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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)**

**CONTINUING CONNECTED TRANSACTIONS –  
NEW MASTER SUPPLY AGREEMENT**

The Company wishes to announce that, as the 2012-2014 Master Supply Agreement expired on 31 December 2014, on 9 February 2015, Guangdong Xingfa, an indirectly wholly-owned subsidiary of the Company, and Xingfa Curtain Wall entered into New Master Supply Agreement pursuant to which Guangdong Xingfa agreed to supply and Xingfa Curtain Wall agreed to purchase aluminium profiles supplied by Guangdong Xingfa on an on-going basis.

In view of the fact that Xingfa Curtain Wall 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 being an executive Director and a substantial Shareholder, Xingfa Curtain Wall is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since certain applicable percentage ratios relating to the proposed Annual Caps for the continuing connected transactions contemplated under the New Master Supply Agreement exceed 5% and the proposed Annual Cap for each of the Year 2015, the Year 2016 and the Year 2017 exceeds HK\$10 million, the continuing connected transactions under the New Master Supply Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the New Master Supply Agreement and the transactions contemplated thereunder (including the proposed Annual Caps) at the EGM.

## **EGM**

The EGM will be convened and held by the Company to consider and, if thought fit, approve the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the New Master Supply Agreement and the transactions contemplated thereunder including the Annual Caps and to advise the Independent Shareholders on how to vote.

A circular containing, among others, (i) details of the New Master Supply Agreement and the Annual Caps; (ii) recommendations from the Independent Board Committee in respect of the New Master Supply Agreement and the Annual Caps; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreement and the Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable within 15 business days after the date of this announcement.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 29 March 2012 in connection with, among others, the 2012-2014 Master Supply Agreement entered into between Guangdong Xingfa, an indirect wholly-owned subsidiary of the Company, and Xingfa Curtain Wall. The 2012-2014 Master Supply Agreement regulated the 2012-2014 Continuing Connected Transactions between the Group and Xingfa Curtain Wall for the Past Term.

As the 2012-2014 Master Supply Agreement expired on 31 December 2014, on 9 February 2015, Guangdong Xingfa and Xingfa Curtain Wall entered into the New Master Supply Agreement pursuant to which Guangdong Xingfa agreed to supply and Xingfa Curtain Wall agreed to purchase aluminium profiles supplied by Guangdong Xingfa on an on-going basis. Details of the New Master Supply Agreement are set out below:

# NEW MASTER SUPPLY AGREEMENT

## Date

9 February 2015

## Parties

- Supplier : (1) Guangdong Xingfa, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company.
- Purchaser : (2) Xingfa Curtain Wall, a limited liability company incorporated in the PRC which was 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 a substantial Shareholder as at the date of this announcement. Accordingly, Xingfa Curtain Wall is a connected person of the Company under the Listing Rules. The principal activities of Xingfa Curtain Wall are the design and installation of curtain wall, door and window projects.

## Duration

Subject to the obtaining of the Independent Shareholders' approval on the New Master Supply Agreement (including the Annual Caps) on or before 31 March 2015, the New Master Supply Agreement is for a term from the date of the New Master Supply Agreement to 31 December 2017.

## Nature of transaction

Pursuant to the New Master Supply Agreement, Guangdong Xingfa agreed to sell to Xingfa Curtain Wall aluminium profiles specified by Xingfa Curtain Wall. The aluminium profiles to be purchased by Xingfa Curtain Wall will be further processed into window and curtain wall and sold to its customers. There is no minimum supply amount under the New Master Supply Agreement and Guangdong Xingfa is not contractually bound to supply, in response to a purchase order placed, to Xingfa Curtain Wall any products referred to in the purchase order. The aluminium profiles to be supplied by the Group to Xingfa Curtain Wall will be in accordance with the specifications of Xingfa Curtain Wall if accepted by the Group, on a case by case basis.

## **Pricing and payment terms**

Pursuant to the New Master Supply Agreement, the prices, payment terms, specifications and detailed terms with respect to the aluminium profiles sold by Guangdong Xingfa shall be determined in accordance with the specific orders to be agreed between Guangdong Xingfa and Xingfa Curtain Wall which shall be on normal commercial terms negotiated on an arm's length basis by the parties with reference to the prevailing market prices of aluminium profiles and at prices and terms (including the payment terms) no less favourable to Xingfa Curtain Wall than prices and terms (including the payment terms) of sale of such aluminium profiles by the Group to other independent customers.

In determining the actual transaction prices of aluminium profiles, the Group will follow the market practice in the industry to determine the prevailing market price of the aluminium profiles, which is determined with reference to the prevailing price of aluminium ingots, taking into account of the prevailing price of aluminium as quoted on the SMMI and/or the prevailing spot prices of aluminium as quoted on the LME, and the related processing costs of processing aluminium ingots to the required aluminium profiles. When supplying each batch of aluminium profiles to Xingfa Curtain Wall, Xingfa Curtain Wall would need to specify the specifications of the aluminium profiles required, as the aluminium profiles required by Xingfa Curtain Wall for a particular order may be required for a specified application, and the physical properties such as tensile strength, density, ductility, formability, weldability, and corrosion resistance of the aluminium profiles required will be different from batch to batch.

As different aluminium profiles will be required by Xingfa Curtain Wall from order to order, for the purpose of a master supply agreement, it would not be commercially practicable for the Group to agree with Xingfa Curtain Wall the specific unit price of the aluminium profiles under the New Master Supply Agreement.

The Group will undertake the following measures to monitor the pricing and terms of the transactions contemplated under the New Master Supply Agreement and ensure that the prices and terms offered by Guangdong Xingfa to Xingfa Curtain Wall will be no less favourable than prices and terms offered to independent customers:

- (1) monitoring the prevailing price of aluminium as quoted on the SMMI and the prevailing spot prices of aluminium as quoted on LME on a daily basis;
- (2) comparing the price and terms of the supply to Xingfa Curtain Wall with the prices and terms of aluminium profiles supplied by the Group in south western China as agreed with independent customers on a regular basis;

- (3) adhering to the relevant internal control policy of the Group on connected transactions to ensure that the relevant departments of the Group will monitor the price and terms of supply of aluminium profiles offered by the Group to Xingfa Curtain Wall shall be no less favourable than those offered by the Group to independent customers; and
- (4) a monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the New Master Supply Agreement will be submitted to the Board.

### **Historical figures**

For the three years ended 31 December 2012, 2013 and 2014, the Group's sale of construction aluminium profiles to Xingfa Curtain Wall amounted to, approximately RMB84,973,000, approximately RMB99,489,000 and approximately RMB127,703,000 respectively.

### **Proposed Annual Caps**

The proposed Annual Caps in respect of the transactions contemplated under the New Master Supply Agreement for each of the Year 2015, the Year 2016 and the Year 2017 will be RMB210 million (equivalent to approximately HK\$264.6 million), RMB220 million (equivalent to approximately HK\$277.2 million) and RMB220 million (equivalent to approximately HK\$277.2 million) respectively. Such proposed Annual Caps are estimated primarily with reference to:

- (1) the historical sales amount of aluminium profiles sold by Guangdong Xingfa to Xingfa Curtain Wall of approximately RMB84,973,000, approximately RMB99,489,000 and approximately RMB127,703,000 respectively for each of the years ended 31 December 2012, 2013 and 2014;
- (2) the estimated costs of aluminium ingots (the major raw materials) on the principal assumption that, for the duration of the three financial years ending 31 December 2017, the projected purchase prices of aluminium ingots will remain stable after taking into account factors including (a) the recent price information (including recent fluctuation in price) of aluminium as quoted on the SMMI and the spot prices of aluminium as quoted on LME; (b) estimated costs of processing and handling charges for processing aluminium ingots into aluminium alloys for manufacturing of aluminium profiles;

- (3) the projected possible increase in prices of aluminium profiles associated with increase in costs of production of aluminium profiles due to factors such costs of processing materials and labour costs;
- (4) the projected continuing increase in the sales volume of construction aluminium profiles to be supplied to Xingfa Curtain Wall in the future as the increase in market demand of construction aluminium profiles in the PRC market is expected to continue, and due to the competitive advantage of the locations of the Group's production facilities in Foshan, Guangdong Province, Chengdu, Sichuan Province and Yichuan, Jiangxi Province, which are in close proximity to the customers of Xingfa Curtain Wall,

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

## **REASONS FOR AND BENEFITS OF THE NEW MASTER SUPPLY AGREEMENT**

The Group is principally engaged in the manufacturing and sale of aluminium profiles. Manufacturing and sale of aluminium profiles is the principal business and sales income stream of the Group, while Xingfa Curtain Wall is principally engaged in the design and installation of curtain wall, door and window projects made from aluminium profiles. Since 2011, the Group has from time to time supply aluminium profiles to Xingfa Curtain Wall. As the prices offered by the Group to Xingfa Curtain Wall have been comparable to those offered to independent customers after taking into account the quantity, specifications and the expected date of delivery of the aluminium profiles ordered, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into the New Master Supply Agreement and continue to supply aluminium profiles to Xingfa Curtain Wall.

## **VIEWS OF THE DIRECTORS**

The Directors (other than the independent non-executive Directors whose views will be formed after taking into account the advice of the Independent Board Committee and the Independent Financial Adviser) are of the view that the terms of the New Master Supply Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (other than the independent non-executive Directors whose views will be formed after taking into account the advice of the Independent Board Committee and the Independent Financial Adviser) also confirm that the Annual Caps set out above are fair and reasonable and in the interests of the Shareholders taken as a whole. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing, each an executive Director and a substantial Shareholder, are the shareholders of Xingfa Curtain Wall who have material interest in the New Master Supply Agreement and the transactions contemplated thereunder, each of Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing had abstained from voting in the resolutions of the Board to approve the New Master Supply Agreement and the Annual Caps.

## **IMPLICATIONS UNDER THE LISTING RULES**

In view of the fact that Xingfa Curtain Wall 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 being an executive Director and a substantial Shareholder, Xingfa Curtain Wall is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since certain applicable percentage ratios relating to the proposed Annual Caps for the continuing connected transactions contemplated under the New Master Supply Agreement exceed 5% and the proposed Annual Cap for each of the Year 2015, the Year 2016 and the Year 2017 exceeds HK\$10 million, the continuing connected transactions under the New Master Supply Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the New Master Supply Agreement and the transactions contemplated thereunder (including the proposed Annual Caps) at the EGM.

## **EGM**

The EGM will be convened at which resolution will be proposed to Independent Shareholders for approving the New Master Supply Agreement and the transactions contemplated thereunder. At such meeting, voting on resolutions in respect of the New Master Supply Agreement and the transactions contemplated thereunder will be taken by way of poll.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps) and to advise the Independent Shareholders on how to vote.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing, each an executive Director and a substantial Shareholder, are the shareholders of Xingfa Curtain Wall who have material interest in the New Master Supply Agreement and the transactions contemplated thereunder, they and their associates will be required to abstain from voting at the EGM on the relevant resolution to be put forward to vote at the EGM in relation to approving the New Master Supply Agreement and the transactions contemplated thereunder. Save as disclosed above, the Directors were not aware of any other Director who had material interests in New Master Supply Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) details of the New Master Supply Agreement and the Annual Caps; (ii) recommendations from the Independent Board Committee in respect of the New Master Supply Agreement and the Annual Caps; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Supply Agreement and the Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable within 15 business days after the date of this announcement.



## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Annual Caps”	the maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the New Master Supply Agreement for the Year 2015, the Year 2016 and the Year 2017, and each an “Annual Cap”
“Board”	the board of Directors
“Company”	Xingfa Aluminium Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the New Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the New Master Supply Agreement and the transactions contemplated thereunder (including the proposed Annual Caps)
“Independent Financial Adviser”	an independent financial adviser to be appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the New Master Supply Agreement and the transactions contemplated thereunder (including the proposed Annual Caps)
“Independent Shareholders”	the Shareholders, other than Mr. Luo Su, Mr. Luo Riming and Mr. Liao Yuqing, each an executive Director and a substantial Shareholder, and their respective associates, who do not have any material interest in the New Master Supply Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LME”	The London Metal Exchange Limited
“New Master Supply Agreement”	the master supply agreement dated 9 February 2015 and entered into between Guangdong Xingfa and Xingfa Curtain Wall, in relation to the supply of aluminium profiles from Guangdong Xingfa to Xingfa Curtain Wall for a term from the date of the New Master Supply Agreement to 31 December 2017
“Past Term”	the term of the 2012-2014 Master Supply Agreement, being 31 May 2012 to 31 December 2014
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares of the Company of HK\$0.01 each

“Shareholder(s)”	holder(s) of the Share(s)
“SMMI”	the Shanghai nonferrous Metals price Index maintained by the SMM Information & Technology Company (上海有色網信息科技有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xingfa Curtain Wall”	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
“Year 2015”	a period of one year from 1 January 2015 to 31 December 2015
“Year 2016”	a period of one year from 1 January 2016 to 31 December 2016
“Year 2017”	a period of one year from 1 January 2017 to 31 December 2017
“2012-2014 Continuing Connected Transactions”	the transactions in respect of the supply of aluminium profiles by the Group to Xingfa Curtain Wall on an on-going basis as contemplated under the 2012-2014 Master Supply Agreement
“2012-2014 Master Supply Agreement”	the master supply agreement dated 29 March 2012 and entered into between Guangdong Xingfa and Xingfa Curtain Wall in relation to the supply of aluminium profiles to Xingfa Curtain Wall by Guangdong Xingfa, for a term from 31 May 2012 to 31 December 2014

*For the purpose of illustration only, the amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1:HK\$1.26. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.*

On behalf of the Board  
**Xingfa Aluminium Holdings Limited**  
**LIU Libin**  
*Chairman*

Hong Kong, 9 February 2015

As at the date of this announcement, the directors of the Company 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