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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 2023

FINANCIAL HIGHLIGHTS

1. Revenue increased by 2.5% to approximately RMB17,352.6 million (2022: RMB16,933.1 million).
2. Sales volume rose by 6.6% to 757,480 tonnes (2022: 710,534 tonnes).
3. Gross profit increased by 12.1% to approximately RMB1,990.2 million (2022: RMB1,774.7 million).
4. Profit attributable to Shareholders for the Year increased by 75.7% to approximately RMB804.2 million (2022: RMB457.8 million).
5. Earnings per share were RMB1.91 (2022: RMB1.09).
6. The Board recommended the payment of a final dividend of HKD0.64 per ordinary share for the year ended 31 December 2023 (2022: HKD0.37).

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 2023 (“**Year**”), together with the comparative figures for the corresponding financial year ended 31 December 2022 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Renminbi)

		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	17,352,551	16,933,064
Cost of sales		<u>(15,362,349)</u>	<u>(15,158,361)</u>
Gross profit		<u>1,990,202</u>	<u>1,774,703</u>
Other income	3	172,618	132,138
Distribution costs		(374,054)	(288,446)
Administrative expenses		(439,264)	(410,523)
Impairment loss on trade and other receivables		<u>(293,204)</u>	<u>(552,098)</u>
Profit from operations		1,056,298	655,774
Finance costs	4(a)	(138,056)	(138,874)
Share of loss of an associate		<u>(1,919)</u>	<u>(5,016)</u>
Profit before taxation	4	916,323	511,884
Income tax	5	<u>(108,222)</u>	<u>(50,575)</u>
Profit for the year		<u>808,101</u>	<u>461,309</u>

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Attributable to:			
Equity shareholders of the Company		804,171	457,774
Non-controlling interests		3,930	3,535
		<u>808,101</u>	<u>461,309</u>
Profit for the year			
		<u>808,101</u>	<u>461,309</u>
Earnings per share			
	7		
Basic (<i>RMB yuan</i>)		<u>1.91</u>	<u>1.09</u>
Diluted (<i>RMB yuan</i>)		<u>1.91</u>	<u>1.09</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 2023

(Expressed in Renminbi)

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	808,101	461,309
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)	3,112	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 Chinese Mainland	201	1,455
Cash flow hedge: net movement in the hedging reserve	—	(70,846)
Other comprehensive income for the year	3,313	(67,093)
Total comprehensive income for the year	811,414	394,216
Attributable to:		
Equity shareholders of the Company	807,484	390,681
Non-controlling interests	3,930	3,535
Total comprehensive income for the year	811,414	394,216

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in Renminbi)

		31 December 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		3,303,653	2,845,925
Investment property		193,580	199,052
		3,497,233	3,044,977
Right-of-use assets		465,218	401,813
Intangible assets		2,586	2,998
Interest in an associate		–	3,959
Equity securities designated at fair value through other comprehensive income (“FVOCI”)		36,508	32,847
Derivative financial instruments		4,315	8,556
Prepayments	<i>9(b)</i>	31,432	–
Deferred tax assets		201,919	145,621
		4,239,211	3,640,771
Current assets			
Derivative financial instruments		–	3,402
Inventories and other contract costs	<i>8</i>	1,362,123	1,453,525
Trade and other receivables	<i>9(a)</i>	4,191,085	4,751,383
Prepayments	<i>9(b)</i>	107,102	172,381
Pledged deposits		124,250	224,736
Cash and cash equivalents		2,840,415	1,849,773
Non-current assets held for sale		2,040	–
		8,627,015	8,455,200
Current liabilities			
Trade and other payables	<i>10</i>	3,822,213	4,420,769
Contract liabilities	<i>11</i>	382,413	378,517
Loans and borrowings		499,590	550,452
Lease liabilities		2,518	2,427
Current taxation		88,201	70,885
		4,794,935	5,423,050
Net current assets		3,832,080	3,032,150
Total assets less current liabilities		8,071,291	6,672,921

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities		
Loans and borrowings	2,647,902	1,948,554
Lease liabilities	3,537	5,624
Deferred income	66,118	41,579
Deferred tax liabilities	27,903	21,700
	<u>2,745,460</u>	<u>2,017,457</u>
Net assets	<u><u>5,325,831</u></u>	<u><u>4,655,464</u></u>
Capital and reserves		
Share capital	3,753	3,753
Reserves	5,314,555	4,648,118
	<u>5,318,308</u>	<u>4,651,871</u>
Total equity attributable to equity shareholders of the Company	<u>5,318,308</u>	<u>4,651,871</u>
Non-controlling interests	<u>7,523</u>	<u>3,593</u>
Total equity	<u><u>5,325,831</u></u>	<u><u>4,655,464</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

(Expressed in Renminbi)

	2023 RMB'000	2022 RMB'000
Operating activities		
Cash generated from operations	1,608,157	943,990
Income tax paid	(131,537)	(138,260)
Dividend withholding tax paid	(10,000)	(14,718)
Land Appreciation Tax (“LAT”) paid	(13)	(245)
	<u>1,466,607</u>	<u>790,767</u>
Net cash generated from operating activities	1,466,607	790,767
Investing activities		
Interest received	63,220	59,344
Payment for purchase of property, plant and equipment and land use rights	(980,917)	(975,097)
Payment for pledged deposits	(2,022,764)	(2,400,436)
Proceeds received upon maturity of pledged deposits	2,123,250	2,384,619
Proceeds from disposal of property, plant and equipment	4,826	20,312
Payment for purchase of unlisted equity securities	(27,516)	–
Payment for deposit of commodity futures contracts	(2,000)	(141,000)
Refund from deposit of commodity futures contracts	5,200	161,869
	<u>(836,701)</u>	<u>(890,389)</u>
Net cash used in investing activities	(836,701)	(890,389)
Financing activities		
Capital element of lease rentals paid	(2,293)	(1,985)
Interest element of lease rentals paid	(321)	(515)
Interest paid	(146,135)	(139,052)
Proceeds from loans and borrowings	2,771,236	3,527,664
Repayment of loans and borrowings	(2,122,750)	(2,780,017)
Dividends paid to equity shareholders of the Company	(141,047)	(285,419)
Proceeds from shares issued under share option scheme	–	5,838
	<u>358,690</u>	<u>326,514</u>
Net cash generated from financing activities	358,690	326,514
Net increase in cash and cash equivalents	988,596	226,892
Cash and cash equivalents at 1 January	1,849,773	1,643,133
Effect of foreign exchange rate changes	2,046	(20,252)
Cash and cash equivalents at 31 December	2,840,415	1,849,773

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 financial statements of the Group for the year ended 31 December 2023 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”) 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. Material 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 2023 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 new and amended IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these new and amended IFRSs have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the financial statement except for impacts of the adoption of the amendments discussed below:

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

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:

	2023 <i>RMB'000</i>	2022 <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	16,764,600	16,450,403
— Sales of aluminium panels, aluminium alloy, moulds and spare parts	585,582	472,824
— Revenue from processing service contracts	2,369	1,766
— Sales of completed properties	<u>—</u>	<u>8,071</u>
	<u>17,352,551</u>	<u>16,933,064</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 for the year ended 31 December 2023 (2022: Nil).

The Group has applied practical expedient in paragraph 121(a) of IFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with the customers in existence at the end of reporting period as the performance obligation is part of a contract that has an original expected duration of one year or less.

(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, and 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 2023 and 2022 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	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>2,642,811</u>	<u>2,723,032</u>	<u>14,121,789</u>	<u>13,727,371</u>	<u>587,951</u>	<u>482,661</u>	<u>17,352,551</u>	<u>16,933,064</u>
Reportable segment profit								
Gross profit	<u>151,610</u>	<u>179,508</u>	<u>1,619,793</u>	<u>1,417,585</u>	<u>218,799</u>	<u>177,610</u>	<u>1,990,202</u>	<u>1,774,703</u>

(ii) *Reconciliations of reportable segment profit*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Reportable segment profit derived from the Group's external customers	1,990,202	1,774,703
Other income	172,618	132,138
Distribution costs	(374,054)	(288,446)
Administrative expenses	(439,264)	(410,523)
Impairment loss on trade and other receivables	(293,204)	(552,098)
Finance costs	(138,056)	(138,874)
Share of loss of an associate	(1,919)	(5,016)
	<u>916,323</u>	<u>511,884</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 98% (2022: 99%) of the revenue are generated from the People's Republic of China (the "PRC") market.

3 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	63,220	59,344
Government grants		
— Unconditional subsidies	15,978	18,243
— Conditional subsidies	9,895	22,112
Income from value-added tax ("VAT") super deduction (i)	88,850	—
Rental income	15,815	16,696
Net foreign exchange gain	1,483	12,384
Changes in fair value of other derivative and forward exchange contracts	(7,643)	3,402
(Loss)/gain on disposal of property, plant and equipment and other assets	(14,880)	6,537
Changes in fair value of commodity future contracts recognised as hedge ineffectiveness	—	(6,580)
Donations	(100)	—
	<u>172,618</u>	<u>132,138</u>

- (i) Income from VAT super deduction represented the super deduction on VAT granted by the government authorities in the PRC.

4 PROFIT BEFORE TAXATION

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

(a) **Finance costs:**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans and borrowings	92,967	94,891
Interest expenses on discounted bills	50,543	49,058
Interest on lease liabilities	321	515
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	143,831	144,464
Less: interest expense capitalised into construction in progress*	(5,775)	(5,590)
	<hr/>	<hr/>
	138,056	138,874
	<hr/> <hr/>	<hr/> <hr/>

* The borrowing costs have been capitalised at a rate of 2.8% – 3.3% per annum (2022: 3.7% – 4.9%).

(b) **Staff costs:**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contributions to defined contribution retirement plans	94,010	87,933
Salaries, wages and other benefits	1,003,189	1,006,299
Equity-settled share-based payment expenses	–	(1,690)
	<hr/>	<hr/>
	1,097,199	1,092,542
	<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.

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 (2022: 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:**

	2023	2022
	RMB’000	RMB’000
Depreciation charge		
— Investment property	5,472	4,873
— Property, plant and equipment	451,509	493,873
— Right-of-use assets	13,329	11,725
Amortisation cost of intangible assets	412	412
Provision/(reversal) of impairment losses on		
— trade receivables	293,138	552,950
— other receivables	66	(852)
Auditors’ remuneration		
— audit services	2,052	1,395
— other services	920	784
Cost of inventories (i)/(Note 8 & 9(b))	15,362,349	15,158,361
Research and development costs (ii)	808,426	791,243

- (i) Cost of inventories included RMB1,113,899,000 (2022: RMB1,174,166,000) 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, and included RMB38,107,000 (2022: Nil) and RMB23,224,000 (2022: Nil) relating to write down of inventories — completed properties for sale (Note 8) and impairment loss on prepayments for properties (Note 9(b)), respectively.
- (ii) Research and development costs included RMB188,131,000 (2022: RMB192,648,000) 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:

	2023 RMB'000	2022 RMB'000
Current tax		
Provision for PRC corporate income tax	148,729	119,165
Provision for Hong Kong Profits Tax	137	–
Provision for PRC LAT	–	1,168
Dividends withholding tax	10,000	14,718
	<u>158,866</u>	<u>135,051</u>
Deferred tax		
Origination and reversal of temporary differences	(40,644)	(69,758)
Effect on distribution of dividends	(10,000)	(14,718)
	<u>(50,644)</u>	<u>(84,476)</u>
	<u>108,222</u>	<u>50,575</u>

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	916,323	511,884
Less: LAT	–	1,168
	<u>916,323</u>	<u>510,716</u>
Profit before CIT		
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	225,973	128,683
Tax effect of non-deductible expenses	877	884
Tax effect of share of loss of an associate	288	752
Effect of tax concessions	(88,798)	(48,134)
Super deduction on research and development expenses in respect of prior year (<i>Note 5(b)(v)</i>)	(46,284)	(39,695)
Effect of withholding on undistributed profits retained by PRC subsidiaries	16,166	6,917
	<u>108,222</u>	<u>49,407</u>
Actual corporate income tax		
Add: LAT	–	1,168
	<u>108,222</u>	<u>50,575</u>
Actual tax expense		
	<u>108,222</u>	<u>50,575</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 2023 (2022: 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 2023 (2022: 15%).
- (ii) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 HKD2 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 2022.

The provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HKD6,000 for each business (2022: a maximum reduction of HKD10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

- (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 2023, deferred tax liabilities of RMB26,948,000 (2022: RMB20,782,000) 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 2023, 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 2022. As such, the income tax for 2023 was reduced by RMB46,284,000 (2022: RMB39,695,000). Such additional tax deduction on research and development expenses equals 100% (2022: 100%) 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividends proposed after the end of reporting year of HKD0.64 per ordinary share (2022: HKD0.37 per ordinary share)	<u>243,968</u>	<u>139,029</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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD0.37 per ordinary share (2022: HKD0.80 per ordinary share)	<u>141,047</u>	<u>285,419</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 RMB804,171,000 (2022: RMB457,774,000) and the weighted average number of 420,649,000 ordinary shares (2022: 420,110,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 <i>'000</i>	2022 <i>'000</i>
Issued ordinary shares at 1 January	420,649	419,496
Effect of share options exercised	<u>–</u>	<u>614</u>
Weighted average number of ordinary shares at 31 December	<u>420,649</u>	<u>420,110</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue for the year ended 31 December 2023 and 2022.

8 INVENTORIES AND OTHER CONTRACT COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Aluminium profiles manufacturing		
— Raw materials	215,491	253,644
— Work in progress	170,684	150,152
— Finished goods	731,712	782,868
	<u>1,117,887</u>	<u>1,186,664</u>
Completed properties for sale		
— Properties developed by the Group	151,589	151,589
— Acquired properties (i)	92,647	115,272
	<u>244,236</u>	<u>266,861</u>
	<u>1,362,123</u>	<u>1,453,525</u>

- (i) During the year ended 31 December 2023 and 2022, the Group has entered into the sale and purchase agreements with property developers to purchase certain properties with total considerations of RMB206,258,000. Also, the Group has settled the considerations by endorsing its trade receivables to the property developers without right of recourse.

As at 31 December 2023, the Group has completed the purchase of properties of RMB130,754,000 (31 December 2022: RMB115,272,000) with ownership certificates obtained as recorded at costs, net of the provision for write down of such acquired properties held for sale to net realisable value amounted to RMB38,107,000 (31 December 2022: Nil).

Besides, the Group has received the properties of RMB75,504,000 (31 December 2022: RMB61,104,000) without obtaining the related ownership certificates and recorded the properties in “Prepayments” (Note 9(b)).

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount of inventories sold	15,301,018	15,158,361
Write down of inventories — completed properties for sale	<u>38,107</u>	<u>—</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

	2023	2022
	RMB'000	RMB'000
Trade debtors and bills receivable, net of loss allowance (i)	3,995,609	4,591,932
Other debtors, net of loss allowance (ii)	195,476	159,451
	<u>4,191,085</u>	<u>4,751,383</u>

- (i) Bills receivable with carrying value of RMB887,325,000 were pledged as security of issuing bills by the Group as at 31 December 2023 (31 December 2022: RMB771,331,000).
- (ii) As at 31 December 2023, loss allowance on other debtors is RMB1,476,000 (31 December 2022: RMB1,410,000).
- (iii) The amount of trade and other receivables that is expected to be recovered after more than one year is RMB15,050,000 (2022: RMB14,401,000), 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 acceptance date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 month	2,009,535	1,991,878
1 to 3 months	1,217,612	1,511,068
3 to 6 months	672,929	760,986
Over 6 months	95,533	328,000
	<u>3,995,609</u>	<u>4,591,932</u>

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

(b) Prepayments

	2023	2022
	RMB'000	RMB'000
Prepayments for raw materials and others	86,254	111,277
Prepayments for properties (i)	75,504	61,104
	161,758	172,381
Less:		
Impairment loss on prepayments for properties (i)	(23,224)	–
Non-current portion included in prepayments	(31,432)	–
	107,102	172,381

- (i) The prepayments 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. As at 31 December 2023, impairment loss on prepayments for properties was amounted to RMB23,224,000 (31 December 2022: Nil).

10 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables	1,153,505	985,458
Bills payable	1,853,247	2,638,202
Accrued payroll and benefits	253,667	243,796
Other payables and accruals	361,621	365,717
Payable for purchase of property, plant and equipment	137,823	87,703
Interest payable	11,992	14,617
Deferred income	12,303	12,013
Payable for the purchase of unlisted equity securities and derivative	–	27,516
Financial liabilities measured at amortised cost	3,784,158	4,375,022
Refund liabilities		
— arising from volume rebates	38,055	45,747
	3,822,213	4,420,769

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	508,500	288,590
1 to 3 months	1,205,945	893,668
3 to 6 months	1,018,991	809,460
Over 6 months	273,316	1,631,942
	<u>3,006,752</u>	<u>3,623,660</u>

As at 31 December 2023, bills payable of RMB170,074,000 was secured by bills receivables of the Group (31 December 2022: RMB267,660,000), bills payable of RMB1,013,000,000 was secured by pledged deposits of the Group (31 December 2022: RMB2,085,000,000).

11 CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Aluminium profiles contracts		
— Billings in advance of performance	<u>382,413</u>	<u>378,517</u>

Movements in contract liabilities

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Balance at 1 January	378,517	228,274
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	(378,517)	(228,274)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	<u>382,413</u>	<u>378,517</u>
Balance at 31 December	<u>382,413</u>	<u>378,517</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

In 2023, driven by policies supporting steady growth, China's Gross Domestic Product ("GDP") recorded a higher-than-expected growth rate of 5.2%. However, the domestic and international environment are increasingly complex and the conflict between the insufficient domestic demand and supply still exists. For the real estate industry, factors such as the Three Red Line policies and the decline in purchasers' confidence as a result of the debt default by real estate developers leaving the market under continued pressure and at a stage of low level adjustment. According to the National Bureau of Statistics, the sales area of commercial housing in 2023 was 112,000 square meters, representing a year-on-year decrease of 8.5%; the amount of sales of commercial housing was RMB11.7 trillion, representing a year-on-year decrease of 6.5%; the investment in real estate development nationwide was about RMB11.1 trillion, representing a year-on-year decrease of 9.6%. As a major manufacturer and supplier of construction aluminium profiles in China, despite severe challenges in the industry, Xingfa Aluminium continued to strengthen its cooperation with high quality real estate developers with healthy cash flow, and actively expanded its product portfolio to lay a solid foundation for the development of a diversified aluminium profiles business.

Business Review

In the past year, it was a period of difficulties and opportunities for Xingfa Aluminium. Against the background of the liquidity crisis faced by real estate developers, the continued downturn in the real estate market has weakened the demand for aluminium profile products, which has brought severe challenges to the Group's operations and sales. However, thanks to the tireless efforts of all the members of the Group, during the Year, the Group actively expanded its business scale, maintained product quality and brand reputation, and pushed Xingfa Aluminium to overcome difficulties and maintain double growth in sales and output under a difficult business environment. As a major manufacturer and supplier of construction aluminium profiles, the Group was inevitably affected by industry conditions. During the Year, the Group made a special provision of impairment loss on trade receivables from certain property sub-contractors, amounting to approximately RMB243.9 million. However, excluding the relevant provision, the profitability of the Group was improved during the Year, fully demonstrating the resilience of its business.

In terms of business development, in order to cope with the unstable business environment and market uncertainties, the Group adopted a more flexible operation mode. In this regard, the Group actively promoted cooperative relations with state-owned enterprises and real estate developers with healthy cash flow by virtue of its own product quality and technology. Also, it strengthened the development of public construction projects through cooperation with the government, reducing dependence on customers in a single sector, mitigating operational risks and ensuring a sound financial position. In addition, the Group continued to expand the retail market, improve home door and window products, increase brand influence at the retail level, so as to create new business growth points for the Group.

Apart from making adjustments to the construction aluminium profiles business, the Group continued to develop its industrial aluminium profiles business. Against the backdrop of strong national policy promoting green energy, Xingfa Aluminium actively adapted to the market trend by expanding related products in the photovoltaic field, in order to enhance its brand awareness and influence in the photovoltaic segment. Further, the Group continued to explore opportunities related to new energy vehicles, acquired new customers and optimised product design to meet market demand and enhance competitiveness. Through continuous investment on research and development and innovation, Xingfa Aluminium gradually consolidated its market position in the field of industrial aluminium profiles during the Year and ushered in diversified business opportunities.

To further capture market opportunities, the Group actively increased production capacity and expanded its overseas presence. The digital and automated production base in Zhejiang Province has entered the trial production stage, and it is expected to commence production in 2024, empowering Xingfa to embark on the road of “Smart Manufacturing 2.0” to produce high-quality aluminium profile products with higher efficiency. Additionally, the plant of the Australian joint venture project has been completed and trial production is expected to start in 2024; the ASEAN project is also in the preparatory stage. In coordination with the gradual increase in production capacity, the Group adopted a more proactive sales strategy during the Year by setting up a dedicated team focusing on overseas markets and successfully expanded into overseas markets such as Mexico and the United States, enabling Xingfa Aluminium to expand its international market presence.

Revenue

For the year ended 31 December 2023, the revenue and sales volume of the Group increased by 2.5% and 6.6% to approximately RMB17,352.6 million and 757,480 tonnes respectively (2022: RMB16,933.1 million and 710,534 tonnes respectively), of which the sales of construction aluminium profiles and industrial aluminium profiles accounted for 81.4% and 15.2% of the revenue respectively. The gross profit of the Group for the Year increased by

12.1% year-on-year to approximately RMB1,990.2 million. The gross profit margin increased to 11.5% (2022: 10.5%), and such increase was mainly due to the tightened procurement and production cost control during the Year. During the Year, the profit attributable to owners of the Company was approximately RMB804.2 million, representing an increase of 75.7% 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 2023, the revenue of construction aluminium profiles increased by 2.9% year on year to approximately RMB14,121.8 million (2022: RMB13,727.4 million), and sales volume grew by 9.2% year on year to approximately 622,678 tonnes (2022: 570,071 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 2.9% year on year to approximately RMB2,642.8 million (2022: RMB2,723.0 million) in 2023, and sales volume dropped by 5.1% year on year to approximately 126,171 tonnes (2022: 132,977 tonnes).

PROSPECT

Looking ahead to 2024, the Group is cautiously optimistic about the aluminium profile industry and its own development. Although the real estate industry is facing certain challenges in the short term, the aluminium profile industry, as a huge existing market, is still full of development opportunities. With the Chinese government accelerating the implementation of supporting policies for the “Three Major Projects”, initiating Urban Village Renewal projects in megacities, and the central bank reinstating mortgage supplementary loans, the long-adjusted real estate industry is expected to gradually emerge from its predicament.

In terms of construction aluminium profiles, the Group will continue to strengthen cooperation with state-owned enterprises and real estate developers with healthy cash flow, and actively explore co-operation opportunities with the government for public construction projects and continue to expand the retail market, so as to consolidate market share and explore new business breakthroughs. In terms of industrial aluminium profiles, the Group will increase its presence in photovoltaic and new energy vehicles sectors, continuously develop high-strength and lightweight aluminium products, seize the opportunities in this new blue ocean market, and establish a growth engine in addition to the construction segment.

In order to seize market opportunities, the Group will strive to improve research and development, production, sales and management, so as to reduce costs and increase efficiency. The Group will actively expand its production network. The second generation smart manufacturing plant in Zhejiang Province will be put into production in 2024. Together with the plant of the Australian joint venture project and the ASEAN production base under construction, the total production capacity of Xingfa Aluminium will be fully improved. This enable us to fulfil customer requirements more flexibly and realise efficient production and delivery. We will actively expand the sales team, expand the customer base and market share, so that Xingfa Aluminium can better seize the growth opportunities and achieve more stable business growth.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for the Year increased by 2.5% and 6.6% year-on-year to approximately RMB17,352.6 million and 757,480 tonnes respectively (2022: RMB16,933.1 million and 710,534 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 9.2% to approximately 622,678 tonnes (2022: 570,071 tonnes). Meanwhile, the sales volume of industrial aluminium profiles for the Year decreased by 5.1% to approximately 126,171 tonnes (2022: 132,977 tonnes).

The following table sets forth the details of our revenue by reportable segments for the years ended 31 December 2023 and 2022:

	2023	2022
	RMB'000	RMB'000
Manufacturing and sale of aluminium profiles		
— Construction aluminium profiles	14,121,789	13,727,371
— Industrial aluminium profiles	2,642,811	2,723,032
	16,764,600	16,450,403
All other segments	587,951	482,661
Total	17,352,551	16,933,064

Note: Our Group's revenue from all other segments represented revenue generated from processing service contracts related to aluminium products, sale of aluminium panels, aluminium alloy, moulds and spare parts, and sale of office premises and residential properties.

Gross profit and gross profit margin

The gross profit of the Group for the Year increased by 12.1% year-on-year to approximately RMB1,990.2 million (2022: RMB1,774.7 million).

The overall gross profit margin for the Year of the Group increased by one percentage point to 11.5% (2022: 10.5%), and the sales to production ratio increased to 99.5% (2022: 99%).

The following table sets forth the gross profit margin of our aluminium profiles in 2023 and 2022:

	2023	2022
Construction aluminium profiles	11.5%	10.3%
Industrial aluminium profiles	5.7%	6.6%

The gross profit margin of construction aluminium profiles increased to 11.5% while the gross profit margin of industrial aluminium profiles decreased to 5.7% for the Year respectively as compared to that of 2022. The increase in gross profit margin of construction aluminium was mainly due to the tightened procurement and production cost control while the decrease in gross profit margin of industrial aluminium was mainly due to intensified competitive market.

Other income

Other income of the Group for the Year increased to approximately RMB172.6 million (2022: RMB132.1 million), which was mainly attributable to the combined effect of the increase in income from value-added tax super deduction, offset by loss on disposal of property, plant and equipment and other assets and decrease in government grants for the Year.

Distribution costs

The distribution costs of the Group for the Year increased by 29.7% to approximately RMB374.1 million (2022: RMB288.4 million), which accounted for 2.2% of the revenue (2022: 1.7%). The increase was mainly due to the general increase in transportation costs and agent fee.

Administrative expenses

The administrative expenses of the Group for the Year increased by 7.0% to approximately RMB439.3 million (2022: RMB410.5 million), which accounted for 2.5% of the revenue (2022: 2.4%). The increase was mainly due to the general increase in staff costs.

Impairment loss on trade and other receivables

The impairment loss on trade and other receivables of the Group for the Year decreased by RMB258.9 million to RMB293.2 million (2022: RMB552.1 million), which was mainly attributable to the decrease of RMB308.9 million in loss allowances provided for the credit-impaired trade receivables. Such loss allowances were provided for after considering the recoverability of trade receivables due from certain property sub-contractors as a result of adverse circumstance in construction aluminium profile industry.

Finance costs

Despite of the increase in the level of bank borrowings, finance costs remained stable at approximately RMB138.1 million for the Year (2022: RMB138.9 million) which is due to the decrease in the average interest rate of bank borrowings.

Profit for the Year and net profit margin

The profit attributable to shareholders of the Company (“**Shareholders**”) for the Year increased by 75.7% year-on-year to approximately RMB804.2 million (2022: RMB457.8 million). The increase was mainly attributable to decrease in provision of impairment loss on trade and other receivables in the Year and increase in sales orders of the Group in 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 2023 and 2022:

	2023	2022
Current ratio (<i>Note i</i>)	1.80	1.56
Quick ratio (<i>Note ii</i>)	1.52	1.29

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 2023 increased as compared to those as at 31 December 2022. Such increases were mainly due to the decrease in current liabilities as a result of a drop in trade and other payables as at 31 December 2023.

Gearing ratio

The following table sets out our Group’s gearing ratio as at 31 December 2023 and 2022:

	2023	2022
Gearing ratio (<i>Note</i>)	24.5%	20.7%

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 2022 which was mainly due to the increase in the balances of loans and borrowings as at 31 December 2023.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the years ended 31 December 2023 and 2022:

	2023	2022
Inventory turnover days (<i>Note</i>)	34	35

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.

Inventory turnover days for the Year remained stable as compared to that for 2022 due to enhanced arrangement on production plans, leading to a stable inventory backlog and 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 2023 and 2022:

	2023	2022
Debtors' turnover days (<i>Note</i>)	90	98

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 decreased for the Year as compared to that of 2022. This was mainly because the Group tightened 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 2023 and 2022:

	2023	2022
Creditors' turnover days (<i>Note</i>)	79	92

Note: Creditors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables for the periods divided by the total cost of sales during the years multiplied by 365 days.

The creditors' turnover days for the Year decreased as compared to that of 2022. The decrease in creditors' turnover days was a result of Group's bargaining strategy with its suppliers to shorten the payment period in order to maintain a competitive purchase costs.

Loans and borrowings

As at 31 December 2023, the Group's loans and borrowings dominated in RMB amounted to approximately RMB3,147.5 million (31 December 2022: RMB2,499.0 million), of which approximately RMB1,146.6 million were fixed rate borrowings (31 December 2022: RMB550.5 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 2023, the banking facilities of the Group amounted to approximately RMB14,176.2 million (31 December 2022: RMB12,004.0 million), of which approximately RMB4,509.0 million were utilised (31 December 2022: RMB5,039.0 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 RMB980.9 million (2022: RMB975.1 million). The increase in capital expenditure during the Year was mainly due to the acquisition of equipment and land use rights for our production plants.

Capital structure

As at 31 December 2023, the Company had 420,649,134 ordinary shares of HKD0.01 each in issue. During the Year, no share of the Company was issued.

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.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during the years ended 31 December 2023 and 2022:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	1,466,607	790,767
Interest received	63,220	59,344
Payment for purchase of property, plant and equipment and land use rights	(980,917)	(975,097)
Interest paid	(146,135)	(139,052)
Net increase in bank borrowings	648,486	747,647
Dividends paid to equity shareholders of the Company	(141,047)	(285,419)

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 2023, the Group had cash and cash equivalents of RMB2,840.4 million (31 December 2022: RMB1,849.8 million), among which 2.4% was held in US dollars, 4.7% 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, no unit of “Xingfa Plaza” (興發大廈) had been sold and delivered. There was no revenue recognized from the sale of completed properties for the Year (2022: RMB8.1 million). As at 31 December 2023, approximately 39.6% of the saleable floor area have been delivered to the customers.

(ii) Other properties

During the Year, the Group received properties of RMB29.9 million (2022: RMB176.4 million) under the sale and purchase agreements with certain property developers, pursuant to which the Group agreed to purchase certain properties. As at 31 December 2023, the Group has completed the purchase of properties of RMB130.8 million with ownership certificates obtained and such properties were recorded at costs as inventories of the Group, net of the provision for write down of such acquired properties held for sale to net realisable value amounted to RMB38.1 million. In addition, the Group received the remaining properties of RMB75.5 million without obtaining the related ownership certificates and such properties were recorded under prepayments of the Group, less impairment loss of RMB23.2 million as at 31 December 2023. The Group intended to hold all such properties for sale in subsequent period.

HUMAN RESOURCES

As at 31 December 2023, our Group employed a total of approximately 9,185 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 2023, our Group's total expenses on the remuneration of employees were approximately RMB1,097.2 million, represented approximately 6.3% 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 HKD0.64 per ordinary share for the year ended 31 December 2023 (2022: HKD0.37).

Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid in HK dollars on or around Monday, 24 June 2024.

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 2023, the Group's pledged deposits amounting to approximately RMB124.3 million (31 December 2022: RMB224.7 million) and bills receivable with carrying value of approximately RMB887.3 million (31 December 2022: RMB771.3 million) were pledged as security for issuing bills.

As at 31 December 2023, certain plants with net book value of RMB365.6 million (31 December 2022: RMB370.3 million) and land use rights under right-of-use assets with carrying value of RMB379.8 million (31 December 2022: RMB217.2 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 2023 (2022: 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 Corporate Governance Code as set out in Part 2 of Appendix C1 (formerly known as Appendix 14) to the Listing Rules for year ended 31 December 2023.

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 C3 (formerly known as 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, 30 May 2024, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (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, 24 May 2024.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Friday, 7 June 2024 (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, 4 June 2024.

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 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants (the “**Auditor**”), 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 2023 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 2023 annual report of the Company containing all the information required by the Listing Rules will be 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

21 March 2024

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