

TARGET

Intelligence Report

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XINGFA ALUMINIUM HOLDINGS LTD: NUMBERS PROVE

By trying to make a decision as to whether or not to invest in the shares of Xingfa Aluminium Holdings Ltd (興發鋁業控股有限公司) (Code: 98, Main Board, The Stock Exchange of Hongkong Ltd), on superficially skimming through the 324-page Annual Report in respect of the Financial Year, ended December 31, 2020, without very careful consideration, one is quite likely to come a cropper.

On scanning the Five-Year Summary of the Company with regard to the Net Profit Attributable to Shareholders, found at Page 324 of the 2020 Annual Report, it does appear that the Company has recorded an increase of about 156.43 percent – from the 2016-Year's figure of about 298,476,000 renminbi to the 2020-Year's figure of about 765,385,000 renminbi.

However, the above statistics are not necessarily indicative, from the point of view of a wary investor, of certain relevant facts in respect of, inter alia, the 2020 Net Profit Attributable to Shareholders of Xingfa Aluminium Holdings Ltd.

Mr Liu Li Bin (劉立斌), the Chairman of the Company, stated, at Page Five of the 2020 Annual Report, the following:

'In 2020, the Group's revenue increased by 5.4% to approximately RMB11,886,900,000 (2019: RMB11,280,848,000) and sales volume rose by approximately 6.5% to 651,721 tonnes (2019: 612,223 tonnes). Of which, the sales of construction aluminium profiles and industrial aluminum (sic) profiles accounted for 77.9% and 19.5% of the revenue, respectively. Gross profit reached RMB1,629,400,000 for the year, representing a year-on-year increase of 9.4%. The gross profit margin was 13.7% and net profit attributable to shareholders increased by 26.3% to approximately RMB765,400,000 (2019: RMB606,100,000). The Directors recommended the payment of a final dividend of HKD0.36 per ordinary share of the Company ("Shares") for the year ended 31 December 2020 (2019: HKD0.28) to recompense shareholders for their support to Xingfa.'

TARGET (泰達財經) takes issue in respect of some of the statistics, mentioned in the Chairman's statement, as well as those statistics that were omitted – perhaps by sheer accident?

At Page 233 of the 2020 Annual Report, under the heading, '*Other income*', being Note Four to the Company's Accounts, the following statistics were stated:

ITEM	2020	2019	Increase/Decrease (%)
	All Figures Are Denominated In Renminbi (except where otherwise stated)		
Interest Income	53,899,000	42,734,000	26.13
Government Grants			
• Unconditional Subsidies	30,341,000	25,788,000	17.66
• Conditional Subsidies	26,274,000	25,354,000	3.63
Changes In Fair Value Of Commodity Futures Contracts Recognised As Hedge Ineffectiveness	26,067,000	Nil	N/A
Gain/(Loss) On Disposal of Property, Plant and Equipment, and Right-Of-Use Assets	740,000	(2,800,000)	126.43
TOTAL	137,321,000	91,076,000	50.78

* Certain other figures were not included in this medium's abbreviated table since they were not considered, by this medium, as being either material and/or germane. These omitted figures, in aggregate, amounted to 9,088,000 renminbi in respect of the 2020 Financial Year, and 14,383,000 renminbi in respect of the 2019 Financial Year.

It is noted that, had the 26,067,000 renminbi gain, being '*Changes In Fair Value of Commodities Futures Contracts Recognised as Hedge Ineffectiveness*', and the increase in Government Grants, amounting to 4,553,000 renminbi, the Bottom Line would have been shaved down to about 115,789,000 renminbi.

The Net Increase, Year-On-Year, with regard to '*Other Income*', therefore, after deducting '*Changes in fair value of commodity future contracts recognised as hedge ineffectiveness*', was not more than 14,383,000 renminbi, equivalent to about 13.57 percent.

As such, the Net Profit Attributable to Shareholders would have been reduced by 30,620,000 renminbi, taking into account the abovementioned, only, to 734,765,000 renminbi, an increase, Year-On-Year, of about 21.23 percent.

This is somewhat of a transmogrification of the Consolidated Statement of Profit or Loss, found at Page 171 of the 2020 Annual Report, where the Net Profit Attributable to Shareholders was indicated as being an increase, Year-On-Year, of about 26.28 percent.

The Revenue Of Xingfa Aluminium Holdings Ltd

Under the heading, '*Management Discussion and Analysis*', found at Pages Eight through to 23 of the 2020 Annual Report, at Page 15, under the sub-heading, '*FINANCIAL REVIEW*', one was apprised of the following:

'The revenue and sales volume of the Group for the Year increased by 5.4% and 6.5% year-on-year to approximately RMB11,886.9 million and 651,721 tonnes respectively (2019: RMB11,280.8 million and 612,223 tonnes respectively). The growth was attributable to the increase in sales orders during the Year ... [CLICK TO ORDER FULL ARTICLE](#)

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