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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)

CONNECTED TRANSACTION – FABRICATION AND INSTALLATION CONTRACTS

FABRICATION AND INSTALLATION CONTRACT FOR STONE CURTAIN WALL AND STRUCTURAL STEEL FRAMEWORK (CONTRACT A)

On 28 March 2013, Guangdong Xingfa, a wholly-owned subsidiary of the Company, has entered into Contract A with the Contractor pursuant to which the Contractor shall carry out the fabrication and installation works of stone curtain wall and structural steel framework for the Office Building of Guangdong Xingfa which is situated in Sanshui District, Foshan City, the PRC at the total contract fee of RMB1,310,686.56, subject to adjustments as detailed below.

FABRICATION AND INSTALLATION CONTRACT FOR ALUMINIUM ALLOY WINDOWS, RAILING, CURTAIN WALL AND STRUCTURAL STEEL FRAMEWORK (CONTRACT B)

On 28 March 2013, Guangdong Xingfa has also entered into Contract B with the Contractor pursuant to which the Contractor shall carry out the fabrication and installation works of aluminium alloy windows, railing, curtain wall and structural steel framework for the Office Building at the total contract fee of RMB8,243,637.49, subject to adjustments as detailed below.

IMPLICATIONS UNDER THE LISTING RULES

The Contractor is owned as to 46% by Mr. Luo Su, as to 33% by Mr. Luo Riming and as to 21% by Mr. Liao Yuqing, each of them being an executive Director and, collectively, a controlling Shareholder of the Company. In view of the relationship between them and the Contractor, the Contractor is a connected person of the Company. As the highest of the applicable percentage ratios (other than the profits ratio) in respect of Transaction A and Transaction B on aggregate basis is more than 0.1% but less than 5%, Transaction A and Transaction B, when aggregated, will also constitute a connected transaction under Rule 14A.32 of the Listing Rules. Therefore, Transaction A and Transaction B, whether considered on individual basis or on aggregate basis, are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements.

CONTRACT A

Principal terms of Contract A are set out below.

Date

28 March 2013

Parties

- (1) 廣東興發鋁業有限公司 (Guangdong Xingfa Aluminium Co., Ltd.), a wholly-owned subsidiary of the Company; and
- (2) 佛山市興發幕牆門窗有限公司 (Foshan Xingfa Curtain Wall, Door & Window Co., Ltd.), a limited liability company established in the PRC and owned as to 46% by Mr. Luo Su, 33% by Mr. Luo Riming and 21% by Mr. Liao Yuqing, each being an executive Director and collectively, a controlling Shareholder, and principally engaged in the design and installation of curtain wall, door and window projects. In view of the relationship between Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing with the Contractor, the Contractor is a connected person of the Company.

Subject matter

Pursuant to Contract A, the Contractor shall carry out the fabrication and installation works of stone curtain wall and structural steel framework under Project A within the period stipulated under Contract A, which shall include, among other things, the provision of further detailed designs to the satisfaction of Guangdong Xingfa, procurement of materials, fabrication, installation, construction and maintenance, testing of materials, and in general completion of all the fabrication and installation works as indicated in the design drawings confirmed by Guangdong Xingfa in accordance with the requirements and specifications provided in Contract A and passing the inspection and acceptance on completion of Project A, etc.

The works under Contract A shall be completed by the Contractor and the Contractor shall not further subcontract any of the works under Contract A.

Consideration and payment terms

The Contract Fee under Contract A is RMB1,310,686.56. The Actual Fee under Contract A shall be determined based on the actual quantity of works completed and the agreed unit prices under Contract A and, if applicable, the variation works agreed upon by Guangdong Xingfa and completed by the Contractor, less any deductions, compensation claims, penalty for breach, etc., charged by Guangdong Xingfa in accordance with the terms of Contract A. The Actual Fee under Contract A is inclusive of all taxes to be incurred by the Contractor under Contract A and all the costs and expenses to be incurred by the Contractor for completing the works as indicated in the design drawings of Project A.

Guangdong Xingfa shall make progress payments to the Contractor each month based on the specific progresses of works completed by the Contractor in accordance with the terms of Contract A less any deductions and compensation claims made by Guangdong Xingfa and approximately 10% of the amount of the cumulative work payment in respect of the period concerned shall be retained by Guangdong Xingfa as quality assurance money until the cumulative retained amount reaches the maximum amount of total quality assurance money which shall be determined as follows:

- (a) when the estimated value of completed works and the materials used in the completed works is less than or equal to the Contract Fee under Contract A, the total quality assurance money will be equivalent to 5% of the Contract Fee under Contract A;
- (b) when the estimated value of completed works and the materials used in the completed works exceeds the Contract Fee under Contract A, the total quality assurance money shall be equivalent to 5% of the estimated value of completed works and the materials used in the completed works; and
- (c) upon signing of the final statement of accounts of Project A, the total quality assurance money shall be equivalent to 5% of the final Actual Fee under Contract A as stated in the final statement of accounts.

Guangdong Xingfa shall return 50% of the quality assurance money to the Contractor after the final completion of the works under Project A and the passing of the inspection and acceptance of the works in Project A and the remaining 50% of the quality assurance money shall be returned to the Contractor without interest upon the expiry of the Warranty Period for Contract A during which the Contractor shall provide free of charge maintenance and rectification works in respect of defects caused during the progress of Project A.

The Actual Fee under Contract A will be funded by the internal resources of the Group.

Liability for breach in respect of quality of works

In case any of the works carried out by the Contractor under Contract A fails to meet the quality standards as required under Contract A, the Contractor shall be responsible for carrying out rectification works until the required standards are met and the Contractor shall be liable to pay to Guangdong Xingfa a liquidated penalty for breach equivalent to 2% of the Contract Fee under Contract A which may be off set against the payments payable to the Contractor. The relevant progress periods stipulated under Contract A shall not be postponed as a result of the need to carry out rectification works. In case any delay is caused on the agreed progress of works as a result of such rectification works, the Contractor shall be liable to pay compensation to Guangdong Xingfa for delay in completion of Project A in accordance with Contract A.

Completion of Project A

Project A is scheduled to be completed by October 2013 pursuant to the terms of Contract A.

CONTRACT B

Principal terms of Contract B are set out below.

Date

28 March 2013

Parties

- (1) Guangdong Xingfa; and
- (2) the Contractor.

Subject matter

Pursuant to Contract B, the Contractor shall carry out the fabrication and installation works of aluminium alloy windows, railing, curtain wall and structural steel framework for the Office Building under Project B within the period stipulated under Contract B, which shall include, among other things, the provision of further detailed designs to the satisfaction of Guangdong Xingfa, procurement of materials, fabrication, installation, construction and maintenance, testing of materials, and in general completion of all the fabrication and installation works as indicated in the design drawings confirmed by Guangdong Xingfa in accordance with the requirements and specifications provided in Contract B and passing the inspection and acceptance on completion of Project B, etc.

The works under Contract B shall be completed by the Contractor and the Contractor shall not further subcontract any of the works under Contract B.

Consideration and payment terms

The Contract Fee under Contract B is RMB8,243,637.49. The Actual Fee under Contract B shall be determined based on the Contract Fee under Contract B and adjusted by any variation works agreed upon by Guangdong Xingfa and carried out by the Contractor, extra or excluded items of works agreed upon by Guangdong Xingfa, rewards payable to the Contractor (if any), deductions, compensation claims, penalty for breach, if applicable, etc., in accordance with the terms of Contract B. The Actual Fee under Contract B is inclusive of all taxes to be incurred by the Contractor under Contract B and all the costs and expenses to be incurred by the Contractor for completing the works as indicated in the design drawings of Project B.

Guangdong Xingfa shall make progress payments to the Contractor each month based on the specific progresses of works completed by the Contractor in accordance with the terms of Contract B less any deductions and compensation claims made by Guangdong Xingfa and approximately 10% of the amount of the cumulative work payment in respect of the period concerned shall be retained by Guangdong Xingfa as quality assurance money until the cumulative retained amount reaches the maximum amount of total quality assurance money which shall be determined as follows:

- (a) when the estimated value of completed works and the materials used in the completed works is less than or equal to the Contract Fee under Contract B, the total quality assurance money will be equivalent to 5% of the Contract Fee under Contract B;
- (b) when the estimated value of completed works and the materials used in the completed works exceeds the Contract Fee under Contract B, the total quality assurance money shall be equivalent to 5% of the estimated value of completed works and the materials used in the completed works; and
- (c) upon signing of the final statement of accounts of Project B, the total quality assurance money shall be equivalent to 5% of the final Actual Fee under Contract B as stated in the final statement of accounts.

Guangdong Xingfa shall return 50% of the quality assurance money to the Contractor after the final completion of the works under Project B and the passing of the inspection and acceptance of the works in Project B and the remaining 50% of the quality assurance money shall be returned to the Contractor without interest upon the expiry of the Warranty Period for Contract B during which the Contractor shall provide free of charge maintenance and rectification works in respect of defects caused during the progress of Project B.

The Actual Fee under Contract B will be funded by the internal resources of the Group.

Liability for breach in respect of quality of works

In case any of the works carried out by the Contractor under Contract B fails to meet the quality standards as required under Contract B, the Contractor shall be responsible for carrying out rectification works until the required standards are met and the Contractor shall be liable to pay to Guangdong Xingfa a liquidated penalty for breach equivalent to 2% of the Contract Fee under Contract B which may be off set against the payments payable to the Contractor. The relevant progress periods stipulated under Contract B shall not be postponed as a result of the need to carry out rectification works. In case any delay is caused on the agreed progress of works as a result of such rectification works, the Contractor shall be liable to pay compensation to Guangdong Xingfa for delay in completion of Project B in accordance with Contract B.

Completion of Project B

Project B is scheduled to be completed by October 2013 pursuant to the terms of Contract B.

BASIS OF CONSIDERATION

Before entering into the Contracts, Guangdong Xingfa has invited and received several tenders from various contractors for the Projects. Taking into consideration the contract sums quoted by the various contractors in the tender process and the reputation and expertise of the various bidders, including the Contractor, the executive Directors (with Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing having abstained from voting on the relevant board resolution for approving the Contracts and the transactions contemplated thereunder given that each of them is deemed to have a material interest therein) and the senior management, based on their relevant experience and expertise in similar project works and the tender prices received in the tender process, have selected the Contractor to carry out the works under the Projects. The contract fees and the agreed unit prices of the works under the Projects were determined after arm's length negotiations with reference to the costs involved and the contracting fees charged by the Contractor in other similar projects and the prevailing market prices of similar works charged by other contractors in comparable projects.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

The Group is principally engaged in the manufacture and sale of aluminium profiles. The Contractor is principally engaged in the design and installation of curtain wall, door and window projects. The fabrication and installation of the stone curtain wall and structural steel framework under Contract A and the fabrication and installation works of aluminium alloy windows, railing, curtain wall and structural steel framework under Contract B are part of the construction work for the Office Building.

For the reasons set out in the paragraph headed “Basis of consideration” above, the Directors (including the independent non-executive Directors) are of the view that the contract fees and the agreed unit prices of the works under the Projects are no less favourable to the Group than those available to other independent third parties offered by the Contractor in comparable projects.

To the best of the Directors’ knowledge, information and belief, the Contractor is a well established curtain wall, aluminium alloy windows, railing, and steel structural framework contractor in Foshan City and has completed a considerable number of similar projects in the PRC. The Directors believe that the Contractor possesses the expertise and experience in carrying out the works in the Projects and hence would be able to complete the works under the Contracts up to the required standards and specifications in accordance with the Contracts and the applicable laws and regulations.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that each of Contract A and Contract B was entered into in the ordinary and usual course of business of the Group, the terms of the Contracts and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Contractor is owned as to 46% by Mr. Luo Su, as to 33% by Mr. Luo Riming and as to 21% by Mr. Liao Yuqing, each of them being an executive Director and, collectively, a controlling Shareholder of the Company. In view of the relationship between them and the Contractor, the Contractor is a connected person of the Company. As the highest of the applicable percentage ratios (other than the profits ratio) in respect of Transaction A and Transaction B on aggregate basis is more than 0.1% but less than 5%, Transaction A and Transaction B, when aggregated, constitute a connected transaction under Rule 14A.32 of the Listing Rules. Therefore, Transaction A and Transaction B, whether considered on individual basis or on aggregate basis, are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules but are exempt from the independent shareholders’ approval requirements.

Each of Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing has abstained from voting on the relevant board resolutions for approving the Contracts and the transactions contemplated thereunder given that each of them is deemed to have a material interest in the Contracts and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Actual Fee under Contract A”	the actual amount of contract fee payable by Guangdong Xingfa to the Contractor under Contract A to be determined based on the actual quantity of works completed and the agreed unit prices under Contract A and, if applicable, the variation works agreed upon by Guangdong Xingfa and carried out by the Contractor, less any deductions, compensation claims, penalty for breach, etc., charged by Guangdong Xingfa in accordance with the terms of Contract A
“Actual Fee under Contract B”	the actual amount of contract fee payable by Guangdong Xingfa to the Contractor under Contract B to be determined based on the Contract Fee under Contract B and adjusted by any variation works agreed upon by Guangdong Xingfa and carried out by the Contractor, extra or excluded items of works agreed upon by Guangdong Xingfa, rewards payable to the Contractor (if any), deductions, compensation claims, penalty for breach, if applicable, etc., in accordance with the terms of Contract B
“Board”	the board of Directors
“Company”	Xingfa Aluminium Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Contract A”	the contract dated 28 March 2013 entered into between Guangdong Xingfa and the Contractor in relation to the fabrication and installation works of stone curtain wall and structural steel framework for the Office Building

“Contract B”	the contract dated 28 March 2013 entered into between Guangdong Xingfa and the Contractor in relation to the fabrication and installation works of aluminium alloy windows, railing, curtain wall and structural steel framework for the Office Building
“Contracts”	collectively, Contract A and Contract B
“Contract Fee under Contract A”	the initial contract fee agreed between Guangdong Xingfa and the Contractor for completion of the works under Contract A
“Contract Fee under Contract B”	the initial contract fee agreed between Guangdong Xingfa and the Contractor for completion of the works under Contract B
“Contractor”	佛山市興發幕牆門窗有限公司 (Foshan Xingfa Curtain Wall, Door & Window Co., Ltd.), a limited liability company established in the PRC and owned as to 46% by Mr. Luo Su, 33% by Mr. Luo Riming and 21% by Mr. Liao Yuqing
“Director(s)”	the director(s) of the Company
“Guangdong Xingfa”	廣東興發鋁業有限公司 (Guangdong Xingfa Aluminium Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Office Building”	the office building of Guangdong Xingfa situated at 中國廣東省佛山市三水區樂平鎮三水中心科技工業區D區5號 (No. 5, Area D, Sanshui Central Technology and Industrial Zone, Leping Town, Sanshui District, Foshan City, Guangdong Province, the PRC)
“PRC”	the People’s Republic of China

“Project A”	the project for the fabrication and installation works of stone curtain wall and structural steel framework for the Office Building under Contract A
“Project B”	the project for the fabrication and installation works of aluminium alloy windows, railing, curtain wall and structural steel framework for the Office Building under Contract B
“Projects”	collectively, Project A and Project B
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction A”	the entering into of Contract A by Guangdong Xingfa with the Contractor and the transactions contemplated thereunder
“Transaction B”	the entering into of Contract B by Guangdong Xingfa with the Contractor and the transactions contemplated thereunder
“Warranty Period for Contract A”	in respect of the fabrication and installation works of the stone curtain wall and the structural steel framework in Project A, a period of two years commencing from the date of the confirmation of acceptance of completion of Project A, and, in respect of leak proof work of stone materials in Project A, a period of five years commencing from the date of the confirmation of acceptance of completion of Project A

“Warranty Period for Contract B”

in respect of the installation of the aluminium windows and doors in Project B, a period of two years commencing from the date of the confirmation of acceptance of completion of Project B, and, in respect of leak proof work of the aluminium alloy windows and doors in Project B, a period of five years commencing from the date of the confirmation of acceptance of completion of Project B

“%”

per cent.

By order of the Board
Xingfa Aluminium Holdings Limited
LIU Libin
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. LIU Libin (*Chairman*)
Mr. LUO Su (*Honorary Chairman*)
Mr. LUO Riming (*Chief Executive Officer*)
Mr. LIAO Yuqing
Mr. DAI Feng
Mr. LAW Yung Koon
Mr. WANG Zhihua

Non-executive Director:

Mr. CHEN Shengguang

Independent non-executive Directors:

Mr. CHEN Mo
Mr. HO Kwan Yiu
Mr. LAM Ying Hung Andy
Mr. LIANG Shibin

Alternate Director:

Mr. WONG Siu Ki as an alternate director to
Mr. LIU Libin