432,900</u>
Reportable segment profit								
Gross profit	<u>179,508</u>	<u>211,714</u>	<u>1,417,585</u>	<u>1,430,870</u>	<u>177,610</u>	<u>169,260</u>	<u>1,774,703</u>	<u>1,811,844</u>

(ii) *Reconciliations of reportable segment profit*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Reportable segment profit derived from the Group's external customers	1,774,703	1,811,844
Other income	132,138	132,983
Distribution costs	(288,446)	(314,575)
Administrative expenses	(410,523)	(401,076)
Impairment loss on trade and other receivables	(552,098)	(79,455)
Finance costs	(138,874)	(101,063)
Share of loss of an associate	(5,016)	(581)
Gain on disposal of an associate	–	3,460
Gain on loss of control on a subsidiary	–	3,664
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Consolidated profit before taxation	<u>511,884</u>	<u>1,055,201</u>

(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% (2021: 98%) of the revenue are generated from the People's Republic of China (the "PRC") market.

3 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	59,344	78,083
Government grants		
— Unconditional subsidies	18,243	31,185
— Conditional subsidies	22,112	16,420
Rental income	16,696	14,764
Net foreign exchange gain/(loss)	12,384	(2,171)
Changes in fair value of commodity future contracts recognised as hedge ineffectiveness	(6,580)	4,589
Changes in fair value of forward exchange contracts	3,402	(5,908)
Gain/(loss) on disposal of property, plant and equipment and other assets	6,537	(3,979)
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	<u>132,138</u>	<u>132,983</u>

4 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on bank loans and borrowings	94,891	63,467
Interest expenses on discounted bills	49,058	37,199
Interest on lease liabilities	515	397
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Total interest expense on financial liabilities not at fair value through profit or loss	144,464	101,063
Less: interest expense capitalised into construction in progress*	(5,590)	–
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	<u>138,874</u>	<u>101,063</u>

* The borrowing costs have been capitalised at a rate of 3.7% – 4.9% per annum (2021: Nil).

(b) Staff costs:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contributions to defined contribution retirement plans	87,933	81,500
Equity-settled share-based payment expenses	(1,690)	627
Salaries, wages and other benefits	1,006,299	936,999
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	<u>1,092,542</u>	<u>1,019,126</u>

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.

The Group also operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HKD30,000 (2021: HKD30,000). Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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:**

	2022	2021
	RMB’000	RMB’000
Depreciation charge		
— Investment property	4,873	2,487
— Property, plant and equipment	493,873	371,165
— Right-of-use assets	11,725	10,058
Amortisation cost of intangible assets	412	369
Provision/(reversal) of impairment losses on		
— trade receivables	552,950	79,675
— other receivables	(852)	(220)
Auditors’ remuneration		
— audit services	1,395	1,395
— other services	784	784
Cost of inventories (i)/(Note 8)	15,158,361	13,621,056
Research and development costs (ii)	791,243	689,641

- (i) Cost of inventories included RMB1,174,166,000 (2021: RMB987,126,000) relating to staff costs and depreciation expense 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. Net loss of RMB63,119,000 (2021: gain of RMB97,660,000) on cash flow hedging instruments was reclassified from equity to initial carrying amount of inventory.
- (ii) Research and development costs included RMB192,648,000 (2021: RMB174,509,000) relating to staff costs of employees and depreciation expenses, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for PRC corporate income tax	119,165	156,729
Provision for PRC LAT	1,168	1,864
Withholding tax on distribution of dividends	14,718	8,000
	<u>135,051</u>	<u>166,593</u>
Deferred tax		
Origination and reversal of temporary differences	(69,758)	9,491
Effect on distribution of dividends	(14,718)	(8,000)
	<u>50,575</u>	<u>168,084</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	511,884	1,055,201
Less: LAT	1,168	1,864
	<u>510,716</u>	<u>1,053,337</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	128,683	268,991
Tax effect of non-deductible expenses	884	777
Tax effect of share of loss of an associate	752	–
Effect of tax concessions	(48,134)	(107,030)
Super deduction on research and development expenses in respect of prior year (<i>Note 5(b)(v)</i>)	(39,695)	(22,124)
Effect of withholding on undistributed profits retained by PRC subsidiaries	6,917	25,606
	<u>49,407</u>	<u>166,220</u>
Actual corporate income tax	49,407	166,220
Add: LAT	1,168	1,864
	<u>50,575</u>	<u>168,084</u>
Actual tax expense	<u>50,575</u>	<u>168,084</u>

- (i) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax at a rate of 25% for 2022 (2021: 25%) except for Guangdong Xingfa Aluminium Co., Ltd. (“**Guangdong Xingfa**”), Xingfa Aluminium (Chengdu) Co., Ltd. (“**Xingfa Chengdu**”), Guangdong Xingfa Aluminium (Henan) Co., Ltd. (“**Xingfa Henan**”), Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. (“**Xingfa Jiangxi**”) and Guangdong Xingfa Precision Manufacturing Co., Ltd. (“**Xingfa Precision**”), which were certified as “High and New Technology Enterprises ” (“**HNTE**”) and entitled to the preferential income tax rate of 15% for the year ended 31 December 2022 (2021: 15%).
- (ii) The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, 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 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of \$10,000 for each business (2021: a maximum reduction of \$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

- (iii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iv) Pursuant to the relevant law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable to a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise. The Group’s Hong Kong subsidiary has obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and therefore have adopted the withholding tax rate at 5% for PRC withholding tax.

As at 31 December 2022, deferred tax liabilities of RMB20,782,000 (2021: RMB28,583,000) have been provided for in this regard based on the expected dividends to be distributed from the PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

- (v) During the year of 2022, Guangdong Xingfa, Xingfa Chengdu, Xingfa Henan, Xingfa Jiangxi and Xingfa Precision obtained approval from local tax bureau to claim super deduction on research and development expenses incurred in 2021. As such, the income tax for 2022 was reduced by RMB39,695,000 (2021: RMB22,124,000). Such additional tax deduction on research and development expenses equals 100% (2021: 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.

6 DIVIDENDS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividends proposed after the end of reporting year of HKD0.37 per ordinary share (2021: HKD0.80 per ordinary share)	<u>139,029</u>	<u>274,593</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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD0.80 per ordinary share (2021: HKD0.36 per ordinary share)	<u>285,419</u>	<u>123,631</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 RMB457,774,000 (2021: RMB887,800,000) and the weighted average number of 420,110,000 ordinary shares (2021: 418,923,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 <i>'000</i>	2021 <i>'000</i>
Issued ordinary shares at 1 January	419,496	418,068
Effect of share options exercised	<u>614</u>	<u>855</u>
Weighted average number of ordinary shares at 31 December	<u>420,110</u>	<u>418,923</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 RMB457,774,000 (2021: RMB887,800,000) and the weighted average number of ordinary shares of 420,110,000 shares (2021: 420,268,000), calculated as follows:

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

	2022	2021
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	<u>457,774</u>	<u>887,800</u>

(ii) Weighted average number of ordinary shares

	2022	2021
	'000	'000
Weighted average number of ordinary shares at 31 December	420,110	418,923
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>–</u>	<u>1,345</u>
Weighted average number of ordinary shares at 31 December	<u>420,110</u>	<u>420,268</u>

There were no dilutive potential ordinary shares in issue for the year ended 31 December 2022.

8 INVENTORIES AND OTHER CONTRACT COSTS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Aluminium profiles manufacturing		
— Raw materials	253,644	473,738
— Work in progress	150,152	146,574
— Finished goods	782,868	728,692
	<u>1,186,664</u>	<u>1,349,004</u>
Completed properties for sale (i)	<u>266,861</u>	<u>132,799</u>
	<u>1,453,525</u>	<u>1,481,803</u>

- (i) As at 31 December 2022, completed properties for sale represented the completed properties of RMB151,589,000 (2021: RMB132,799,000) developed by the Group and the completed properties of RMB115,272,000 (2021: Nil) purchased from property developers during 2022.

During the year ended 31 December 2022, the Group has entered into the sale and purchase agreements with property developers to purchase certain properties at a consideration of RMB176,376,000 (2021: Nil). The Group settled the consideration by endorsing its trade receivables to the property developers without right of recourse.

As at 31 December 2022, the Group has completed the purchase of properties of RMB115,272,000 with ownership certificates obtained and recorded the properties in inventory. Besides, the Group has received the properties of RMB61,104,000 without obtaining the related ownership certificates and recorded the properties in Prepayment (Note 9(b)).

The Group intends to hold the properties for sale at market price in subsequent period.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	<u>15,158,361</u>	<u>13,621,056</u>

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

9 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade debtors and bills receivable, net of loss allowance (i)	4,591,932	4,526,155
Other debtors, net of loss allowance (ii)	<u>159,451</u>	<u>141,414</u>
	<u><u>4,751,383</u></u>	<u><u>4,667,569</u></u>

- (i) Bills receivable with carrying value of RMB771,331,000 were pledged as security of issuing bills by the Group as at 31 December 2022 (31 December 2021: RMB968,015,000).
- (ii) As at 31 December 2022, loss allowance on other debtors is RMB1,410,000 (31 December 2021: RMB2,262,000).
- (iii) The amount of trade and other receivables that is expected to be recovered after more than one year is RMB14,401,000 (2021: RMB11,702,000), 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.

Ageing analysis

As of the end of the reporting period, the aging analysis of trade debtors and bills receivable based on the invoice date or bill issuance date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	1,991,878	2,099,689
1 to 3 months	1,511,068	1,187,352
3 to 6 months	760,986	790,216
Over 6 months	<u>328,000</u>	<u>448,898</u>
	<u><u>4,591,932</u></u>	<u><u>4,526,155</u></u>

Trade debtors and bills receivable are due within 30 days to 360 days from the date of billing or bills receivable issuance.

(b) Prepayment

	2022	2021
	RMB'000	RMB'000
Prepayment for raw materials and others	111,277	199,421
Prepayment for properties (<i>Note (i)</i>)	61,104	–
	<u>172,381</u>	<u>199,421</u>

- (i) The prepayment represented completed properties purchased from the property developers (Note 8) that have been delivered to the Group. The properties will be transferred to inventories of the Group subsequently upon the issuance of ownership certificate to the Group.

10 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables	985,458	1,723,242
Bills payable	2,638,202	2,269,526
Accrued payroll and benefits	243,796	258,855
Other payables and accruals	365,717	300,243
Payable for purchase of property, plant and equipment	87,703	113,705
Payable for the purchase of unlisted equity securities and derivative	27,516	–
Interest payable	14,617	9,720
Deferred income	12,013	16,552
	<u>4,375,022</u>	<u>4,691,843</u>
Financial liabilities measured at amortised cost		
Refund liabilities		
— arising from volume rebates	<u>45,747</u>	<u>33,381</u>
	<u>4,420,769</u>	<u>4,725,224</u>

Apart from those mentioned in Note 11, all of the trade and other payables (including amounts due to related parties) 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	288,590	1,566,333
1 to 3 months	893,668	709,742
3 to 6 months	809,460	609,776
Over 6 months	1,631,942	1,106,917
	<u>3,623,660</u>	<u>3,992,768</u>

As at 31 December 2022, bills payable of RMB267,660,000 was secured by bills receivables of the Group (31 December 2021: RMB394,448,000), bills payable of RMB2,085,000,000 was secured by pledged deposits of the Group (31 December 2021: RMB1,459,989,000).

11 CONTRACT LIABILITIES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Aluminium profiles contracts		
— Billings in advance of performance	<u>378,517</u>	<u>228,274</u>

Movements in contract liabilities

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January	228,274	197,670
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	(228,274)	(197,670)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	<u>378,517</u>	<u>228,274</u>
Balance at 31 December	<u>378,517</u>	<u>228,274</u>

All of the contract liabilities are expected to be recognised as income within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

Industry Review

Dragged down by uncertainties such as the downward trend of the real estate industry and the COVID-19 pandemic, China's aluminium processing industry faced a great test in 2022. Affected by macro policies such as deleveraging and "three red lines (三條紅線)", the domestic real estate industry has undergone major adjustments, and some developers have gone bankrupt and closed down due to capital chain problems. According to the data published by National Bureau of Statistics, sales area of commercial housing was 1.36 billion square metres in 2022, down by 24.3% as compared to last year. Sales of commercial housing amounted to RMB13.3 trillion, representing a year-on-year decline of 26.7%. Due to poor project sales and strict industry regulation, the majority of real estate developers slowed down the pace of project development, inevitably affecting the construction aluminium profile market. Fortunately, with the release of favourable policies such as "New Nine Guidelines (新九條)" at the end of the Year, China's real estate industry is slowly walking out from the trough. As a major manufacturer and supplier of construction aluminium profiles, the Group, riding on its partnerships with key property developers, actively consolidated its business, continuously improved its internal operational efficiency and strove to expand its product portfolio in order to facilitate the development of diversified aluminium profile business.

Business Review

In the past year, Xingfa Aluminium encountered unprecedented challenges in operation, sales, delivery and even business expansion. First of all, the downturn in the real estate sector has weakened the demand for aluminium profile products, and some peers adopted more competitive approaches to compete for orders, resulting in a downward trend in processing fees. In the meantime, in-situ control was implemented in many regions in China amid the ongoing pandemic, leading to disruptions in the supply chain of raw materials and making it difficult for employees to report duty. In addition, many local authorities imposed restrictions on the use of electricity and production due to the continuous high temperature in summer, which posed a negative impact on the overall production efficiency of the Group, among which the Chengdu factory was hit the hardest.

Thanks to the untiring efforts of all staff of Xingfa Aluminium, the Group actively strengthened its business scale during the Year and rose to the occasion under extremely difficult circumstances to ensure double growth in sales and production. As a major player in the construction aluminium profile industry, the Group was inevitably affected by the negative situation in the industry. During the Year, the Group made a specific provision of impairment loss on trade receivables due from certain property sub-contractors, amounting to approximately RMB552.8 million. However, the Group was still able to record profits, fully demonstrating the strong resilience of its business.

In order to cope with the complicated and ever-changing situation, Xingfa Aluminium sought changes while maintaining stability, actively fine-tuned its business portfolio, and tried to minimise controllable operational risks. In 2022, the Group strengthened cooperation with central-government-controlled enterprises, state-owned enterprises and listed real estate developers with relatively healthy cash flows and reasonable gearing ratio. With the reputable participation in the construction of landmark projects over the years, it strengthened cooperation with local governments to provide high-quality construction aluminium profiles for public facilities projects, including bridges, exhibition halls and airports. Meanwhile, the Group actively expanded its presence in the retail market by offering aluminium profiles to door and window manufacturers and decoration companies as a wholesaler, allowing Xingfa's products to enter into more people's homes and continuously enhancing its brand influence.

In addition to optimising and adjusting the construction aluminium profile business, the Group has also made breakthroughs in the field of industrial aluminium profiles. With the growing penetration of new-energy vehicles, the market demand for aluminium parts has also increased. In 2022, the Group entered into the supply chain of new-energy vehicles for the first time and acquired customers of new-energy vehicle brands, with the provision of aluminium profile components such as battery trays and anti-collision beams, which greatly boosted the Group's confidence in developing industrial aluminium profile business. In order to better grasp the market opportunities and seize the market share in various segments, the research and development team of the Group will keep strengthening the research and development of industrial aluminium profiles, with a view to developing new lighter and more efficient products. At the same time, the Group actively increased its production capacity to seize opportunities, and Foshan Sanshui Precision Manufacturing Base was fully put into operation in 2022. The precision base, which attaches importance to digitalisation and overall production process, greatly improved production efficiency as compared with traditional factories. The project was certified as a digital landmark project in Foshan during the Year, and received a subsidy of RMB15 million. The Group believes that the new factory will establish a solid foundation for Xingfa to undertake orders of industrial aluminium profiles, and will help the Company rapidly increase its market share in various application fields in the next few years, so as to achieve more diversified development. Moreover, construction for the new project located in Huzhou City, Zhejiang Province has officially commenced. The new factory will initiate and enhance digitalisation and automation, aiming to become Xingfa's "Intelligent Manufacturing 2.0". It strives to produce high-quality aluminium profile products with advanced technology and equipment, which is expected to come into production in 2023.

In terms of overseas business, the Group has strengthened its connections with corporate customers, while offering quality aluminium profile products to cater market demand in the post-pandemic era. The Group continuously pushed forward with plant construction plan, in a bid to achieve balanced development and meet potential market demand. For instance, a joint venture project in Australia has been approved, which is expected to complete equipment installation, commissioning and trial production within 2023. Meanwhile, it continuously conducted research in ASEAN, seeking to build the first production facility in the region. The Group believes that setting up factories overseas will help the sales team better understand customer needs and the production team to achieve faster delivery, which will enable Xingfa to further expand its overseas business and gradually develop into an international aluminium profile manufacturer and distributor.

Revenue

For the year ended 31 December 2022, the revenue and sales volume of the Group increased by 9.7% and 3.7% to approximately RMB16,933.1 million and 710,534 tonnes respectively (2021: RMB15,432.9 million and 685,006 tonnes respectively), of which the sales of construction aluminium profiles and industrial aluminium profiles accounted for 81.1% and 16.1% of the revenue respectively. The gross profit of the Group for the Year decreased by 2.0% year-on-year to approximately RMB1,774.7 million. The gross profit margin decreased to 10.5% (2021: 11.7%), and such decrease was mainly due to the increase in the procurement costs during the Year as a result of the increase in the price of raw materials. During the Year, the profit attributable to owners of the Company was approximately RMB457.8 million, representing a decrease of 48.4% year-on-year.

Construction Aluminium Profiles

Construction aluminium profiles are surface treated aluminium profiles mainly used for the construction and installation of doors and windows, curtain walls, ceilings and blinds and other decorative products.

In 2022, the revenue of construction aluminium profiles increased by 13.5% year on year to approximately RMB13,727.4 million (2021: RMB12,093.5 million), and sales volume grew by 6.7% year on year to approximately 570,071 tonnes (2021: 534,309 tonnes).

Industrial Aluminium Profiles

Industrial aluminium profiles are mainly plain aluminium profiles, which can be used as container frames and other products such as new conductive profiles of urban railway locomotives and ship components. In addition, they can also be made into different forms and shapes, such as heat sinks of central processing units (CPUs) and displays and frames of consumer electronic products.

The revenue of industrial aluminium profiles decreased by 5.1% year on year to approximately RMB2,723.0 million (2021: RMB2,869.9 million) in 2022, and sales volume dropped by 7.7% year on year to approximately 132,977 tonnes (2021: 144,096 tonnes).

PROSPECT

Looking ahead to 2023, the Group remains cautiously optimistic about the aluminium profile processing industry and its own business. After a long period of adjustment, the real estate industry is believed to resume to a steady and orderly development under the boost of new policies, which will give rise to the demand for aluminium profile products. The Group is confident that the sufficient resilience of Xingfa Aluminium will enable it to overcome the challenges ahead and, realise business growth as in the past in spite of adversity, which will strengthen the Group's position in the aluminium profile processing industry.

The challenges in recent years have made the Group more aware of the importance of continuous internal change. Through several years of efforts, the Group has achieved certain results in digital transformation, especially in intelligent manufacturing. In the future, the Group will strive to improve the efficiency of management, production, sales and research and development, so as to reduce costs and expenses, continuously enhance profitability and cost-effectiveness, and enable the Group to be resistant to challenges.

Furthermore, Xingfa will continuously expand its overseas presence and seek to establish a more complete production network, so as to allow the Group to have greater flexibility to seize opportunities in such uncertain business environment. In addition to the joint venture project based in Australia, which is expected to be put into production in 2023, the Group also seeks to set up another production base in an ASEAN member state to achieve better business synergy between the two bases, with an aim to improve the operational efficiency of overseas business from multiple perspectives and accelerate the overall overseas development.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for the Year increased by 9.7% and 3.7% year-on-year to approximately RMB16,933.1 million and 710,534 tonnes respectively (2021: RMB15,432.9 million and 685,006 tonnes respectively). The growth of revenue was attributable to the increase in sales orders during the Year.

The sales volume of construction aluminium profiles for the Year increased by 6.7% to approximately 570,071 tonnes (2021: 534,309 tonnes). Meanwhile, the sales volume of industrial aluminium profiles for the Year decreased by 7.7% to approximately 132,977 tonnes (2021: 144,096 tonnes).

The following table sets forth the details of our revenue by reportable segments for the years ended 31 December 2022 and 2021:

	2022	2021
	RMB'000	RMB'000
Manufacturing and sale of aluminium profiles		
— Construction aluminium profiles	13,727,371	12,093,485
— Industrial aluminium profiles	2,723,032	2,869,879
	16,450,403	14,963,364
All other segments	482,661	469,536
Total	16,933,064	15,432,900

Note: Our Group's revenue from all other segments represented 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.

Gross profit and gross profit margin

The gross profit of the Group for the Year decreased by 2.0% year-on-year to approximately RMB1,774.7 million (2021: RMB1,811.8 million).

The overall gross profit margin for the Year of the Group decreased by 1.2% to 10.5% (2021: 11.7%), and the sales to production ratio increased slightly to 99% (2021: 97%).

The following table sets forth the gross profit margin of our aluminium profiles in 2022 and 2021:

	2022	2021
Construction aluminium profiles	10.3%	11.8%
Industrial aluminium profiles	6.6%	7.4%

The gross profit margin of construction aluminium profiles and industrial aluminium profiles decreased to 10.3% and 6.6% for the Year respectively as compared to that of 2021. Such decrease was mainly because the increase in the costs of raw materials.

Other income

Other income of the Group for the Year remained stable at approximately RMB132.1 million (2021: RMB133.0 million), which was mainly attributable to the combined effect of the decrease in interest income and the increase in net foreign exchange gain.

Distribution costs

The distribution costs of the Group for the Year decreased by 8.3% to approximately RMB288.4 million (2021: RMB314.6 million), which accounted for 1.7% of the revenue (2021: 2.0%). The decrease was mainly due to the effective cost control implemented and better bargaining power over the sales distribution channels by the Group.

Administrative expenses

The administrative expenses of the Group for the Year remained stable at approximately RMB410.5 million (2021: RMB401.1 million), which accounted for 2.4% of the revenue (2021: 2.6%).

Impairment loss on trade and other receivables

The impairment loss on trade and other receivables of the Group for the Year increased by RMB472.6 million to RMB552.1 million (2021: RMB79.5 million), which was mainly attributable to the loss allowances provided for the credit-impaired trade receivables amounted to RMB552.8 million. Such loss allowances were provided for after considering the recoverability of trade receivables due from certain property sub-contractors as a result of negative situation in construction aluminium profile industry.

Finance costs

Finance costs increased by 37.4% to approximately RMB138.9 million for the Year (2021: RMB101.1 million) mainly due to the overall increase in 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 decreased by 48.4% year-on-year to approximately RMB457.8 million (2021: RMB887.8 million). The decrease was mainly attributable to a provision of impairment loss on trade and other receivables of approximately RMB552.1 million (2021:RMB79.5 million) made by the Group 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 2022 and 2021:

	2022	2021
Current ratio (<i>Note i</i>)	1.56	1.48
Quick ratio (<i>Note ii</i>)	1.29	1.21

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.

Both ratios as at 31 December 2022 increased as compared to those as at 31 December 2021. Such increases were in line with higher level of cash and cash equivalents as of 31 December 2022 due to higher utilization of banking facilities.

Gearing ratio

The following table sets out our Group's gearing ratio as at 31 December 2022 and 2021:

	2022	2021
Gearing ratio (<i>Note</i>)	20.7%	15.4%

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

The gearing ratio increased for the Year as compared to that of 2021 which was mainly due to the increase in the balances of loans and borrowings as at 31 December 2022.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the years ended 31 December 2022 and 2021:

	2022	2021
Inventory turnover days (<i>Note</i>)	35	37

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 2022 and 2021:

	2022	2021
Debtors' turnover days (<i>Note</i>)	98	94

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 2022. This was mainly because the Group provided a slightly longer credit period to its debtors generally during the Year.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during the years ended 31 December 2022 and 2021:

	2022	2021
Creditors' turnover days (<i>Note</i>)	92	88

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 2021. This was mainly because of better negotiation power of the Group.

Loans and borrowings

As at 31 December 2022, the Group's loans and borrowings dominated in RMB amounted to approximately RMB2,499.0 million (31 December 2021: RMB1,751.4 million), of which approximately RMB550.5 million were fixed rate borrowings (31 December 2021: RMB632.6 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 2022, the banking facilities of the Group amounted to approximately RMB12,004.0 million (31 December 2021: RMB9,023.0 million), of which approximately RMB5,039.0 million were utilised (31 December 2021: RMB5,185.0 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 land use rights. During the Year, our Group's capital expenditure amounted to approximately RMB975.1 million (2021: RMB686.8 million). The significant increase in capital expenditure during the Year was mainly due to the acquisition of equipment and lease prepayment for our production plants.

Capital structure

As at 31 December 2022, the Company had 420,649,134 ordinary shares of HK\$0.01 each in issue. During the Year, a total of 1,152,800 ordinary shares of the Company were issued upon the exercise of share options granted under the share option scheme of the Company at an exercise price of HK\$5.46 per share by a Director and certain employees of the Group.

Financial instruments for hedging purposes

During the year ended 31 December 2022, the Group used aluminium products futures contracts in the Shanghai Futures Exchange to manage the commodity price risk exposure in respect of the highly probable forecast purchase of aluminium products. The Group designates those futures contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of the futures contracts but instead designates the futures contract in its entirety in a hedging relationship.

TREASURY POLICIES

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in both short term and long term.

Certain sales and purchases of inventories of the Group are denominated in the United States ("US") dollars and Hong Kong ("HK") dollars. Furthermore, certain trade receivables, trade payables, bank balances and bank loans are denominated in US dollars and HK dollars, therefore exposing the Group to the currency risk of US dollars and HK dollars. During the year ended 31 December 2022, the Group used forward exchange contracts to manage its exposure to fluctuations in the exchange rate of US dollars.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during the years ended 31 December 2022 and 2021:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	790,767	1,333,295
Interest received	59,344	78,083
Payment for purchase of property, plant and equipment and land use rights	(975,097)	(686,834)
Interest paid	(139,052)	(92,742)
Net increase in bank borrowings	747,647	621,067
Dividends paid to equity shareholders of the Company	(285,419)	(123,631)

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

As at 31 December 2022, the Group had cash and cash equivalents of RMB1,849.8 million (31 December 2021: RMB1,643.1 million), among which 1.54% was held in US dollars, 2.04% was held in HK dollars and the remaining balance was held in RMB.

SALE OF COMPLETED PROPERTIES

(i) Xingfa Plaza

“Xingfa Plaza” (興發大廈), a property project wholly-owned by the Group, is located at the northern side of Jihua Road and western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC. The land use rights of the property were granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m. and a gross floor area of approximately 123,527.29 sq.m..

During the Year, 9 units of “Xingfa Plaza” (興發大廈) had been sold and delivered. The revenue recognized from such sale for the Year amounted to approximately RMB8.1 million (2021: RMB13.1 million).

(ii) Other properties

During the Year, the Group entered into sale and purchase agreements with certain property developers, pursuant to which the Group agreed to purchase certain properties at a consideration of RMB176.4 million (2021: Nil). As at 31 December 2022, the Group has completed the purchase of properties of RMB115.3 million and has obtained the relevant ownership certificates in respect of such properties. As at 31 December 2022, such properties were recorded as inventories of the Group. In addition, the Group received the remaining properties of RMB61.1 million without obtaining the related ownership certificates and such properties were recorded under prepayments of the Group as at 31 December 2022. The Group intended to hold all such properties for sale at market price in subsequent period.

HUMAN RESOURCES

As at 31 December 2022, our Group employed a total of approximately 9,366 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 2022, our Group's total expenses on the remuneration of employees were approximately RMB1,092.5 million, represented approximately 6.5% 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 HKD0.37 per ordinary share for the year ended 31 December 2022 (2021: HKD0.80).

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, 23 June 2023.

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.

PLEDGE OF GROUP ASSETS

As at 31 December 2022, the Group's pledged deposits amounting to approximately RMB224.7 million (31 December 2021: RMB 208.9 million) and bills receivable with carrying value of approximately RMB771.3 million (31 December 2021: RMB968.0 million) were pledged as security for issuing bills.

As at 31 December 2022, certain plants with net book value of RMB370.3 million (31 December 2021: RMB370.6 million) and land use rights under right-of-use assets with carrying value of RMB217.2 million (31 December 2021: RMB270.1 million) were pledged as security for bank loans and borrowings of the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022 (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant event has occurred after the end of the year under review.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with all the code provisions of the then prevailing Corporate Governance Code as set out in Appendix 14 to the Listing Rules for year ended 31 December 2022.

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Thursday, 25 May 2023, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (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 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 not later than 4:30 p.m. on Friday, 19 May 2023.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023 (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 not later than 4:30 p.m. on Tuesday, 6 June 2023.

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 of the Board.

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 2022 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.

PUBLICATION OF 2022 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 2022 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
WANG Li
Chairman

15 March 2023

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

Executive Directors:

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

Non-executive Directors:

Mr. ZUO Manlun
Ms. XIE Jingyun

Independent non-executive Directors:

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