THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Scheme Document, the Scheme, or as to the action to be taken, you should consult a licensed securities dealer, or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in Xingfa Aluminium Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

GUANGXIN ALUMINIUM (HK) LIMITED
香港廣新鋁業有限公司
(Incorporated in Hong Kong with limited liability)

MR. LUO SU,
MR. LUO RIMING,
MR. LIAO YUQING,
MR. LAW YUNG KOON
and
MS. LAM YUK YING

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)

PROPOSED PRIVATISATION OF XINGFA ALUMINIUM HOLDINGS LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)

Financial Adviser to the Joint Offerors

CICC
中金香港证券

China International Capital Corporation Hong Kong Securities Limited

Independent Financial Adviser to the Independent Board Committee

金融有限公司
OCTAL Capital Limited

Octal Capital Limited

Unless the context requires otherwise, capitalised terms used in this Scheme Document are defined under the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee, containing its advice to the Scheme Shareholders in relation to the Proposal is set out in Part V of this Scheme Document. A letter from Octal Capital Limited, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in relation to the Proposal is set out in Part VI of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders are set out in the Part II of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held on Wednesday, 17 May 2017 are set out in Appendix V and Appendix VI respectively to this Scheme Document. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated under "Part II – Actions to be taken" of this Scheme Document. If the **pink** form of proxy is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it.

This Scheme Document is issued jointly by Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying and the Company.

The English language text of this Scheme Document shall prevail over the Chinese language text.

24 April 2017

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PART I – DEFINITIONS

In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement Date"	22 September 2016, being the date of issuance of the announcement by the Company in accordance with Rule 3.5 of the Takeovers Code in respect of the Proposal
"associates"	has the meaning ascribed to it in the Takeovers Code
"Beneficial Owner"	any beneficial owner of Shares
"Board"	the board of directors of the Company
"Cancellation Price"	the cancellation price of HK$3.70 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Participant"	a person admitted to participate in CCASS as a participant
"CICC"	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Joint Offerors. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
"Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
"Company"	Xingfa Aluminium Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange
"Conditions"	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed "4. Conditions of the Proposal and the Scheme" of this Explanatory Memorandum

"Consortium Agreement"	the consortium agreement dated 22 September 2016 among the Joint Offerors in connection with the Proposal
"Court Meeting"	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon, notice of which is set out in Appendix V to this Scheme Document, and any adjournment thereof
"Effective Date"	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the court order of the Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, and which is expected to be Thursday, 1 June 2017 (Cayman Islands time)
"EGM"	the extraordinary general meeting of the Company to be held at 12:00 p.m. at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong on Wednesday, 17 May 2017 (or so soon thereafter as the Court Meeting convened on the same day and place shall have been concluded or adjourned), notice of which is set out in Appendix VI to this Scheme Document, or any adjournment thereof
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
"Explanatory Memorandum"	the explanatory memorandum set out in Part VII of this Scheme Document and issued in compliance with the Rules of the Grand Court of the Cayman Islands 1995 (revised)
"Grand Court"	the Grand Court of the Cayman Islands
"Group"	the Company and its subsidiaries
"Guangdong SASAC"	State-owned Assets Supervision and Administration Commission under the People's Government of the Guangdong Province* (廣東省人民政府國有資產監督管理委員會)
"Guangxin Aluminium"	Guangxin Aluminium (HK) Limited, a company incorporated in Hong Kong with limited liability and a Joint Offeror

"Guangxin Holdings"	Guangdong Guangxin Holdings Group Ltd.* (廣東省廣新控股集團有限公司), a company established in the PRC and the holding company of Guangxin Aluminium
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive directors of the Company, established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme
"Independent Financial Adviser"	Octal Capital Limited, the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to the Proposal and the Scheme which is a licensed corporation permitted to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	the Shareholders other than the Joint Offerors and the Joint Offerors Concert Party
"Individual Offerors"	Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying; each of them as an "Individual Offeror"
"Investor Participant"	a person admitted to participate in CCASS as an investor participant
"Joint Offerors"	Guangxin Aluminium and the Individual Offerors; each of them as a "Joint Offeror"
"Joint Offerors Concert Party"	a party acting in concert or presumed to be acting in concert with any of the Joint Offerors under the definition of "acting in concert" under the Takeovers Code, including Mr. WONG Siu Ki as at the Latest Practicable Date

"Latest Practicable Date"	21 April 2017, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained herein
"Last Trading Day"	14 September 2016, being the last trading day prior to the date of suspension of trading in the Shares on the Stock Exchange before the issuance of the announcement by the Company in accordance with Rule 3.5 of the Takeovers Code on the Announcement Date
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	19 July 2017 (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct)
"Meeting Record Date"	Wednesday, 17 May 2017, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Shareholders to attend and vote at the Court Meeting and the EGM
"Offer Period Commencement Date"	22 September 2016, being the date of the issuance of the announcement by the Company in accordance with Rule 3.5 of the Takeovers Code
"Proposal"	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, on the terms and subject to the conditions set out in this Scheme Document
"PRC"	the People's Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan

"Pre-Condition"	the pre-condition to the making of the Proposal and implementation of the Scheme as described under the paragraph headed "Pre-Condition to the Proposal and the Scheme" of the announcement issued by the Joint Offerors and the Company on the Announcement Date, which was satisfied on 21 March 2017
"Registered Owner"	any owner of Shares (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) entered in the register of members of the Company
"Relevant Authorities"	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
"Scheme"	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares pursuant to the Proposal
"Scheme Document"	this composite document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
"Scheme Record Date"	Thursday, 1 June 2017, or such other time and date as shall have been announced to holders of Shares, being the record date for the purpose of determining the entitlements of Scheme Shareholders under the Scheme
"Scheme Shareholder(s)"	holder(s) of Scheme Shares as at the Scheme Record Date
"Scheme Share(s)"	Share(s) other than those held by the Joint Offerors
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Takeovers Code"	The Code on Takeovers and Mergers and Share Buy-backs
"trading day"	a day on which the Stock Exchange is open for the business of dealings in securities

* *For identification purposes only*

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme and to confirm the capital reduction and the Effective Date, which are the relevant date in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to Registered Owners of Shares. Subsequent purchasers of Scheme Shares will need to obtain a proxy form from the transferor.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Hong Kong share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 11:30 a.m. (Hong Kong time) on Monday, 15 May 2017 or be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it, and the **white** form of proxy for use at the EGM should be lodged not later than 12:00 p.m. (Hong Kong time) on Monday, 15 May 2017. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and the EGM, you will still be bound by the outcome of the Court Meeting and the EGM, if, among other things, the resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 12 May 2017 to Wednesday, 17 May 2017 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on Thursday, 11 May 2017.

An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM. If all the resolutions are passed at those meetings, further announcement(s) will be made of the results of the Grand Court hearing of the petition to sanction the Scheme and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS

The Company will not recognise any person as holding any Shares upon any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who has, in turn, deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

HKSCC may also vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE COMPANY AND THE JOINT OFFERORS STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, WE URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, WE ENCOURAGE YOU TO PROVIDE HKSCC WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR THE EGM WITHOUT DELAY (AS DETAILED IN THE SECTION "ACTIONS TO BE TAKEN – ACTION TO BE TAKEN BY HOLDERS THROUGH TRUST OR CCASS" ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

	Hong Kong Time
Date of dispatch of this Scheme Document	Monday, 24 April 2017
Latest time for lodging transfers of Shares in order to qualify for attending and voting at the Court Meeting and the EGM	4:30 p.m. on Thursday, 11 May 2017
Register of members of the Company closed for determination of entitlements of Scheme Shareholders to attend and vote at the Court Meeting and of Shareholders to attend and vote at the EGM *(Note 1)*	from Friday, 12 May 2017 to Wednesday, 17 May 2017 (both days inclusive)
Latest time for lodging forms of proxy in respect of *(Note 2)*	
Court Meeting	11:30 a.m. on Monday, 15 May 2017 (or be handed directly to the Chairman at the Court Meeting)
EGM	12:00 p.m. on Monday, 15 May 2017
Meeting Record Date	Wednesday, 17 May 2017
Court Meeting *(Note 3)*	11:30 a.m. on Wednesday, 17 May 2017
EGM *(Note 3)*	12:00 p.m. on Wednesday, 17 May 2017 (or immediately after the conclusion or adjournment of the Court Meeting)

PART III – EXPECTED TIMETABLE

	Hong Kong Time
Announcement of the results of the Court Meeting and the EGM	not later than 7:00 p.m. on Wednesday, 17 May 2017
Expected last day for dealing in the Shares on the Stock Exchange	4:00 p.m. on Wednesday, 24 May 2017
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Monday, 29 May 2017
Register of members of closed for determining entitlements to qualify under the Scheme *(Note 4)*	from Wednesday, 31 May 2017 onwards
Grand Court hearing of the petition to sanction the Scheme and to confirm the capital reduction	Wednesday, 31 May 2017 **(Cayman Islands Time)**
Announcement of the result of the court hearing to sanction the Scheme and to confirm the capital reduction	Thursday, 1 June 2017
Scheme Record Date	Thursday, 1 June 2017
Effective Date *(Note 5)*	Thursday, 1 June 2017 **(Cayman Islands Time)**
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange	not later than 8:30 a.m. on Friday, 2 June 2017

	Hong Kong Time
Expected withdrawal of the listing of Shares on the Stock Exchange becomes effective *(Note 6)*	4:00 p.m. on Friday, 2 June 2017
Latest time to dispatch cheques for cash payment under the Scheme	on or before Monday, 12 June 2017

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

(1) The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Scheme.

(2) Forms of proxy should be lodged with the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited as soon as possible and in any event no later than the times and dates stated above. If the **pink** form of proxy is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be lodged no later than the latest times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Scheme Shareholder and Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

(3) The Court Meeting and the EGM will be held on Wednesday, 17 May 2017 at the times and dates specified above. Please see the notice of Court Meeting set out in Appendix V of this Scheme Document and the notice of EGM set out in Appendix VI of this Scheme Document for details.

(4) The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.

(5) The Scheme shall become effective upon all the Conditions set out in the paragraph headed "4. Conditions of the Proposal and the Scheme" in the Explanatory Memorandum having been fulfilled or (to the extent permitted) waived (as the case may be).

(6) If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn after 4:00 p.m. on Friday, 2 June 2017.

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)

Executive directors:
Mr. LIU Libin *(Chairman)*
Mr. LUO Su *(Honorary Chairman)*
Mr. LUO Riming *(Chief Executive Officer)*
Mr. LIAO Yuqing
Mr. DAI Feng *(Chief Financial Officer)*
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 to Mr. LIU Libin:
Mr. WONG Siu Ki *(Chief Investment Officer)*

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 605, 6/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

24 April 2017

To: The Shareholders

Dear Sir or Madam,

PROPOSED PRIVATISATION OF XINGFA ALUMINIUM HOLDINGS LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)

INTRODUCTION

On 22 September 2016, the Joint Offerors requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange, subject to, among others, satisfaction of the Pre-Condition. The Joint Offerors and the Company jointly announced that the Pre-Condition had been satisfied on 21 March 2017.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notice of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from Octal Capital Limited, being the Independent Financial Adviser, set out in Part VI of this Scheme Document, the Explanatory Memorandum set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix IV to this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Subject to the fulfilment or waiver (as applicable) of the Conditions as described in the Explanatory Memorandum, the Proposal will be implemented by way of the Scheme, pursuant to which the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Joint Offerors the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The number of new Shares to be received by each of the Joint Offerors will be proportional to each of their respective percentage shareholdings in the Company upon the cancellation of the Scheme Shares without involving any fraction of a Share. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors. Upon the Scheme having become effective, the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, will hold approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57% of the issued share capital of the Company, respectively.

The Scheme will provide that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK$3.70 in cash for each Scheme Share. The total consideration of approximately HK$424.57 million payable for the Scheme Shares will be payable by the Joint Offerors.

Assuming that the Scheme becomes effective on Thursday, 1 June 2017, cheques for cash entitlements under the Scheme are expected to be dispatched to the Scheme Shareholders by ordinary mail at their own risk on or before Monday, 12 June 2017.

The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.

Comparison of value and financial effects

Cancellation Price

The Cancellation Price of HK$3.70 per Scheme Share represents:

- a premium of approximately 24.58% over the closing price of HK$2.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 35.17% over the average closing price of approximately HK$2.74 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 37.66% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.76% over the average closing price of approximately HK$2.67 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 37.65% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 3.64% over the closing price of HK$3.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 18.04% over the consolidated net asset value per Share of approximately HK$4.51 as of 31 December 2016[1].

  (1) Any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.89451 (being the RMB central parity rate by the People's Bank of China as at 30 December 2016).

The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years. The Cancellation Price will not include any dividends which may be declared by the Company prior to the Effective Date. The Company does not expect to declare any dividend on or before the Effective Date.

Financial Resources

Each of Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing will finance its/his proportion of the cash required for the Proposal from its/his respective internal financial resources. In light of the interests payable arising from the prolonged period from the Announcement Date and the Effective Date, the unconditional loan previously granted by Guangxin Aluminium to Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the purpose of financing the cash required by Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the Proposal has been fully repaid and the relevant loan agreements have been terminated.

Mr. LAW Yung Koon and Ms. LAM Yuk Ying will finance each of their proportion of the cash required for the Proposal from an unconditional loan provided by Mr. LUO Su, which loan has been fully drawn down.

CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging their respective obligations in respect of the full implementation of the Proposal.

Dividends

The Company does not expect to declare any dividend on or before the Effective Date.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Company plans to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles; (ii) through exploration of electronic commerce business, expanding the retail and selling channels and focusing on the long-term development of the aluminium profiles business, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

Since its listing in March 2008, the Company's share price performance has not been satisfactory, and it has not made full use of its listed status to raise funds for driving its business growth. As a leading aluminium profiles manufacturer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Proposal could eliminate this adverse impact.

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 0.34 million Shares per day, representing only approximately 0.08% of the issued Shares as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has adverse impact on the Company's shares price occurs.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all independent non-executive directors of the Company, namely Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy and Mr. LIANG Shibin, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting. Although Mr. CHEN Shengguang is a non-executive director of the Company, as Mr. CHEN Shengguang is a director designated by Guangxin Holdings in the Board, he is regarded as being interested in the Proposal and therefore is not made a member of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out in Part V of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

Octal Capital Limited has been appointed as the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal and the Scheme.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 31 March 2008. The Group is principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials.

INFORMATION ON THE JOINT OFFERORS

Guangxin Aluminium is a company incorporated in Hong Kong, which is directly and wholly owned by Guangxin Holdings, which is in turn wholly owned by the Guangdong SASAC, the ultimate largest shareholder of the Company. The principal activity of Guangxin Aluminium is investment holding.

Mr. LUO Su is the honorable chairman of the Board and an executive director of the Company. He is responsible for the overall management of the Group. He is the father-in-law of Mr. LIAO Yuqing, one of the Joint Offerors.

Mr. LUO Riming is an executive director and chief executive officer of the Company. He is responsible for the procurement and utilization of equipment and infrastructure for the business of the Group.

Mr. LIAO Yuqing is an executive director of the Company. He is also the general manager of the Group. He is the son-in-law of Mr. LUO Su, one of the Joint Offerors.

Mr. LAW Yung Koon is an executive director of the Company. He is responsible for the sales and marketing of the Group's products in overseas market.

Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon. She does not hold any positions in the Group.

Please see "12. Information on the Joint Offerors" in the Explanatory Memorandum for further details.

INFORMATION ON THE JOINT OFFERORS CONCERT PARTY

Mr. WONG Siu Ki is the chief investment officer of the Group and the alternative director to Mr. LIU Libin, the chairman and executive director of the Company. Mr. WONG Siu Ki is presumed to be acting in concert with the Joint Offerors, which include certain directors of the Company, under class (6) of the definition of "acting in concert" in the Takeovers Code, as he serves as a director of the Company which is now subject to an offer.

INTENTIONS OF THE JOINT OFFERORS AND THE COMPANY

Your attention is drawn to the section headed "14. Intentions of the Joint Offerors and the Company" in the Explanatory Memorandum. The Board (excluding directors who are Joint Offerors) has considered the Joint Offerors' intentions as set out in the Explanatory Memorandum and is of the view that there will be no material change to the existing businesses of the Group and the employees of the Group.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange in due course. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors should exercise caution when dealing in the Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

COURT MEETING AND EGM

Court Meeting

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

Scheme Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, Scheme Shareholders, present and voting either in person or by proxy, will be entitled to vote their Scheme Shares in favour of the Scheme or against it.

The Scheme is conditional upon, amongst other things, approval by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting. In addition, (i) the Scheme must be approved (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders.

In accordance with the Companies Law, the "75% in value" requirement as described above will be met if the total value of Scheme Shares being voted by the Scheme Shareholders in favour of the Scheme is at least 75% of the total value of the Scheme Shares voted by the Scheme Shareholders at the Court Meeting. In accordance with the Companies Law, the "majority in number" requirement as described above will be met if the number of Scheme Shareholders voting in favour of the Scheme exceeds the number of Scheme Shareholders voting against the Scheme. For the purpose of calculating the "majority in number" requirement, the number of Scheme Shareholders, present and voting in person or by proxy, will be counted. For the purpose of the Takeovers Code, only the number of Scheme Shares from Independent Shareholders being so voted will count towards the "75% in value" requirement.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 11:30 a.m. (Hong Kong time) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.

EGM

The EGM will be held immediately following the Court Meeting.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the EGM with respect to (i) the special resolution by Shareholders to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution by Shareholders to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors.

The special resolution described under (i) in the paragraph above will be passed if not less than three-fourths of the votes cast by Shareholders, present and voting in person or by proxy, at the EGM are in favour of the special resolution. The ordinary resolution described under (ii) in the paragraph above will be passed if more votes are cast in favour of the ordinary resolution than against it by the Shareholders, present and voting either in person or by proxy, at the EGM.

At the EGM, a poll will be taken and each Shareholder or Independent Shareholder (as the case may be) present and voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the special resolution and/or the ordinary resolutions. Alternatively, such Shareholder or Independent Shareholder (as the case may be) may vote some of their Shares in favour of the special resolution and/or the ordinary resolutions and any of the balance of their Shares against the special resolution and/or the ordinary resolutions (and vice versa).

Each of Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix VI of this Scheme Document. The EGM will be held at 12:00 p.m. (Hong Kong time) (or so soon thereafter as the Court Meeting convened on the same day and place shall have been concluded or adjourned) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Thursday, 1 June 2017. Further announcements will be made giving details of the results of the Court Meeting and EGM and, if all the resolutions are passed at those meetings, the result of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of Shares on the Stock Exchange.

Your attention is drawn to "20. Court Meeting and Extraordinary General Meeting" in the Explanatory Memorandum.

OVERSEAS SHAREHOLDERS

Your attention is drawn to the section headed "17. Overseas Shareholders" in the Explanatory Memorandum.

ACTIONS TO BE TAKEN

Your attention is drawn to "Part II – Actions to be taken" of this Scheme Document and the section headed "23. Summary of actions to be taken" in the Explanatory Memorandum.

RECOMMENDATION

The directors of the Company (excluding directors who are Joint Offerors and members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed "18. Registration and Payment" in the Explanatory Memorandum.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed "19. Taxation" in the Explanatory Memorandum.

It is emphasized that none of the Joint Offerors, the Company and CICC nor any of their respective directors or associates or any other person involved in the Scheme accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from Octal Capital Limited, the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Memorandum as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the Scheme as set out in Appendix IV to this Scheme Document, the notice of Court Meeting as set out in Appendix V to this Scheme Document and the notice of EGM as set out in Appendix VI to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with copies of this Scheme Document sent to Registered Owners of Shares.

Yours faithfully
For and on behalf of the Board of
Xingfa Aluminium Holdings Limited
LIU Libin
Chairman

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)

Members of the Independent Board Committee:	*Registered office:*
Mr. CHEN Mo	Cricket Square
Mr. HO Kwan Yiu	Hutchins Drive
Mr. LAM Ying Hung Andy	P.O. Box 2681
Mr. LIANG Shibin	Grand Cayman KY1-1111
	Cayman Islands

24 April 2017

To: The Scheme Shareholders

Dear Sir or Madam,

PROPOSED PRIVATISATION OF XINGFA ALUMINIUM HOLDINGS LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Scheme Shareholders in respect of the Proposal and the Scheme, respectively, details of which are set out in "Part IV – Letter from the Board" and the Explanatory Memorandum of this Scheme Document. Terms defined in this Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

Although Mr. CHEN Shengguang is a non-executive director of the Company, as Mr. CHEN Shengguang is a director designated by Guangxin Holdings in the Board, he is regarded as being interested in the Proposal and therefore has not participated in any vote of the Board in relation to the Proposal and the Scheme and do not form part of the Independent Board Committee.

Octal Capital Limited, the Independent Financial Adviser, has been appointed with our approval to advise us in connection with the Proposal and the Scheme.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable.

Accordingly, the Independent Board Committee recommends:

(a) at the Court Meeting:

(i) the Scheme Shareholders to vote in favour of the Scheme; and

(b) at the EGM:

(i) the Shareholders to vote in favour of:

(1) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; and

(2) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors.

The Independent Board Committee draws the attention of the Scheme Shareholders to (i) the letter from the Board set out in Part IV of the Scheme Document; (ii) the letter from Octal Capital Limited, the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee, set out in Part VI of this Scheme Document; and (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document.

Yours faithfully

CHEN Mo	**HO Kwan Yiu**	**LAM Ying Hung Andy**	**LIANG Shibin**
Independent non-executive director of the Company	*Independent non-executive director of the Company*	*Independent non-executive director of the Company*	*Independent non-executive director of the Company*

Independent Board Committee

八方金融有限公司
OCTAL Capital Limited

Octal Capital Limited
802-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

To the Independent Board Committee

24 April 2017

Dear Sirs,

PROPOSED PRIVATISATION OF XINGFA ALUMINIUM HOLDINGS LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal by way of a scheme of arrangement under Section 86 of the Companies Law. Details of the Proposal and the Scheme are set out in the Scheme Document dated 24 April 2017, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 22 September 2016, the Joint Offerors, the respective directors of Guangxin Aluminium (being one of the Joint Offerors) and the Company jointly announced that, on the same day, the Joint Offerors requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme (the "**Announcement**"), subject to, among others, satisfaction of the Pre-Condition. The Scheme will involve cancellation of the Scheme Shares where each Scheme Shareholder will be entitled to receive HK$3.70 in cash for each Scheme Share. Upon the Proposal having become effective, Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying will hold approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57% of the issued share capital of the Company respectively. Further terms and conditions of the Proposal and the Scheme, including the procedures for acceptance of the Proposal and the Scheme, are set out in the Scheme Document.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive directors of the Company, namely Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy and Mr. LIANG Shibin, has been established to advise the Independent Shareholders on (i) whether the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the voting action that should be taken by the Independent Shareholders at the Court Meeting and the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme.

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Company and the Joint Offerors, and we are not associated with the Company, the Joint Offerors or any party acting, or presumed to be acting, in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Company, the Joint Offerors or the controlling shareholder(s) of either of them. Accordingly, we are considered eligible to give independent advice on the Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Joint Offerors or any party acting, or presumed to be acting, in concert with any of them.

As at the Latest Practicable Date, Octal Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Octal Capital Limited. In the last two years, there has been no other engagement entered into between the Company and Octal Capital Limited. Accordingly, we do not consider any conflict of interest arises for Octal Capital Limited in acting as the independent financial adviser of the Proposal and the Scheme.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Consortium Agreement, the annual reports of the Company for the years ended 31 December 2013, 2014, 2015 and 2016 ("**2013 Annual Report**", "**2014 Annual Report**", "**2015 Annual Report**" and "**2016 Annual Report**", respectively), the trading performance of the Shares on the Stock Exchange, and information set out in the Scheme Document. We have relied on the information and facts supplied by the Company, and the opinions expressed by the directors of the Company (the "**Directors**"), and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Proposal and the Scheme, including the information and representations contained in the Scheme Document. We have also assumed that all statements of belief, opinion and intention made by the Board, the management of the Company and the Joint Offerors respectively in the Scheme Document were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Joint Offerors or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the release of the Scheme Document and will continue to be true up to the time of the Court Meeting and the EGM, and that the Independent Shareholders will be informed as soon as reasonably possible if we aware of any material change to such representations.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Proposal and the Scheme since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Proposal and the Scheme and, if in any doubt, should consult their own professional adviser.

PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME

Subject to the fulfilment or waiver (as applicable) of the Conditions as described in the Explanatory Memorandum, the Proposal will be implemented by way of the Scheme, pursuant to which the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Joint Offerors the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The number of new Shares to be received by each of the Joint Offerors will be proportional to each of their respective percentage shareholdings in the Company upon the cancellation of the Scheme Shares without involving any fraction of a Share. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors. Such reserve shall be utilised upon completion of the aforesaid issuance of new Shares to the Joint Offerors which does not involve any cash flow and will not have any impact on the capital and reserves of the Group afterward.

The Scheme will provide that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK$3.70 in cash for each Scheme Share. The total consideration of approximately HK$424.57 million payable for the Scheme Shares will be payable by the Joint Offerors.

As at the Latest Practicable Date, the authorised share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of par value HK$0.01, and the issued share capital of the Company was HK$4,180,000 divided into 418,000,000 Shares of par value HK$0.01. All of the Shares rank equally in all respects as regards to rights to capital, dividends and voting. As at the Latest Practicable Date, the Shareholders (other than the Joint Offerors and Joint Offerors Concert Party) were interested in 114,698,000 Shares, representing approximately 27.44% of the issued share capital of the Company. As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by the Company that carry a right to subscribe for or which are convertible into Shares.

After the Scheme becomes effective, the listing of the Shares on the Stock Exchange will be withdrawn and the Company will be owned by the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, as to approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57%, respectively. The Scheme and the Proposal are conditional upon the fulfilment or waiver, as applicable, of the Conditions as below. All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 19 July 2017 (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Scheme and the Proposal will lapse. Further announcements on any changes regarding the timetable of the Scheme and the Proposal will be made as and when necessary.

If the Scheme and the Proposal do not become unconditional, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange.

Settlement of the Cancellation Price will be implemented in full in accordance with the terms of the Scheme and the Proposal, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.

PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The implementation of the Proposal and the Scheme will be subject to, among others, the satisfaction of the pre-condition, namely that Guangxin Aluminium has obtained the relevant approvals of the Guangdong SASAC and the approvals of or filings with the relevant regulatory authorities in respect of its investment through the Scheme.

The Joint Offerors and the Company jointly announced on 21 March 2017 that the Pre-Condition had been satisfied on 21 March 2017.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions as set out in the section headed "Conditions of the Proposal and the Scheme" in the "Explanatory Memorandum" contained in the Scheme Document:

(a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

(b) the approval of the Scheme (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders;

(c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors;

(d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

(e) compliance by the Company, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of the Company;

(f) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;

(g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

(h) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

(i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme; and

(j) since 22 September 2016, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal).

The Joint Offerors reserve the right to waive Conditions (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e) and (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Joint Offerors in the context of the Proposal or the Scheme.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background to and reasons for the Proposal and the Scheme

As set out in the "Explanatory Memorandum" of the Scheme Document, the Company plans to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles; and (ii) through exploration of electronic commerce business expanding retail and selling channels and focusing on the long-term development of the aluminium profiles business, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

It was also stated in the "Explanatory Memorandum" of the Scheme Document that since its listing in March 2008, the Company's share price performance has not been satisfactory and it has not made full use of its listed status to raise funds for driving its business growth. As a leading aluminium profiles manufacturer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Proposal could eliminate this adverse impact.

It is further stated in the "Explanatory Memorandum" of the Scheme Document that the liquidity of Shares has been at a low level over a long period of time, which will be further discussed in the section headed "3. Analysis of price performance and trading liquidity of the Shares – (b) Trading liquidity". The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 0.34 million Shares per day, representing only approximately 0.08% of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has adverse impact on the Company's shares price occurs.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

In light of the above, we have reviewed and conducted analysis on (i) the impact of the Group's long term growth strategies on its business prospect taking into account of the expectation of the Scheme Shareholders and the investors, (ii) the average Share price in comparison to the net asset value per Share for the financial years ended 2013, 2014, 2015 and 2016 and the initial public offering (the "**IPO**") price, (iii) the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company for the financial years ended 31 December 2013, 2014, 2015 and 2016 and up to the Latest Practicable Date, (iv) historical Share price performance of the company and (v) dividend yield and return on investment; and (vi) the Group's previous fundraising track record. We concurred with the management that the Proposal represents an opportunity for Scheme Shareholder to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

For detailed analysis of the above, please refer to the below sections headed "(c) Prospects of the Group", "(b) Historical price performance of the Shares", "(c) trading liquidity", (d) "Historical discount of market price to net asset value", "(e). Dividend yield analysis", "(f) Return on investment for the Shareholders who have held the Shares since the IPO", "6. Listing related costs and fundraising activities" and "Discussion and analysis" of this letter.

2. Information and prospects of the Group

(a) Background and information of the Company

The Company is an exempted company incorporated in the Cayman Islands with limited liability, whose shares have been listed on the Main Board of the Stock Exchange since 31 March 2008. The Group is principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials.

(b) Financial information of the Group

The following financial information summary for each of the three years ended 31 December 2014, 2015 and 2016 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016. The auditor's reports issued by KPMG in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2014, 2015 and 2016 did not contain any qualifications.

(i) Financial performance

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Year ended 31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
Construction aluminium profiles	3,916,755	4,138,807	4,522,819
Industrial aluminium profiles	795,350	757,894	968,861
Other segments	131,810	81,128	85,016
Total revenue	**4,843,915**	**4,977,829**	**5,576,696**
Gross profit	757,627	829,761	825,049
Gross profit margin	*15.6%*	*16.7%*	*14.8%*
Profit for the year attributable to equity shareholders of the Company	224,606	265,767	298,476
Total comprehensive income for the year attributable to equity shareholders of the Company	224,812	266,037	299,969

Source: Annual reports of the Company

The Group is mainly operating in two segments, which are manufacture and sale of (i) construction aluminium profiles; and (ii) industrial aluminium profiles. For the three years ended 31 December 2014, 2015 and 2016, revenue from construction aluminium profiles represented approximately 80.9%, 83.1% and 81.1% of the Group's total revenue respectively.

For the year ended 31 December 2015

As set out in the 2015 Annual Report, the Group's revenue increased by approximately 2.8% from approximately RMB4,844 million in 2014 to approximately RMB4,978 million in 2015, mainly attributable to the 11.9% increase in sales volume from approximately 258,443 tonnes in 2014 to approximately 289,137 tonnes in 2015 through continuous implementation of the marketing strategies and expansion of the Group's sales channel in 2015.

Gross profit increased from approximately RMB758 million in 2014 to approximately RMB830 million in 2015, with an increase in gross profit margin from approximately 15.6% to approximately 16.7%. The improvement on gross profit margin was mainly attributable to the significant decrease by approximately 10.0% in average market price of aluminium ingot, being the raw material of the Group's products, in 2015 comparing to that of 2014.

The Group generated profits for the year attributable to equity Shareholders of approximately RMB266 million in 2015 compared to RMB225 million in 2014 mainly due to (i) increase in sales orders due to the continuous implementation of marketing strategies of the Group and expansion of sales channels; (ii) increase in the gross margin of the Group benefited from the significant decrease in average market price of aluminium ingot this year; and (iii) decrease in finance cost due to the drop of average borrowing interest rate.

For the year ended 31 December 2016

As set out in the 2016 Annual Report, the Group's revenue increased by approximately 2.8% from approximately RMB4,978 million in 2015 to approximately RMB5,577 million in 2016, mainly attributable to the 12.3% increase in sales volume from approximately 289,137 tonnes in 2015 to approximately 324,645 tonnes in 2016.

Gross profit decreased from approximately RMB830 million in 2015 to approximately RMB825 million in 2016, with a decrease in gross profit margin from approximately 16.7% to approximately 14.8%. The decrease in gross profit margin was mainly attributable to the Group's new marketing strategy by reducing the processing fee charged on processing the aluminum profiles in order to main its current client base and attract new clients

The Group generated profits for the year attributable to equity Shareholders of approximately RMB298 million in 2016 compared to RMB266 million in 2015 mainly due to (i) the continuous increase in sales orders; (ii) decrease in finance cost due to continuous drop of average borrowing interest rate; and (iii) the profit generated from the construction aluminum profiles manufacturing business of the joint venture company in Jiangxi.

(ii) Financial position

	As at 31 December 2015	**As at 31 December 2016**
	RMB'000	*RMB'000*
Current assets	2,670,474	3,201,732
Non-current assets	2,249,843	2,140,723
Current liabilities	(3,139,012)	(3,184,340)
Non-current liabilities	(361,459)	(470,195)
Net assets	**1,419,846**	**1,687,920**

Source: 2016 Annual Report

As set out in the 2016 Annual Report, the Group's total assets amounted to approximately RMB4,920 million and RMB5,342 million as at 31 December 2015 and 2016 respectively and the total liabilities amounted to approximately RMB3,500 million and RMB3,655 million as at 31 December 2015 and 2016 respectively, resulting in net assets of approximately RMB1,420 million and RMB1,688 million as at 31 December 2015 and 2016 respectively.

(a) Financial information of the Group as at 31 December 2015

As at 31 December 2015, property, plant and equipment, lease prepayments, inventories and trade and other receivables were major asset of the Group, which together accounted for approximately 85.0% of the total assets of the Group. As at 31 December 2015, trade and other payables and loans and borrowings were major liabilities of the Group, which together accounted for approximately 97.4% of the total liabilities of the Group.

As at 31 December 2015, the current ratio of the Group stood at approximately 85.1% and the gearing ratio (being the loans and borrowings and obligations under finance leases divided by total assets) was approximately 40.8%.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately RMB469 million. As discussed and confirmed by the management of the Group, due to the depressed Share price performance since the IPO of the Company, the Group has been mostly relying on renewals of bank borrowings to meet its working capital sufficiency instead of fundraising through the listing platform.

(b) Financial information of the Group as at 31 December 2016

As at 31 December 2016, property, plant and equipment, lease prepayments, inventories and trade and other receivables were major asset of the Group, which together accounted for approximately 86.7% of the total assets of the Group. As at 31 December 2016, trade and other payables and loans and borrowings were major liabilities of the Group, which together accounted for approximately 97.9% of the total liabilities of the Group.

As at 31 December 2016, the current ratio of the Group stood at approximately 100.5% and the gearing ratio (being the loans and borrowings and obligations under finance leases divided by total assets) was approximately 33.8%.

As at 31 December 2016, the Group's net current assets amounted to approximately RMB17 million.

(iii) Adjusted NAV

The valuations of the Group's property interests (the "**Properties**") conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") as at 28 February 2017 is set out in the valuation report contained in Appendix III to the Scheme Document. To assess the competency of JLL, we have reviewed and enquired its qualification and experience. We have checked the website of JLL and noted that JLL is a recognised valuation company across the globe. Meanwhile, Mr. Eddie T.W. Yiu, the national director of JLL, is responsible for signing the valuation report who is a chartered surveyor with 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. Furthermore, we have checked to the website of the Stock Exchange and note that Mr. Eddie T.W. Yiu of JLL has substantial experience in providing valuation services to listed companies. Hence, we understand from our enquiry with JLL that it is a third party independent of the Group, the Joint Offerors or any party acting, or presumed to be acting, in concert with any of them and did not have any business relationship except the issue of valuation reports in relation to the Group and other assets of the Group in preparation for the Group's financial reporting. We have also reviewed the scope of services provided under the engagement of JLL by the Company and we note that the scope of work is appropriate to the opinion given in the valuation report and there were no limitations on the scope of work. Thus, we consider JLL is qualified and possesses sufficient relevant experience in performing the valuation of the Group's property interests.

To assess the valuation methodologies and assumptions applied by JLL, we have discussed the property valuations with JLL, including specifics on (a) basis and assumptions used, and valuation approaches employed and the reasons therefor; and (b) the property valuer's on-site due diligence work. JLL confirmed that it had performed site visits to each of the Properties covered by the property valuation report in the period between October 2016 and March 2017. We note that JLL has adopted various valuation methodologies for arriving at the valuations for the Properties as set out from Pages III-1 to III-3 in the Appendix III to the Scheme Document. We have discussed the overall approach to the property valuations and asked for rationale behind in selecting the relevant valuation methodologies for those Properties. We are advised by JLL that the valuation of the Properties was carried out in compliance with the Listing Rules, Takeover Codes, the RICS Valuation-Professional Standards, the HKIS Valuation Standard and the International valuation standards. Given the valuation methodologies applied by JLL are commonly used by professional valuers and the fact that the valuation was carried out in accordance with Listing Rules, Takeover Codes, the RICS Valuation-Professional Standards, the HKIS Valuations Standards and the International Valuation Standards, we concur with JLL on the valuation approaches that it has taken in valuing the Properties.

In evaluating the Proposal and the Scheme, we have taken into account the adjusted consolidated net assets (the "**Adjusted NAV**") of the Group as at 31 December 2016 and as set forth in the 2016 Annual Report and the adjustment as set out in the table below:

Adjustment 1:

Consolidated NAV of the Group attributable to owners of the Company as at 31 December 2016 *(RMB' 000)*	1,687,920
– Adjustment 1 attributable to the revaluation surplus in accordance to the market value of the properties held by the Group in their existing state as at 28 February 2017 *(RMB' 000) (Note 2)*	128,933
– Corresponding deferred tax liabilities adjustment *(RMB' 000) (Note 3)*	(177,900)
Adjusted NAV 1 *(RMB' 000)*	1,638,953
Number of issued Shares as at the Last Trading Date	418,000,000
Adjusted NAV 1 per Share *(RMB)*	3.92
Adjusted NAV 1 per Share *(HK$) (Note 1)*	4.38
Cancellation Price *(HK$)*	3.70
Discount to Adjusted NAV 1 per Share	15.5%

Adjustment 2 for the estimated market value of Project Xinfa Plaza as if completed (For reference only):

Consolidated NAV of the Group attributable to owners of the Company as at 31 December 2016 *(Note 1)* *(RMB' 000)*	1,687,920
– Adjustment 1 attributable to the revaluation surplus in accordance to the market value of the properties held by the Company in their existing state as at 28 February 2017 *(RMB' 000) (Note 2)*	128,933
– Adjustment 2 attributable to the additional value attributable to Project Xinfa Plaza located at the northern side of Jihua Road and the western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC assuming it has been completed as at 31 December 2016 and could be freely transferred *(RMB' 000) (Note 4)*	478,400
– Corresponding deferred tax liabilities adjustment *(RMB' 000) (Note 5)*	(273,300)
Adjusted NAV 2 *(RMB' 000)* (For reference only)	2,021,953
Number of issued Shares as at the Last Trading Date	418,000,000
Adjusted NAV 2 per Share *(RMB) (Note 4)*	4.84
Adjusted NAV 2 per Share *(HK$) (Note 1)* (For reference only)	5.41
Cancellation Price *(HK$)*	3.70
Discount to Adjusted NAV 2 per Share (For reference only)	31.6%

(1) This is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.89451 (being the RMB central parity rate by the People's Bank of China as at 30 December 2016).

(2) This represents revaluation surplus arising from the excess of market value of the property interests held by the Group in existing state as valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as at 28 February 2017 over their corresponding book values as at 31 December 2016, but without taking into account the relevant tax impact (i.e. the market value of the property interest held by the Group in existing state amounted to RMB1,703 million as disclosed in the section headed "Summary of values" in Pages III-5 and III-6 of the valuation report contained in Appendix II to the Scheme minuses the corresponding net book values of such property interests as at 31 December 2016.

(3) If the property interests of the Group were to be disposed at the amount of the valuation in existing state, it is estimated that the adjusted NAV would be lowered by approximately RMB177.9 million, the potential tax liabilities as disclosed in the Property Valuation Report, Appendix III to the Scheme Document.

(4) With reference to note 7 of Page III-20 of the valuation report contained in Appendix III to the Scheme Document, the additional fair value adjustment is attributable to the additional value of Project Xinfa Plaza located at the northern side of Jihua Road and the western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC (the "**Project Xinfa Plaza**") assuming it has been completed as at 31 December 2016 and could be freely transferred. Therefore, the calculations of the above adjustment 2 is for demonstration purpose only.

(5) If the property interests of the Group were to be disposed at the amount of the valuation and the Project Xinfa Plaza were to be disposed at the market value assuming it has been completed as at 31 December 2016 and could be freely transferred. It is estimated that the adjusted NAV would be lowered by approximately RMB273.3 million. The taxes mainly include value added tax (5% of the transaction amount), land appreciation tax (30%-60% of appreciated amount), deed tax (3% of the transaction amount) and the stamp duty (0.05% of the transaction amount).

As set out in the above table, the Cancellation Price of HK$3.70 per Share represents a discount of approximately 21.4% to the adjusted NAV per Share of approximately HK$4.71.

(c) Prospects of the Group

As stated in 2015 Annual Report and 2016 Annual Report, the Group is one of the leading aluminium profiles manufacturers in the PRC and principally engaged in manufacture and sale of the aluminium profiles which are applied as construction and industrial materials. It is undergoing the whole system upgrade on production processes to further enhance the overall production capacity and will further invest on developing the industrial aluminium profiles and expanding the sales channels of construction aluminium profiles. The Group is actively looking for business opportunities for aluminium related semi-upstream and downstream industry merger and acquisitions in the PRC and targets to become an all-rounded and one-stop aluminum service provider in the PRC.

The Group is mainly operating in two segments, which are manufacture and sale of (i) construction aluminium profiles; and (ii) industrial aluminium profiles. The Group, at present, owns over 40,000 types of products of different specifications and models which meets different specific needs of construction and industrial projects. For the financial years ended 31 December 2014, 2015 and 2016, revenue from construction aluminium profiles represented approximately 80.9% and 83.1% and 81.1% of the Group's total revenue respectively. For the financial years ended 31 December 2014, 2015 and 2016, the average gross profit margins of construction aluminum profiles segment are 15.8%, 16.7% and 14.9% respectively, representing a more profitable business segment than the industrial aluminium profiles segment. For the financial years ended 31 December 2014, 2015 and 2016, the average gross profit margins of industrial aluminum profiles segment are 14.4%, 15.2% and 11.7%. For the financial years ended 31 December 2014, 2015 and 2016, the sales in the PRC accounted for 98.5%, 98.1% and 97.9% of the total sales respectively. Being one of the leading non-ferrous metal manufacturers in the PRC, the business performance of the Group is relatively more sensitive to the overall economic fluctuations, the investment in real estate development and policy changes in the PRC.

According to the statistics as published in the National Bureau of Statistics of the PRC (data.stats.gov.cn), the growth in gross domestic product ("**GDP**") of the PRC has been slowing down in recent years. During 2011 to 2015, the compound annual growth rate ("**CAGR**") of the GDP of the PRC was approximately 7.9%. However, it is noted that for 2013, 2014 and 2015, the GDP growth rates were approximately 7.8%, 7.3% and 6.9%, respectively, which are below their respective CAGR during 2011 to 2015. The total investment in real estate development amounted to approximately RMB9,597.9 billion for the year ended 31 December 2015, representing a growth of approximately 1.0% as compared to a growth rate of approximately 19.8% in 2013 and 10.5% in 2014, among which residential properties accounted for approximately RMB6,459.5 billion (growth of approximately 0.4% as compared to a growth rate of approximately 19.4% in 2013 and 9.2% in 2014), offices accounted for approximately RMB621.0 billion (growth of approximately 10.1% as compared to a growth rate of approximately 38.2% in 2013 and 21.3% in 2014) and commercial buildings accounted for approximately RMB1,460.7 billion (growth of approximately 1.8% as compared to a growth rate of approximately 28.3% in 2013 and 20.1% in 2014). On the other hand, 21 cities in the PRC, as surveyed by Bloomberg, have introduced administrative restrictions including the cap of number of properties to be allowed for both registered residents and non-registered residents to purchase and tightened mortgage lending since September 2016 reversing 2 years of easing to support home buyers. Having considered that substantial portion of sales revenue of the Group have been derived from the construction market of the PRC, the decelerating growth of Chinese economy and the investment in real estate development, and the government policies to restrain the property market in the PRC are also expected to bring uncertainties to the future growth and the consistent profitability of the Group.

For the long-term growth strategies as mentioned above and further to our discussion with the management, the Company intends to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles; and (ii) exploration of electronic commerce business to expand its retail and selling channels and focus on the long-term development of the aluminium profits business. However, the construction aluminium profiles segment, as mentioned above, represents a more profitable business segment than the industrial aluminium profiles segment in terms of gross profit margin. In addition, the construction aluminium profiles segment also accounted for a much higher portion of the Group's total revenue for the three years ended 31 December 2016. In this regard, the Company committed on allocating more capital expenditures for the manufacturing and deep-processing of aluminium profiles system, particularly for industrial aluminium profiles instead, which, in short term, imposes additional pressure for the Group on meeting the expectation of the Scheme Shareholders and the investors on the expected profitability and hence the performance of the Share price may be fluctuated. As discussed and confirmed by the management, the Group is highly depending on its wide and stable agency network across the PRC, the onsite distribution agents of which possesses asymmetric market information of the local industrial and construction projects and hence the local market needs for the aluminium products of the Group. Having considered the strength of the Group's well-established agency sales network in term of possession of market information, we consider it will be a lengthy process for the Group to penetrate into new construction and industrial projects by implementing its new electronic commerce sales channel which also requires additional capital expenditure in long term and creates higher market risk and operation risk in comparison to the Group's existing mature and proven sales networks. In this regard, the aforesaid series of long term growth strategies to be executed by the Group brings uncertainties to its profitability and growth in short term which may result in divergence between the Joint Offerors' views on the Company's potential long term value and the Scheme Shareholders and the investors' views on the Share price in short term.

As advocated in the China's 13th Five-year Plan, implementing a mechanism of allocating carbon emission quota to companies and developing an efficient market of carbon emission quota trading are main tools to increase the efficiency of energy utilisation. According to the Notification of Commencement of the National Carbon Emission Trading Market dated 22 January 2016 published by the National Development and Reform Commission, the industry of construction materials and non-ferrous metal are covered in the first phrase of the carbon emission trading market in PRC. Besides, as stated in the Letter of Seeking Opinion of Arrangement in Commencing Carbon Emission Trading in Pilot Provinces dated 23 September 2016 sent by the State Council of the PRC to every province in China, Guangdong, where one of the Group's plants is located at, will be selected as a pilot province to commence the carbon emission trading. At the current stage, we are not able to ascertain whether the carbon emission quota assigned to the Group will be enough to meet its future growing production level and the effects of the carbon emission trading on the Company's profit. In the meanwhile, non-ferrous metal industry is a group being especially emphasised in the 13th Five-year Plan that hazardous waste released in the production will be highly monitored. It is the trend for imposing a more stringent environmental monitoring system by the PRC government which the Group will be under respective pressure to maintain its growth on sales and profitability through expansion of production capacity while putting much emphasis in compliance of more stringent environmental policies.

Considering the factors above, we are of the view that (i) the continuing deceleration of the growth of the PRC economy and investment in real estate development and government policies implemented to restrain property market would bring fluctuation to the future performance of the Group; (ii) the long term growth plan of the Group in terms of further development in the industrial aluminium profiles segment and the exploration of electronic commerce sales channel will bring uncertainties to the profitability and growth of the Group in short term; and (iii) the tightening environmental monitoring system on non-ferrous metal industry may incur additional capital expenditure and operating cost in compliance which affect the Group's profitability and production capacity in short term and may not bring a satisfactory return in a foreseeable future to the Shareholders. Therefore, notwithstanding the previous consecutive growth in the revenue and profit of the Group, we consider that the sustainability in the growth of the Group is uncertain and the Group will be facing increasing challenges from both business and regulatory perspectives.

(d) Intentions of the Joint Offerors regarding the Group

The Joint Offerors and the Company intend to continue the existing business of the Company upon successful implementation of the Scheme and the Proposal. The Joint Offerors and the Company have no intention to make any major changes to the existing operation and business, or to discontinue the employment of the employees of the Group nor do they have any plans to redeploy any of the fixed assets of the Group after implementation of the Scheme and the Proposal. However, the Joint Offerors and the Company will continue to assess business opportunities as they arise.

3. **Analysis of price performance and trading liquidity of the Shares**

(a) Cancellation Price comparisons

The Cancellation Price of HK$3.70 per Scheme Share represents:

(i) a premium of approximately 24.6% over the closing price of HK$2.97 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 35.2% over the average closing price of approximately HK$2.74 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(iii) a premium of approximately 37.7% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 38.8% over the average closing price of approximately HK$2.67 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

(v) a premium of approximately 37.7% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

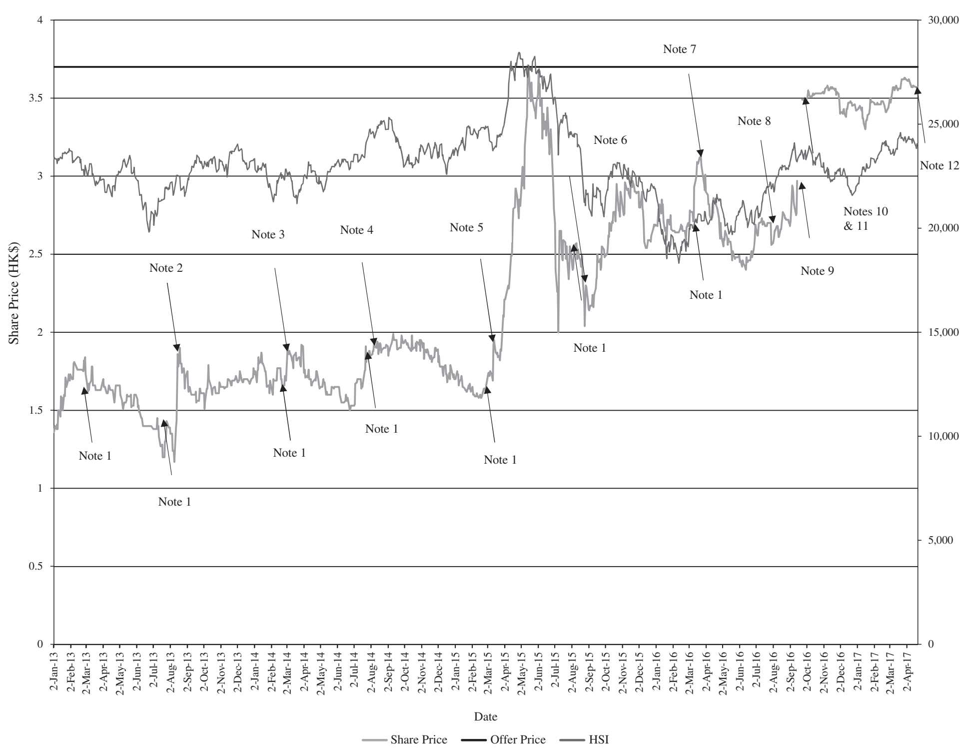
(vi) a premium of approximately 3.6% to the closing price of HK$3.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) a discount of approximately 18.0% to the consolidated net asset value of the Company attributable to the Shareholders of approximately RMB4.04 per Share (equivalent to approximately HK$4.51 per Share) as at 31 December 2016 as set out in the 2016 Annual Report; and

(viii) a discount of approximately 15.5% over the Adjusted NAV of the Group of approximately HK$4.38 per Share as set out in the sub-section headed "(b) Financial information of the Group – (iii) Adjusted NAV" in this letter.

(b) Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares for the four years ended 31 December 2016 and up to the Latest Practicable Date (the "**Review Period**") and a summary of announcements by the Company of significant transactions that took place during the Review Period representing a period of three full financial years prior to the Announcement Date and up to the Latest Practicable Date:



Source:Infocast

Notes:

1. Publication of announcements of positive profit alert;

2. Publication of announcement of interim result for the six months ended 30 June 2013 and commencement of development of the Group's headquarter in Foshan, PRC;

3. Publication of announcement of final result for the year ended 31 December 2013;

4. Publication of announcement of interim result for the six months ended 30 June 2014;

5. Publication of announcement of final result for the year ended 31 December 2014;

6. Publication of announcement of interim result for the six months ended 30 June 2015;

7. Publication of announcement of final result for the year ended 31 December 2015;

8. Publication of announcement of interim result for the six months ended 30 June 2016;

9. Publication of announcement of trading halt;

10. Publication of announcement of resumption of trading;

11. Publication of announcement of proposed privatisation; and

12. Publication of announcement of final result for the year ended 31 December 2016.

As illustrated above, the Shares have been traded below the Cancellation Price of HK$3.70 most of the time during the Review Period, ranging from HK$1.17 to HK$3.71 per Share. During the financial years ended 31 December 2013 and 2014, despite of the consecutive positive profit alerts on 11 March 2013, 14 August 2013, 28 February 2014 and 8 August 2014 for the interim and annual results and the announcement for the commencement of development of the Group's headquarter in Foshan on 28 March 2013 respectively, the Share price fluctuated between HK$1.17 and HK$1.99 and closed at HK$1.70 on 31 December 2014. During 2015, the Company, on 11 March 2015, announced a positive profit alert for its annual results for the year ended 31 December 2014, the Share price surged afterwards. The 2014 annual results announcement and 2014 Annual Report were published on 27 March 2015 and 27 April 2015 respectively. Price of the Shares surged to a maximum of HK$3.71 on 14 May 2015, mainly attributable to (i) the positive business performance as set out in the 2014 Annual Report; and (ii) the positive market environment as a result of the surge of the Hang Seng Index of approximately 13.0% during March to April 2015. Subsequently, there was a general decrease in the Share price for a few months and reached a minimum of HK$2.0 on 8 July 2015 which was also in line with the then decreasing trend of the Hang Seng Index during the corresponding period. On 12 August 2015, the Company issued a positive profit alert for its interim results for the six months ended 30 June 2015 and later its 2015 interim results on 17 September 2015. The Share price subsequently exhibits an upward trend and closed at HK$2.69 on 31 December 2015.

During 2016, the annual results of the Group for the financial year ended 31 December 2015 and the interim result for the six months period ended 30 June 2016 were announced on 31 March 2016 and 31 August 2016 respectively. Despite the above favourable 2015 annual results and 2016 interim result as compared to the corresponding financial year/period, the Share price still showed a downward trend with a minimum of HK$2.40 on 13 June 2016. Subsequent to the release of the announcement on 22 September 2016 in relation to the proposed pre-conditional proposal for the privatisation of the Company, the Share price experienced an upward trend from HK$2.97 on 14 September 2016 (i.e. the Last Trading Day) to HK$3.57 on 21 April 2017 (i.e. the Last Practicable Date), and we note that such level lies significantly above most of the Share price during the Review Period before the Last Trading Day. However, Independent Shareholders should note that there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

In general, during the Review Period before the Last Trading Day, the Share price closed below HK$3.70 most of the time (1,056 days out of 1,057 days). The highest and lowest closing prices of the Shares during the period the Review Period before the Last Trading Day (the "**Pre-Announcement Period**"), were HK$3.71 per Share on 14 May 2015 and HK$1.17 per Share on 9 August 2013 respectively. The Cancellation Price therefore represents a discount of approximately 0.3% to the highest closing price of the Shares and a premium of approximately 216.2% over the lowest closing price of the Shares during the Pre-Announcement Period. The Cancellation Price of HK$3.70 per Scheme Share represents a premium of approximately 62.3% and approximately 91.7% over the daily average of HK$2.28 and median closing prices per Share of HK$1.93, respectively, during the Pre-Announcement Period. Given that the Share price was below the Cancellation Price most of the time during the Review Period, we consider that the Cancellation Price represents a reasonable premium over the prevailing market value of the Shares.

(c) Trading liquidity

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

Month	Total trading volume	Average daily trading volume *(Note 1)*	% of the Average daily trading volume to total number of issued Shares as at the end of the relevant month *(Note 2)*	% of the Average daily trading volume to total number of issued Shares held by public shareholders as at the end of the relevant month *(Note 3)*
2013				
January	2,268,300	103,105	0.02%	0.09%
February	851,000	50,059	0.01%	0.04%
March	1,670,002	83,500	0.02%	0.07%
April	298,000	14,900	0.00%	0.01%
May	754,000	37,700	0.01%	0.03%
June	761,000	40,053	0.01%	0.03%
July	326,000	14,818	0.00%	0.01%
August	7,106,700	338,414	0.08%	0.29%
September	823,000	41,150	0.01%	0.04%
October	2,146,000	102,190	0.02%	0.09%
November	2,165,000	103,095	0.02%	0.09%
December	2,313,000	115,650	0.03%	0.10%
2014				
January	3,833,000	182,524	0.04%	0.16%
February	1,914,000	100,737	0.02%	0.09%
March	6,418,000	305,619	0.07%	0.27%
April	1,542,000	77,100	0.02%	0.07%
May	829,000	41,450	0.01%	0.04%
June	2,415,000	120,750	0.03%	0.11%
July	5,721,000	260,045	0.06%	0.23%
August	4,806,000	228,857	0.05%	0.20%
September	1,821,000	86,714	0.02%	0.08%
October	1,936,000	92,190	0.02%	0.08%
November	3,266,000	163,300	0.04%	0.14%
December	3,961,000	188,619	0.05%	0.16%

Month	Total trading volume	Average daily trading volume *(Note 1)*	% of the Average daily trading volume to total number of issued Shares as at the end of the relevant month *(Note 2)*	% of the Average daily trading volume to total number of issued Shares held by public shareholders as at the end of the relevant month *(Note 3)*
2015				
January	3,110,000	148,095	0.04%	0.13%
February	4,117,000	228,722	0.05%	0.20%
March	12,280,000	558,182	0.13%	0.49%
April	36,877,000	1,940,895	0.46%	1.69%
May	21,992,000	1,157,474	0.28%	1.01%
June	21,171,000	962,318	0.23%	0.84%
July	11,727,000	533,045	0.13%	0.46%
August	3,617,000	172,238	0.04%	0.15%
September	3,170,000	158,500	0.04%	0.14%
October	5,744,000	287,200	0.07%	0.25%
November	3,497,000	166,524	0.04%	0.15%
December	2,774,000	126,091	0.03%	0.11%
2016				
January	3,174,000	158,700	0.04%	0.14%
February	1,693,000	94,056	0.02%	0.08%
March	5,087,000	242,238	0.06%	0.21%
April	4,969,000	248,450	0.06%	0.22%
May	2,591,000	123,381	0.03%	0.11%
June	1,622,000	77,238	0.02%	0.07%
July	1,977,000	98,850	0.02%	0.09%
August	515,000	23,409	0.01%	0.02%
September	26,110,000	1,631,875	0.39%	1.42%
October	18,279,000	962,053	0.23%	0.84%
November	12,891,000	585,955	0.14%	0.51%
December	10,472,000	523,600	0.13%	0.46%
2017				
January	7,886,000	415,053	0.10%	0.36%
February	9,813,280	490,664	0.12%	0.43%
March	13,159,000	572,130	0.14%	0.50%
April (up to the Latest Practicable Date)	4,064,000	338,667	0.08%	0.30%

Source: Infocast

Notes:

(1) Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

(2) The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.

(3) The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and the Directors as set out in the 2013 Annual Report, 2014 Annual Report, 2015 Annual Report, 2016 Annual Report and as at the Latest Practicable Date, as applicable..

The average daily trading volume of the Shares as a percentage of the total issued Shares ranged from almost no trading activities to approximately 0.46%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.01% to approximately 1.69% during the Review Period. We noted that there was a substantial increase in trading volume of the Share subsequent to the Last Trading Date, which was most likely stimulated by the publication of the Announcement. In addition, there were only few occasions that the average daily trading volume of the Shares as a percentage of public float of the Company exceeds 1.0% which were basically below 0.3% over the last 12 months before the Announcement and surged to above 1.0% after the Announcement. In this regard, Independent Shareholders should note that the relatively high level of average daily trading volume in September 2016 subsequent to the Announcement Date may not persist if the Proposal and the Scheme lapse.

Based on the above, the trading in the Shares was generally thin during the Review Period and recorded almost no trading activities in July 2013 in terms of an average daily trading volume of Shares to total issued Shares. Given such, the Scheme Shareholders might not be able to dispose of a significant number of the Shares without causing a downward pressure on the market price of the Shares. The Proposal and the Scheme offer an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Cancellation Price.

(d) Historical discount of market price to net asset value

Set out below in the table are the percentage of premium/discount of the average Share price over/to the net asset value per Share for the years ended 2013, 2014, 2015 and 2016, the **IPO** price and the Cancellation Price.

	Average closing price *(Note 1)* *Approximately* *(HK$)*	**Net asset value per Share** *(Note 2 and 3)* *Approximately* *(HK$)*	**% (Discount)/ Premium** *Approximately*
2013	1.59	2.61	(39.1%)
2014	1.78	3.17	(43.9%)
2015	2.50	3.80	(34.2%)
2016	2.92	4.51	(35.3%)
IPO price	2.28	1.16	96.6%
Cancellation Price	3.70	4.51	(18.0%)

Sources: Infocast and the Stock Exchange

Notes:

(1) The average closing price during the respective financial year/period, as applicable

(2) The calculation is based on the net asset value on the latest published financial report during the respective financial year/period over the total issued share capital of the Company at the respective financial year/period, as applicable

(3) The calculation is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.89451 (being the RMB central parity rate by the People's Bank of China as at 30 December 2016)

The net profit attributable to owners of the Company has increased at a compound annual growth rate of approximately 31.7% for the years ended 31 December 2013 to 2016. However, the average Share prices of the Company has always been under-performed during such periods which are significant discounted to the net asset value per Share as comparison to that of the IPO price. The operational achievement of the Company was not reflected in the Share price during the Review Period. The discount of the Cancellation Price to the net asset value per Share of 18.0% is much lower than those of the Review Period. It is uncertain whether the relatively much smaller discount (i.e. 18.0%) of the Share price to the net asset value per Share, which the Cancellation Price provides could be realised in the near future by the Shareholders if the Proposal and the Scheme lapse. Despite the Cancellation Price represents a discount to the net asset value of the Group as at 31 December 2016, we took into account the consecutive discounts of average market prices to net asset value of the Group ranged from 34.2% to 43.9% during the financial years ended 31 December 2013 to 2016 and consider the Cancellation Price represents a relatively attractive opportunity for the Independent Shareholders to dispose their Shareholdings at a fixed cash price which is at a premium of the cancellation price over the closing price on the Last Trading Day, and average closing prices for 30 trading days, 60 trading days, 120 trading days and 180 trading days prior to the Announcement Date and at a relatively much smaller discount (i.e. 18.0%) to the net asset value per Share as at 31 December 2016.

(e) Dividend yield analysis

For the financial years ended 2013, 2014 and 2015, the Group declared and paid HK$0.05, HK$0.09 and HK$0.09 of dividend per Share to the Shareholders respectively, which represent 1.4%, 2.4% and 2.4% of dividend yield at the average Share price of the Company for the financial years ended 2013, 2014 and 2015. For the financial year ended 2016, the Group did not declare dividend. According to the statistics on the website of the Hang Seng Index, the dividend yield of the Hang Seng Index is approximately 3.5% as at 20 April 2017, which means that the Shareholders who place a priority on yield would still have an opportunity to re-invest the proceeds from the Cancellation Price for a better yield.

(f) Return on investment (the "ROI") for the Shareholders who have held the Shares since the IPO (the "IPO Shareholders")

If the Shareholders accept the Proposal, the Cancellation Price would offer them a ROI of approximately 62.3% based on the IPO price of HK$2.28 per Share, which is well above the underlying return on investment of the Hang Seng Index over the period from the Listing Date to the Last Trading Day of approximately 2.0%. In view of the above comparison with the return on investment of the benchmark indices, the Cancellation Price offers the IPO Shareholders a better return relative to the market average.

4. Comparison with other comparable companies

We noted that trading multiples analysis is a commonly adopted method for the purpose of assessing the fairness and reasonableness of the Cancellation Price. The Group is principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials. Having considered (i) the business nature of the Group; (ii) the regional differentiation in the trading multiples between the Hong Kong stock market and other stock markets across the globe; (iii) the production capacity and the economy scale of production are the important factors to the profitability and business performance of aluminium production industry which has contributed to the growth of revenue and net profits of the Group as mentioned in "(b) Financial information of the Group" in this letter, we have researched for Hong Kong listed companies, with similar market capitalisation and asset size, which are principally engaged in the manufacture and distribution of aluminium products and the majority of revenue are generated from such major businesses. However, we were unable to identify comparable companies with market capitalisation (i.e. with market capitalisation less than HK$3.0 billion) and asset size (i.e. with total asset less than HK$12.0 billion) similar to the Group. For reference purpose only, set out below is an analysis of the market capitalisation, total asset and PP&E of the three identified companies as compared to those of the Company, which, to the best of our knowledge and as far as we are aware of, is an exhaustive list for Hong Kong listed companies principally engaged in the manufacture and distribution of aluminum products and the majority of revenue are generated from such major businesses.

Company	Business	Market Capitalisation *(Note 1)* *(HK$, Billion)*	Total assets *(Note 2 and 3)* *(HK$, Billion)*	Property, plant and equipment ("PP&E") *(Note 2 and 3)* *(HK$, Billion)*	P/E Ratio *(times)*	P/B Ratio *(times)*
United Company RUSAL Plc (Stock code: 486)	The principal activities of the group are alumina refining, aluminium smelting and refining, bauxite and nepheline ore mining and processing, as well as sales of bauxite, alumina and various primary aluminium and secondary products.	56.7	112.4	31.6	6.2	2.2
China Zhongwang Holdings Limited (Stock code: 1333)	The company and its subsidiaries are principally engaged in the manufacturing and sales of aluminium products.	18.6	89.3	46.6	7.4	0.5
China Hongqiao Group Limited (Stock code: 1378)	The company and its subsidiaries are principally engaged in the business of manufacture and sales of aluminum products.	51.2	143.3	92.0	13.6	1.1
				Highest	13.6	2.2
				Lowest	6.2	0.5
				Average	9.1	1.3
				Median	7.4	1.1
The Proposal *(Note 4)*		**1.5**	**6.0**	**2.0**	**4.6**	**0.8**

Source: the Stock Exchange

Notes:

(1) The market capitalisation based on the latest share price and the total issued share capital as at the Latest Practicable Date, or the Cancellation Price and the total issued share capital, as applicable.

(2) The total asset based on the latest published financial report as at the Latest Practicable Date, as applicable.

(3) The calculation is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.88518 (being the RMB central parity rate by the People's Bank of China as at Latest Practicable Date) and any amount denominated in USD was translated into HK$ at the rate of USD1 = HK$7.7757 as at Latest Practicable Date.

(4) The P/E ratio and the P/B ratio of the Proposal is calculated based on the Cancellation Price of HK$3.70 per Share, the earnings per share of the Group for the year ended 31 December 2016 and the net asset value per share of the Group as stated in the 2016 Annual Report to facilitate our comparison of the P/E ratio and the P/B ratio of the Company as represented by the Cancellation Price to the P/E ratios and the P/B ratios of the Comparable Companies.

In light of the above, to the best of our knowledge and as far as we are aware of, all of the above identified companies are with market capitalisation of over HK$18.0 billion, total asset value of over HK$80.0 billion and the value of PP&E of over HK$30.0 billion in comparison to the Group's market capitalisation of HK$1.5 billion based on the Cancellation Price of HK$3.70, total asset value of HK$6.0 billion and value of PP&E of HK$2.0 billion.

Due to the significant difference between the identified companies and the Group in terms of market capitalisation, total asset value and PP&E, the trading mutiples analysis is not a feasible approach for evaluating the Cancellation Price. The table above illustrates the level of P/E ratio and P/B ratio of each of the identified comparable companies and the Proposal of the Company and is set out for reference only.

5. **Privatisation precedents**

We have compared the Proposal and the Scheme to other privatisation proposals listed on the Stock Exchange announced since 1 January 2014 and up to the Latest Practicable Date, excluding privatisation proposals which were not approved (the "**Privatisation Precedents**"), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange's website satisfying the above selection criteria. The table below illustrates the premiums over the relevant last trading day, the relevant 30 days, 60 days, 120 days and 180 days average share prices at which such privatisation proposals have been priced:

			Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposals				
Date of initial announcement	**Stock Code**	**Company**	**Last trading date**	**30 days share price average**	**60 days share price average**	**120 days share price average**	**180 days share price average**
23-Sep-16	3668	Chinalco Mining Corporation International	32.4%	34.1%	36.9%	51.5%	62.7%
8-Jul-16	1438	Nirvana Asia Ltd	22.4%	36.3%	36.6%	36.7%	35.9%
17-Jun-16	1768	Barcell Limited	44.3%	132.0%	138.5%	162.0%	159.9%
12-Jun-16	2618	TCL Communication Technology Holdings Limited	34.6%	47.2%	45.1%	39.1%	36.4%
29-May-16	477	Aupu Group Holding Company Limited	24.9%	29.7%	29.4%	27.6%	28.4%
24-May-16	1968	Peak Sport Products Co., Limited	10.6%	15.7%	21.1%	27.3%	22.7%
30-Mar-16	3699	Dalian Wanda Commercial Properties Co., Ltd	3.0%	24.1%	37.5%	25.4%	18.2%
4-Feb-16	3386	Dongpeng Holdings Company Limited	31.8%	47.1%	52.1%	50.1%	35.6%
6-Jan-16	917	New World China Land Limited	25.6%	40.8%	45.7%	57.7%	57.0%
20-Oct-15	1025	Wumart Stores, Inc	90.2%	68.8%	48.5%	18.8%	15.4%
13-Aug-15	350	Jingwei Textile Machinery Company Limited	8.1%	18.9%	8.9%	11.1%	18.3%
27-May-15	2266	Dorsett Hospitality International Limited	32.4%	41.7%	44.0%	39.7%	34.3%
26-Feb-15	1390	Econtext Asia Limited	41.0%	60.4%	64.1%	55.0%	48.5%
11-Dec-14	2626	Hunan Nonferrous Metals Corporation Limited	68.7%	55.8%	50.0%	64.4%	70.2%
8-May-14	1997	Regent Manner International Holdings Limited	32.4%	37.5%	39.0%	37.3%	35.3%
1-Apr-14	302	Wing Hang Bank Limited *(Note 1)*	10.6%	12.1%	11.8%	12.1%	22.6%
		Highest	90.2%	132.0%	138.5%	162.0%	159.9%
		Lowest	3.0%	12.1%	8.9%	11.1%	15.4%
		Average	32.1%	43.9%	44.3%	44.7%	43.9%
		Median	32.1%	39.1%	41.5%	38.2%	35.5%
22-Sep-16	**98**	**The Proposal and the Scheme**	**24.6%**	**35.2%**	**37.7%**	**38.8%**	**37.7%**

Source: the Stock Exchange, Bloomberg, relevant published scheme documents, composite documents, circulars and announcements

Note:

1. Since trading halt was imposed on the shares of Wing Hang Bank, Limited in the afternoon of 28 March 2014, the last trading days in the calculation above is assumed to be 27 March 2014.

As indicated above, the premiums of the Cancellation Price over the close price on the Last Trading Day and average closing price for 30 trading days, 60 trading days, 120 trading days and 180 trading days prior to announcement of privatisation proposal (i) fall within the ranges of the premiums of offer/cancellation prices for the Privatisation Precedents over such benchmarked days; and (ii) are near and comparable to the average and median of the aforesaid premiums for the Privatisation Precedents. It shows that the premiums as offered by the Cancellation Price are in line with the premiums as offered by other privatisation proposals in the market. Despite the premiums of the Cancellation Prices over the closing price on the Last Trading Day, and average closing prices for 30 trading days, 60 trading days, 120 trading days and 180 trading days prior to the Announcement Date are below the average of the corresponding premiums of offer/cancellation prices for the Privatisation Precedents, we considered (i) the premiums of the Cancellation Price over the average closing price for over 120 days and 180 days prior to the Announcement Date are above the median of the corresponding premiums of offer/cancellation prices for the Privatisation Precedents which indicated the premiums as offered by the Cancellation Price is favorable in comparison to the corresponding premiums as offered by the Privatisation Precedents from a long term perspective; and (ii) the above privatisation precedents involved companies from different industries and/or of a different nature to the Group and the Cancellation Price to be paid for the Group is dependent on its industry and the nature of its operations. In addition, we took into account of other factors as set out in the section headed "Discussion and analysis" in perspective of assessing the terms of Cancellation Price in its entirety and consider the Cancellation Price represents a relatively attractive opportunity for the Independent Shareholders to dispose their Shareholdings at a fixed cash price which is at a premium over the closing price on the Last Trading Day and average closing prices for 30 trading days, 60 trading days, 120 trading days and 180 trading days prior to the Announcement Date.

6. Listing related costs and fundraising activities

As stated in the section of "Reasons for and benefits of the Proposal" under the "Explanatory Memorandum" of the Scheme Document, listing of the Shares requires the Group to bear additional administrative, compliance and other listing related costs and expenses as compared to the fund raising activities of the other non-listing entities. Further to the discussion with the management of the Group, we understand that since its IPO in March 2008, the Company has not conducted any fund raising activities through utilising its listing status, and has been relying on bank borrowings to support its operations which is similar to other non-listing entities. If the above listing related costs and expenses are eliminated, we concurred with the management that the costs saved could be used to support the Company's business operations.

DISCUSSION AND ANALYSIS

The Group is one of the leading aluminium profiles manufacturers in the PRC. The future of the Group is subject to uncertainties given the decelerating growth of Chinese economy and the investment in real estate development, the government policies to restrain the property market in the PRC and the tightening environmental monitoring system on non-ferrous metal industry by the PRC government. In addition, the long term growth plan of the Group in terms of further development in the industrial aluminium profiles segment and the exploration of electronic commerce business imposes additional pressure to the business operation of the Group by meeting the expectation of the Scheme Shareholders and the investors on the related expected profitability in the short run. Hence, the Share price performance diverges among the views between the Joint Offerors and the Scheme Shareholders on the development of the Group. Based on the results of the analysis below, we are of the view that the Cancellation Price of HK$3.70 pursuant to the Scheme represents a valuable opportunity for the Independent Shareholders to realise their investment at a premium to market price.

Historical share price performance

Pursuant to the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK$3.70 in cash for each Scheme Share. We have assessed the fairness of the Cancellation Price by reviewing the historical price of the Shares. During the Review Period, the Share price ranged from HK$1.17 to HK$3.71 per Share. The Share price closed below HK$3.70 for the great majority of the time (1,056 days out of 1,057 days) during the Review Period, with an average of approximately HK$2.28 per Share. Uplifts of Share price and trading volume were seen after the announcements in relation to the pre-conditional proposal for the privatisation of the Company was published by the Company and the Joint Offerors on 22 September 2016. The Share price closed at HK$3.57 on the Latest Practicable Date. In this regard, we consider that the Cancellation Price represents a reasonable premium over the prevailing market value of the Shares.

Share price has not reflected operational performance

As stated in the section of this letter headed "Historical discount of market price to net asset value", the Share prices for the financial years ended 31 December 2013 to 2016 have not fully reflected the improved operational performance of the Company and the enlarging net asset value of the Group incurred from its consecutive positive performance and organic growth in the Review Period. It creates uncertainty as to whether good results will necessarily produce an increasing trend in the price of the Shares for the Shareholders of the Group. We consider it is an uncertainty of whether the Cancellation Price, representing a premium of approximately 62.3% and approximately 91.7% over the daily average of HK$2.28 and median closing prices per Share of HK$1.93 during the Review Period, could be realised in the near future by the Shareholders if the Proposal and the Scheme lapse. Despite the Cancellation Price represents a discount to the net asset value of the Group as at 31 December 2016, we took into account the consecutive discounts of average market prices to net asset values of the Group ranged from 34.2% to 43.9% during the financial years ended 31 December 2013 to 2016 in comparison to an approximately 31.7% compound annual growth for the net profit attributable to owners of the Company during the financial years ended 31 December 2013 to 2016 and consider the Cancellation Price represents a relatively attractive opportunity for the Independent Shareholders to dispose their Shareholdings at a fixed cash price which is at a premium over the market prices of the Shares as mentioned above.

Dividend yield and ROI

The Cancellation Price represented premiums of 2.21% and 3.64% to the closing prices of the Shares as at the Last Trading Day and the Latest Practicable Date. In respect of dividend yield, for the financial years ended 2013, 2014 and 2015, the Group has declared and paid HK$0.05, HK$0.09 and HK$0.09 of dividend per Share respectively, which represent 1.4%, 2.4% and 2.4% of dividend yield at the Cancellation Price of HK$3.70. For the financial year ended 31 December 2016, the Group did not declare dividend. As such, the Shareholders have an opportunity to re-invest the proceeds from the Cancellation Price at a better yield given that the dividend yield of the Hang Seng Index is higher than that of the Company as at the Latest Practicable Date. In addition, the ROI for the IPO Shareholders calculated based on the IPO Price and the Cancellation Price is well above the underlying return on investment of the Hang Seng Index. On this basis, we consider the Cancellation Price to be fair.

Trading volume

In respect of trading volume of the Shares, the Shares were not consistently and actively traded throughout the Review Period. The percentage of the average daily trading volume to the total number of issued Shares at the end of the relevant month in the review period is ranged from almost no trading activities to approximately 0.46%. Given that the Scheme Shareholders might not be able to dispose their Shares without causing a downward pressure on the market price of the Shares and the relatively higher level of trading recently may not be sustainable if the Proposal and the Scheme lapse, we consider the Proposal and the Scheme offer an opportunity for the Independent Shareholders to dispose their shareholdings, especially those holding a large block of the Shares, at a fixed cash price which is at a premium of the market price of the Shares as at the Latest Practicable Date.

Privatisation precedents

In order to assess the fairness and reasonableness of the Cancellation Price, we have identified other privatisation proposals listed on the Stock Exchange announced since 1 January 2014. Taking into account (i) the Cancellation Price is above historical Share prices for a great majority of the time (812 days out of 813 days) from 1 January 2014 to the Latest Practicable Date, and (ii) the Cancellation Price offers premiums which is in line with the premiums as offered by other privatisation precedents in the market, we consider the Cancellation Price represents a reasonable premium over the prevailing market value of the Shares.

Lack of fund raising opportunities under additional listing related costs

Since its IPO in March 2008, the Company has not conducted any fund raising activities through utilising its listing status. Having considered that the listing of Shares requires the Group to bear additional administrative, compliance and other listing related costs and expenses as compared to the fund raising activities of the other non-listing entities, we concurred with the management that if the above listing related costs and expenses are eliminated, the costs saved could be used to support the Group's business operations.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Louis Chan**
Managing Director	*Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES IN CONSIDERATION OF THE JOINT OFFERORS AGREEING TO PAY THE CANCELLATION PRICE

1. INTRODUCTION

The Joint Offerors and the Company jointly issued an announcement dated 22 September 2016, which stated that the Joint Offerors requested the Board of the Company to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of the Scheme.

The Scheme and the Proposal involve the cancellation of all the Scheme Shares in exchange for the Cancellation Price, as a result of which it is intended that the Company will be owned by the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, as to approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57%, respectively, and the listing of the Shares on the Stock Exchange will be withdrawn. The expected last date for trading in the Shares on the Stock Exchange will be Wednesday, 24 May 2017.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal, which are to be implemented by the Scheme, and to provide Shareholders with other relevant information in relation to the Scheme and the Proposal, in particular, to provide the intentions of the Joint Offerors with regard to the Company and the shareholding structure of the Company before and after the Scheme and the Proposal.

Particular attention of the Shareholders is drawn to the following sections of this Scheme Document: (a) the Letter from the Board set out in Part IV of this Scheme Document; (b) the Letter from the Independent Board Committee set out in Part V of this Scheme Document; (c) the Letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; and (d) the terms of the Scheme set out in Appendix IV to this Scheme Document.

2. TERMS OF THE SCHEME AND THE PROPOSAL

The Proposal is to be implemented by way of the Scheme by the Joint Offerors.

Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder whose name appears on the register of members of the Company as at the Scheme Record Date will be entitled to receive the Cancellation Price. The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.

Shareholders whose names appear on the register of members of the Company as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). The Company does not expect to declare any further dividend on or before the Effective Date.

As at the Latest Practicable Date, the authorised share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of par value HK$0.01, and the issued share capital of the Company was approximately HK$4,180,000 divided into 418,000,000 Shares of par value HK$0.01. All of the Shares rank equally in all respects as regards to rights to capital, dividends and voting. As at the Latest Practicable Date, the Shareholders (other than the Joint Offerors and Joint Offerors Concert Party) were interested in 114,698,000 Shares, representing approximately 27.44% of the issued share capital of the Company. As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by the Company that carry a right to subscribe for or which are convertible into Shares.

After the Scheme becomes effective, the listing of the Shares on the Stock Exchange will be withdrawn and the Company will be owned by the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, as to approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57%, respectively. The Scheme and the Proposal are conditional upon the fulfilment or waiver, as applicable, of the Conditions as described in the paragraph headed "4. Conditions of the Proposal and the Scheme" below. All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, being 19 July 2017 (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Scheme and the Proposal will lapse. Further announcements on any changes regarding the timetable of the Scheme and the Proposal will be made as and when necessary.

If the Scheme and the Proposal do not become unconditional, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange.

Settlement of the Cancellation Price will be implemented in full in accordance with the terms of the Scheme and the Proposal, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

3. CANCELLATION CONSIDERATION

The Cancellation Price represents:

- a premium of approximately 24.58% over the closing price of HK$2.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 35.17% over the average closing price of approximately HK$2.74 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 37.66% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.76% over the average closing price of approximately HK$2.67 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 37.65% over the average closing price of approximately HK$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 3.64% over the closing price of HK$3.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 18.04% over the consolidated net asset value per Share of approximately HK$4.51 as of 31 December 2016[i].

  [i] Any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.89451 (being the RMB central parity rate by the People's Bank of China as at 30 December 2016).

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

(a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

(b) the approval of the Scheme (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; Provided that the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;

(c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid for issuance to the Joint Offerors;

(d) the Grand Court's sanction of the Scheme (with or without modifications) and the Grand Court's confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

(e) compliance by the Company, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of the Company;

(f) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions;

(g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

(h) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

(i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme; and

(j) since 22 September 2016, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal).

The Joint Offerors reserve the right to waive Conditions (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e) and (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme and the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Joint Offerors in the context of the Proposal or the Scheme.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived. In respect of Condition (f), as at the Latest Practicable Date, the Joint Offerors and the Company do not reasonably foresee any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal and the Scheme, save for the consents from the Executive and the Stock Exchange, and the sanction of the Grand Court.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Thursday, 1 June 2017 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the EGM and, if the Resolutions are passed at those meetings; (ii) the result of the Grand Court hearing of the petition to sanction of the Scheme and to confirm the capital reduction; (iii) the Scheme Record Date; (iv) the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange as further set out in "Part III – Expected Timetable" of this Scheme Document.

If the Scheme is not approved or the Proposal otherwise lapses, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange. An announcement will be made in due course in such event.

Shareholders and/or potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor or other professional advisers.

5. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be requested to order the convening of a meeting of a class of members being the Scheme Shareholders.

6. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

(a) the Scheme is approved by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and

(b) the number of votes cast by the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders.

For the purpose of this vote, the Independent Shareholders comprise all the Shareholders as at the Meeting Record Date other than the Joint Offerors, the Joint Offeror Concert Parties and any other Shareholders who are interested in or involved in the Proposal. Shareholders that are not Independent Shareholders will be required to abstain from voting at the Court Meeting in accordance with the Takeovers Code.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 114,698,000 Scheme Shares. On that basis, 10% of the votes attached to Scheme Shares held by all the Independent Shareholders referred to in (b) above therefore represent approximately 11,469,800 the Shares as at the Latest Practicable Date.

7. BINDING EFFECT OF THE SCHEME AND THE PROPOSAL

Upon the Scheme and the Proposal becoming effective, it will be binding on the Company and all the Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the EGM.

8. SCHEME SHARES

On the assumption that there is no change in shareholdings of the Company, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal	
	Number of Shares	*%*	*Number of Shares*	*%*
Joint Offerors				
Guangxin Aluminium[1]	125,360,000	29.99	172,795,168	41.34
Mr. LUO Su[2]	57,109,200	13.66	78,718,840	18.83
Mr. LUO Riming[2]	51,813,700	12.40	71,419,567	17.09
Mr. LIAO Yuqing[2]	48,200,100	11.53	66,438,611	15.89
Mr. LAW Yung Koon[2]	19,050,000	4.56	26,258,359	6.28
Ms. LAM Yuk Ying[3]	1,719,000	0.41	2,369,455	0.57
Joint Offerors Concert Party (Shares held subject to the Scheme)				
Mr. WONG Siu Ki[4]	50,000	0.01	–	–
Aggregate number of Shares of the Joint Offerors and the Joint Offerors Concert Party	303,302,000	72.56	418,000,000	100.00
Other public Shareholders	114,698,000	27.44	–	–
Aggregate number of Shares of the Independent Shareholders	114,698,000	27.44	–	–
Total	418,000,000	100.00	418,000,000	100.00
Total number of Scheme Shares[5]	114,748,000	27.45		

Notes:

1. Guangxin Aluminium is wholly owned by Guangxin Holdings, which is wholly owned by the Guangdong SASAC.

2. Each of Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing and Mr. LAW Yung Koon is an executive director of the Company.

3. Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon.

4. Mr. WONG Siu Ki is the alternative director to Mr. LIU Libin, the chairman and an executive director of the Company.

5. The total number of Shares (assuming there is no change in shareholding structure before completion of the Proposal) minus the number of Shares held by the Joint Offerors equals the total number of Scheme Shares.

6. All percentages in the above table are approximations.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Joint Offerors, will hold the entire issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

As at the Latest Practicable Date, there are 418,000,000 Shares in issue and the Scheme Shareholders are interested in 114,748,000 Shares, representing approximately 27.45% of the issued share capital of the Company.

As at the Latest Practicable Date, the Joint Offerors held 303,252,000 Shares representing approximately 72.55% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting. As at the Latest Practicable Date, the Joint Offerors Concert Party held in aggregate 50,000 Shares, representing approximately 0.01% of the issued share capital of the Company. The Shares held by the Joint Offerors Concert Party will form part of the Scheme Shares, but will not be voted on the Scheme at the Court Meeting.

There were no options, warrants or convertible securities in respect of the Shares held by the Joint Offerors or the Joint Offerors Concert Party or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offerors Concert Party as at the Latest Practicable Date, and the Company did not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date.

9. TOTAL CONSIDERATION

The amount of cash required to implement the Scheme is approximately HK$424.57 million.

Each of Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing will finance its/his proportion of the cash required for the Proposal from its/his respective internal financial resources. In light of the interests payable arising from the prolonged period from the Announcement Date and the Effective Date, the unconditional loan previously granted by Guangxin Aluminium to Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the purpose of financing the cash required by Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the Proposal has been fully repaid and the relevant loan agreements have been terminated.

Mr. LAW Yung Koon and Ms. LAM Yuk Ying will finance each of their proportion of the cash required for the Proposal from an unconditional loan provided by Mr. LUO Su, which loan has been fully drawn down.

CICC, the financial adviser to the Joint Offerors in connection with the Scheme and the Proposal, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging their respective obligations in respect of the full implementation of the Proposal.

10. REASONS FOR, AND BENEFITS OF, THE SCHEME AND THE PROPOSAL

The Company plans to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles; (ii) through exploration of electronic commerce business, expanding the retail and selling channels and focusing on the long-term development of the aluminium profiles business, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

Since its listing in March 2008, the Company's share price performance has not been satisfactory, and it has not made full use of its listed status to raise funds for driving its business growth. As a leading aluminium profiles manufacturer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Proposal could eliminate this adverse impact.

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 0.34 million Shares per day, representing only approximately 0.08% of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

11. INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 31 March 2008. The Group is principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials.

As at the Latest Practicable Date, the Company is solvent and is able to pay its debts as they fall due and will not become unable to do so immediately after the Latest Practicable Date.

12. INFORMATION ON THE JOINT OFFERORS

Joint Offerors

Guangxin Aluminium is a company incorporated in Hong Kong, which is directly and wholly owned by Guangxin Holdings, which is in turn wholly owned by the Guangdong SASAC, the ultimate largest shareholder of the Company. The principal activity of Guangxin Aluminium is investment holding.

Mr. LUO Su is the honorable chairman of the Board and an executive director of the Company. He is responsible for the overall management of the Group. He is the father-in-law of Mr. LIAO Yuqing, one of the Joint Offerors.

Mr. LUO Riming is an executive director and chief executive officer of the Company. He is responsible for the procurement and utilization of equipment and infrastructure for the business of the Group.

Mr. LIAO Yuqing is an executive director of the Company. He is also the general manager of the Group. He is the son-in-law of Mr. LUO Su, one of the Joint Offerors.

Mr. LAW Yung Koon is an executive director of the Company. He is responsible for the sales and marketing of the Group's products in overseas market.

Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon. She does not hold any positions in the Group.

Mr. LUO Su has advanced an unconditional loan to Mr. LAW Yung Koon and Ms. LAM Yuk Ying (the "**Loan from Mr. LUO Su**"), to finance the cash required for the Proposal.

Mr. LAW Yung Koon and Ms. LAM Yuk Ying (the "**Chargors**") have each provided a share charge over the Shares that may be acquired by them and the rights accruing or incidental thereto from time to time to Mr. LUO Su as security for their obligations and liabilities under the Loan from Mr. LUO Su, for implementation of the Scheme. Under such share charges:

(a) each of the Chargors provided share charges over the Shares that may be acquired by each of them and rights accruing or incidental thereto from time to time to Mr. LUO Su as security for their obligations and liabilities under the Loan from Mr. LUO Su;

(b) each of the Chargors agreed to deliver to Mr. LUO Su, as applicable, all certificates, documents of title and other documentary evidence of ownership of the Shares that may be acquired by him, and any instruments of transfer and undated sold note and other relevant documents for the purpose of the charge;

(c) the security provided under the charge will become enforceable upon (i) the occurrence of an event of default of the Loan from Mr. LUO Su; or (ii) the making of an application of the presentation of a petition for a winding-up or bankruptcy in relation to the Chargors or the giving or filing by any person of notice in relation to the appointment of a receiver, or an administrator or an administrative receiver of the Chargors.

Joint Offerors Concert Party

Mr. WONG Siu Ki is the chief investment officer of the Group and the alternative director to Mr. LIU Libin, the chairman and executive director of the Company. Mr. WONG Siu Ki is presumed to be acting in concert with the Joint Offerors, which include certain directors of the Company, under class (6) of the definition of "acting in concert" in the Takeovers Code, as he serves as a director of the Company which is now subject to an offer.

13. CONSORTIUM AGREEMENT

The Joint Offerors have entered into the Consortium Agreement pursuant to which they have agreed, among other things, that:

(a) the new Shares as are equal to the number of Scheme Shares will be issued to in the ratio of 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57% to Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, respectively;

(b) all decisions relating to the Proposal will be made jointly by the Joint Offerors;

(c) each Joint Offeror shall ensure to arrange sufficient financial resources to announce and implement the Scheme and to fulfill their respective payment obligations under the Scheme and the Option Offer and to comply with the requirements of the Takeovers Code;

(d) before the Scheme becomes effective, lapses or is withdrawn, none of the Joint Offerors shall sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it, nor will it accept any other offer in respect of all or any of such, except for the security granted or to be granted under the relevant financing utilized for fulfilling its payment obligation under the Scheme;

(e) none of the Joint Offerors shall acquire, subscribe for or otherwise deal in the Shares, convertible securities, options or other securities of the Company without the prior consent of the other Joint Offeror, except as contemplated under the Scheme and its related transactions; and

(f) without the prior written consent of the other Joint Offeror, upon the Scheme becoming effective, no Joint Offeror, if applicable, shall exercise its voting rights to agree to the: (i) change or alteration of the share capital of the Company; (ii) disposal of all or substantially all of the assets of the Company; (iii) amendment to the memorandum and articles of association of the Company; or (iv) appointment or removal of any director of the Company.

14. INTENTIONS OF THE JOINT OFFERORS AND THE COMPANY

The Joint Offerors and the Company intend to continue the existing business of the Company upon successful implementation of the Scheme and the Proposal. The Joint Offerors and the Company have no intention to make any major changes to the existing operation and business, or to discontinue the employment of the employees of the Group nor do they have any plans to redeploy any of the fixed assets of the Group after implementation of the Scheme and the Proposal. However, the Joint Offerors and the Company will continue to assess business opportunities as they arise.

15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, in due course.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme has been included in "Part III – Expected Timetable" in this Scheme Document.

16. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Joint Offerors in accordance with Rule 2.3 of the Takeovers Code.

17. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Scheme and the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Joint Offerors, the Company and their respective advisers, including the financial adviser to the Joint Offerors, that those local laws and regulatory requirements have been complied with.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to their positions.

18. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Thursday, 1 June 2017, it is proposed that the register of members of the Company will be closed from Wednesday, 31 May 2017 onwards (or such other date as the Shareholders may be notified by way of an announcement) in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, the Shareholders should ensure that their Shares are lodged with the Hong Kong branch share registrar of the Company for registration in their names or in the names of their nominees before 4:30 p.m. on Monday, 29 May 2017. The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Payment of the Cancellation Price to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date. On the basis that the Scheme becomes effective on or about Thursday, 1 June 2017 (Cayman Islands time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be dispatched on or before Monday, 12 June 2017. In the absence of any specific instructions to the contrary received in writing by Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, cheques will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Joint Offerors, the Company, CICC will be responsible for any loss or delay in dispatch.

On or after the day being six calendar months after the posting of such cheques, the Joint Offerors shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the Joint Offerors name with a licensed bank in Hong Kong selected by the Company.

Before the expiry of six years from the Effective Date, the Joint Offerors shall hold such monies and make payments from the deposit or custodian account of the sums to persons who satisfy the Joint Offerors that they are entitled thereto. On the expiry of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under the Scheme and the Joint Offerors shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Thursday, 1 June 2017 (Cayman Islands time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

19. TAXATION

Hong Kong stamp duty and tax consequences

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective. No Cayman Islands stamp duty will become payable as a result of the Scheme.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and the Proposal and, in particular, whether the receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasized that none of the Joint Offerors, the Company and CICC or any of their respective directors, officers or associates or any other person involved in the Scheme and the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme.

20. COURT MEETING AND EXTRAORDINARY GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Independent Shareholders at the Court Meeting in the manner referred to in the paragraphs headed "4. Conditions of the Proposal and the Scheme" and "6. Additional Requirements as Imposed by Rule 2.10 of the Takeovers Code" in this Explanatory Memorandum.

The EGM will be held after the Court Meeting for the purpose of considering and if thought fit passing (i) the special resolution to approve the reduction of the issued share capital of the Company by cancelling the Scheme Shares and (ii) the ordinary resolution by the Shareholders to immediately restore the issued share capital of the Company to its former amount by the issue of the same number of the Shares as the number of Scheme Shares cancelled, credited as fully paid, for issuance to the Joint Offerors.

An announcement will be made by the Company and the Joint Offerors in relation to the results of the Court Meeting and EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement.

Court Meeting

Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Independent Shareholders, present and voting either in person or by proxy, will be entitled to vote all of their respective the Shares in favour of the Scheme or against it.

In accordance with the direction from the Grand Court, HKSCC Nominees Limited shall be permitted to vote both for and against the Scheme in accordance with instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of calculating the "majority in number", HKSCC Nominees Limited shall be counted as a multi-headed Shareholder voting once "for" and once "against" the Scheme (if so instructed). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

The Scheme is conditional upon, among other things, approval by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Shares present and voting in person or by proxy at the Court Meeting. In addition, (i) the Scheme must be approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by all the Independent Shareholders.

In accordance with the Companies Law, the "75% in value" requirement as described above will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the "majority in number" requirement as described above will be met if the number of Scheme Shareholders voting in favour of the Scheme exceeds the number of Scheme Shareholders voting against the Scheme. For the purpose of calculating the "majority in number" requirement, the number of Scheme Shareholders, present and voting in person or by proxy, will be counted. For the purpose of the Takeovers Code, only the number of Scheme Shares from Independent Shareholders being so voted will count towards the "75% in value" requirement.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 11:30 a.m. (Hong Kong time) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.

Extraordinary General Meeting

All the Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to (i) the special resolution by Shareholders to approve the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution by Shareholders to immediately thereafter increase restore the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of Scheme, credited as fully paid, for issuance to the Joint Offerors.

The special resolution described under (i) in the paragraph above will be passed if not less than three-fourths of the votes cast by the Shareholders, present and voting in person or by proxy at the EGM, are in favour of the special resolution. The ordinary resolution described under (ii) in the paragraph above will be passed if more votes are cast in favour of the ordinary resolution that against it by the Shareholders, present and voting either in person or by proxy, at the EGM.

At the EGM, a poll will be taken and each Shareholder present and voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the special resolution and/or the ordinary resolutions. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolution and/or the ordinary resolutions and any or all of the balance of their Shares against the special resolution and/or the ordinary resolutions (and vice versa).

Each of the Joint Offerors and the Joint Offerors Concert Party has undertaken that the Shares held by each of them will be voted in favour of the special and the ordinary resolutions to be proposed at the EGM and approved by Shareholders.

At the EGM, the special and the ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Notice of EGM is set out in Appendix VI to this Scheme Document. The EGM will be held at 12:00 p.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting convened on the same day and place) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Thursday, 1 June 2017 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (i) the results of the Court Meeting and the EGM and, whether all the resolutions are passed at those meetings; (ii) the result of the hearing of the petition for the sanction of the Scheme by the Grand Court; (iii) the Scheme Record Date; (iv) the Effective Date; and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in "Part III – Expected Timetable" of this Scheme Document.

21. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, among other things, the following reasons:

(a) to enable the Beneficial Owners to become Shareholders so that they can attend the Court Meeting in the capacity as members of the Company or be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Shareholders as required under Section 86 of the Companies Law in their capacity as members of the Company;

(b) to enable the Company to properly classify members of the Company as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and

(c) to enable the Company and the Joint Offerors to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, an Other CCASS Participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or other relevant person in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

22. GENERAL

CICC has been appointed as the financial adviser to the Joint Offerors in connection with the Scheme and the Proposal.

The directors of the Company (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) all believe that the terms of the Scheme and the Proposal are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive directors of the Company forming the Independent Board Committee, namely Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy and Mr. LIANG Shibin, have provided their recommendation in the letter from the Independent Board Committee in Part V of this Scheme Document.

Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon, Mr. LIU Libin and Mr. CHEN Shengguang, being directors of the Company and who are interested in the Scheme and the Proposal, have abstained from voting in respect of the board resolutions of the Company in relation to the Scheme and the Proposal.

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable.

As at the Latest Practicable Date, no person who owned or controlled Shares or convertible securities, warrants, options or derivatives in respect of Shares had irrevocably committed themselves to the Joint Offerors to vote their Shares in favour of or against the resolutions in respect of the Scheme at the Court Meeting or the EGM. The Joint Offerors have indicated that those Shares held by them will be voted in favour of the resolutions to be proposed at the EGM.

Associates of the Joint Offerors or the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Joint Offerors or the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

23. SUMMARY OF ACTIONS TO BE TAKEN

Independent Shareholders

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to Registered Owners of the Company Shares. Subsequent purchasers of Scheme Shares will need to obtain a proxy from the transferor.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and the Shareholders are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 11:30 a.m. (Hong Kong time) on Monday, 15 May 2017, and the **white** form of proxy for use at the Extraordinary General Meeting should be lodged not later than 12:00 p.m. (Hong Kong time) on Monday, 15 May 2017. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude the Independent Shareholders and the Shareholders from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and the EGM, you will still be bound by the outcome of such Court Meeting and the EGM, if, among other things, the resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 12 May 2017 to Wednesday, 17 May 2017 (both days inclusive) and during such period, no transfer of the Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 11 May 2017.

An announcement will be made by the Company in relation to the results of the Court Meeting and the EGM. If all the resolutions are passed at those meetings, further announcement(s) will be made of the results of the Grand Court hearing of the petition to sanction the Scheme and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Actions to be Taken by Holders through Trust or CCASS

The Company will not recognise any person as holding any Shares upon any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with, an Other CCASS Participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

HKSCC may also vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

Petition hearing in the Grand Court

Prior to the dispatch of this Scheme Document, the Company obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme.

In accordance with sections 14, 15 and 86 of the Companies Law, if the resolutions are approved at the Court Meeting and the EGM, the Company must then make a further application to the Grand Court to confirm the resolution reducing the share capital of the Company and to sanction the Scheme. The Company and the Joint Offerors cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, the Company has filed a petition with the Grand Court seeking these approvals which will be heard on Wednesday, 31 May 2017 (Cayman Islands time).

In determining whether to exercise its discretion and sanction the Scheme, the Grand Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Scheme Shareholders.

If the Grand Court sanctions the Scheme and if all of the other conditions to the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to file the court order sanctioning the Scheme with the Registrar of Companies in the Cayman Islands on Thursday, 1 June 2017 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the order sanctioning the Scheme will become effective.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY WILL BE ENTITLED TO APPEAR AT THE GRAND COURT HEARING EXPECTED TO BE ON WEDNESDAY, 31 MAY 2017 (CAYMAN ISLANDS TIME) AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

24. RECOMMENDATIONS

Your attention is drawn to the following:

(a) the letter from the Board set out in Part IV of this Scheme Document;

(b) the letter from the Independent Board Committee set out in Part V to this Scheme Document; and

(c) the letter from the Independent Financial Adviser set out in Part VI to this Scheme Document.

25. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Joint Offerors, CICC or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

1 FINANCIAL SUMMARY

The following financial information summary for each of the three years ended 31 December 2014, 2015 and 2016 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016. The auditor's reports issued by KPMG in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2014, 2015 and 2016, did not contain any qualifications.

Financial Information Summary

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	4,843,915	4,977,829	5,576,696
Profit before tax	269,259	320,660	351,291
Income tax expense	(44,653)	(54,893)	(52,815)
Profit for the year	224,606	265,767	298,476
Attributable to:	224,606	265,767	298,476
Owners of the Company	224,606	265,767	298,476
Non-controlling interests	–	–	–
Earnings per Share attributable to ordinary equity holders of the Company	0.54	0.64	0.71
Basic	0.54	0.64	0.71
Diluted	0.54	0.64	0.71
Dividends	16,595	30,152	31,895
Interim dividend	–	–	–
Final dividend	16,595	30,152	31,895
Special dividend	–	–	–
Dividends per Share	HK$0.05	HK$0.09	HK$0.09

There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Group for each of the three years ended 31 December 2014, 2015 and 2016.

Note: These dividends refer to the dividends in respect of the previous financial year, approved and paid during the year.

2 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	**5,576,696**	4,977,829
Cost of sales		**(4,751,647)**	(4,148,068)
Gross profit		**825,049**	829,761
Other income	4	**40,122**	41,413
Distribution costs		**(123,835)**	(107,192)
Administrative expenses		**(279,706)**	(293,970)
Profit from operations		**461,630**	470,012
Finance costs	5(a)	**(117,950)**	(149,138)
Share of profit/(loss) of an associate	13	**7,611**	(214)
Profit before taxation	5	**351,291**	320,660
Income tax	6	**(52,815)**	(54,893)
Profit for the year attributable to equity shareholders of the Company		**298,476**	265,767
Basic and diluted earnings per share *(RMB yuan)*	9	**0.71**	0.64

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**298,476**	265,767
Other comprehensive income for the year that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**1,493**	270
Total comprehensive income for the year attributable to equity shareholders of the Company	**299,969**	266,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Renminbi)

	Note	**31 December 2016** *RMB'000*	31 December 2015 *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**1,794,185**	1,905,468
Lease prepayments	*11*	**294,461**	301,494
Interest in an associate	*13*	**9,515**	1,416
Deferred tax assets	*22(b)*	**42,562**	41,465
		2,140,723	2,249,843
Current assets			
Inventories	*14*	**963,458**	678,262
Trade and other receivables	*15*	**1,582,028**	1,298,059
Pledged deposits	*16*	**212,815**	278,141
Cash and cash equivalents	*17*	**443,431**	416,012
		3,201,732	2,670,474
Current liabilities			
Trade and other payables	*18*	**1,772,676**	1,407,636
Loans and borrowings	*19*	**1,384,150**	1,699,467
Obligations under finance leases	*20*	**–**	6,712
Current taxation	*22(a)*	**27,514**	25,197
		3,184,340	3,139,012
Net current assets/(liabilities)		**17,392**	(468,538)
Total assets less current liabilities		**2,158,115**	1,781,305

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current liabilities			
Loans and borrowings	19	**419,252**	301,000
Deferred income	21	**47,847**	56,769
Deferred tax liability	22(b)	**3,096**	3,690
		470,195	361,459
Net assets		**1,687,920**	1,419,846
Capital and reserves			
Share capital	23	**3,731**	3,731
Reserves		**1,684,189**	1,416,115
Total equity		**1,687,920**	1,419,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Capital reserve	Other reserve	Statutory reserves	Exchange reserves	Retained earnings	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 23(c)	*Note 23(d)(i)*	*Note 23(d)(iii)*	*Note 23(d)(ii)*	*Note 23(d)(iv)*	*Note 23(d)(v)*		
Balance at 1 January 2015		3,731	179,568	6,200	209,822	137,052	(3,751)	651,339	1,183,961
Changes in equity for 2015:									
Profit for the year		–	–	–	–	–	–	265,767	265,767
Other comprehensive income		–	–	–	–	–	270	–	270
Total comprehensive income		–	–	–	–	–	270	265,767	266,037
Dividends approved in respect of the previous year	*23(b)*	–	–	–	–	–	–	(30,152)	(30,152)
Appropriation to reserves		–	–	–	–	29,972	–	(29,972)	–
Balance at 31 December 2015 and 1 January 2016		3,731	179,568	6,200	209,822	167,024	(3,481)	856,982	1,419,846
Changes in equity for 2016:									
Profit for the year		–	–	–	–	–	–	298,476	298,476
Other comprehensive income		–	–	–	–	–	1,493	–	1,493
Total comprehensive income		–	–	–	–	–	1,493	298,476	299,969
Dividends approved in respect of the previous year	*23(b)*	–	–	–	–	–	–	(31,895)	(31,895)
Appropriation to reserves		–	–	–	–	38,676	–	(38,676)	–
Balance at 31 December 2016		3,731	179,568	6,200	209,822	205,700	(1,988)	1,084,887	1,687,920

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations	17(b)	**540,854**	518,140
Income tax paid by the subsidiaries in the PRC		**(49,800)**	(54,233)
Income tax (paid)/recovered by the subsidiary in Hong Kong		**(2,389)**	297
Net cash generated from operating activities		**488,665**	464,204
Investing activities			
Interest received		**7,455**	10,176
Proceeds received upon maturity of pledged deposits		**521,051**	757,078
Payment for pledged deposits		**(455,725)**	(705,005)
Payment for purchase of property, plant and equipment		**(188,012)**	(224,097)
Proceeds from disposal of property, plant and equipment		**30**	–
Net cash used in investing activities		**(115,201)**	(161,848)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Interest paid		**(116,710)**	(136,461)
Proceeds from loans and borrowings		**2,297,675**	2,090,800
Repayment of loans and borrowings		**(2,494,740)**	(2,093,365)
Capital element of finance lease rentals paid		**(6,712)**	(25,814)
Interest element of finance lease rentals paid		**(58)**	(1,227)
Dividends paid	*23(b)*	**(31,895)**	(30,152)
Net cash used in financing activities		**(352,440)**	(196,219)
Net increase in cash and cash equivalents		**21,024**	106,137
Cash and cash equivalents at 1 January		**416,012**	305,856
Effect of foreign exchange rate changes		**6,395**	4,019
Cash and cash equivalents at 31 December		**443,431**	416,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("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 applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Groups is disclosed below.

The IASB has issued certain new and revised 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 and prior 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 2016 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 subsidiaries carrying out the principal activities of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 29.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses *(Note 1(h))*.

(e) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment *(Note 1(h))*. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses *(Note 1(h))*, unless classified as held for sale (or included in a disposal group that is classified as held for sale)).

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses *(Note 1(h))*.

– Buildings held for own use which are situated on leasehold land classified as held under operating leases *(Note 1(g))*; and

– Other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs *(Note 1(s))*.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings and plants held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 35 years after the date of completion.

- Machinery 3 – 20 years

- Motor vehicles 3 – 5 years

- Office equipment and others 3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayment;

– interest in an associate; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year *(Notes 1(h)(i) and (ii))*.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

(i) Aluminium profiles manufacturing

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised *(Note 1(s))*. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for resale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts *(Note 1(h))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(p)(ii) if and when (a) it becomes probable that the holder of the guarantee will call upon the Group, under the guarantee, and (b) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customershe consideration re taken to be the point in time when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits and instalments received.

(iii) Services income

Revenue from services rendered is recognised in profit or loss upon the completion of transaction.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as other income in profit or loss over the useful life of the assets.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment, lease prepayments, non-current financial assets and prepayment for machinery, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

(ii) Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of aging analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

(iii) Impairment losses for inventories are assessed and provided based on the directors' regular review of market price against inventories costs. A considerable level of judgment is exercised by the directors when assessing the market price.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacturing and sale of aluminium profiles.

The amount of each significant category of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Manufacture and sale of aluminium profiles	**5,491,680**	4,896,701
Manufacture and sale of aluminium panels, moulds and spare parts	**76,510**	77,754
Provision of processing services	**8,506**	3,374
	5,576,696	4,977,829

The Group's customer base is diversified and does not include any individual customer (2015: Nil) with whom transactions have exceeded 10% of the Group's revenue.

(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 provision of processing services, manufacture and sale of aluminium panels, moulds and spare parts and property under development for sale.

(i) Segment results, assets and liabilities

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 and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of aluminium profiles, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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 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 2016 and 2015 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**968,861**	757,894	**4,522,819**	4,138,807	**85,016**	81,128	**5,576,696**	4,977,829
Reportable segment profit								
Gross profit	**112,876**	115,014	**673,467**	691,397	**38,706**	23,350	**825,049**	829,761

(ii) Reconciliations of reportable segment profit

	2016	2015
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**825,049**	829,761
Other income	**40,122**	41,413
Distribution costs	**(123,835)**	(107,192)
Administrative expenses	**(279,706)**	(293,970)
Finance costs	**(117,950)**	(149,138)
Share of profit/(loss) of an associate	**7,611**	(214)
Consolidated profit before taxation	**351,291**	320,660

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 96% (2015: 98%) of the revenue are generated from the PRC market.

4 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income	**7,455**	10,176
Government grants *(i)*		
– Unconditional subsidies	**13,500**	10,494
– Conditional subsidies *(Note 21)*	**17,314**	13,524
Rental income	**14,735**	15,584
Net foreign exchange gain/(loss)	**3,676**	(6,842)
Loss on disposal of property, plant and equipment	**(16,558)**	(1,523)
	40,122	41,413

(i) Government grants in the form of cash subsidies were received from various PRC government authorities.

– **Unconditional subsidies**

The entitlements of certain government grants amounting to RMB13,500,000 (2015: RMB10,494,000) were unconditional. They were funds to subsidise the operating expenses of the PRC subsidiaries of the Group during the current year.

– **Conditional subsidies**

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2016 was RMB17,314,000 (2015: RMB13,524,000) *(Note 21)*.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank loans	**102,765**	129,090
Interest expenses on discounted bills	**15,127**	18,885
Finance charges on obligations under finance leases	**58**	1,227
Total borrowing costs	**117,950**	149,202
Less: interest expenses capitalised into construction in progress	**–**	(64)
	117,950	149,138

(b) Staff costs:

	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**467,897**	441,233
Contributions to defined contribution retirement plan	**35,561**	29,022
	503,458	470,255

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "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.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employers are subject to a cap of monthly relevant income of Hong Kong Dollars ("HKD") 30,000 for the year ended 31 December 2016 (2015: HKD30,000).

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:

	2016	2015
	RMB'000	*RMB'000*
Depreciation *(i)*	**280,468**	176,964
Amortisation of lease prepayments *(i)*	**7,033**	7,033
Research and development costs *(ii)*	**23,898**	23,477
Impairment losses on trade and other receivables *(Note 15)*	**6,824**	17,260
Auditors' remuneration		
– audit services	**1,140**	1,100
– other services	**683**	620
Cost of inventories *(i)*	**4,751,647**	4,148,068
Operating lease charges *(i)*	**1,458**	823

(i) Cost of inventories for the year ended 31 December 2016 included RMB568,544,000 (2015: RMB432,225,000) relating to depreciation, amortisation, operating lease charges and staff costs, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

(ii) Research and development costs include RMB10,228,000 (2015: RMB9,762,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 5(b).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax		
Provision for PRC corporate income tax	**53,388**	52,084
Provision for Hong Kong Profits Tax	**1,118**	930
	54,506	53,014
Deferred tax		
Origination and reversal of temporary differences *(Note 22(b))*	**(1,691)**	1,879
	52,815	54,893

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2016 (2015: 16.5%).

(iii) 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 2016 (2015: 25%) except for Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa"), Xingfa Aluminium (Chengdu) Co., Ltd. ("Chengdu Xingfa"), Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("Xingfa Henan") and Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("Xingfa Jiangxi") which were certified as "Advanced and New Technology Enterprises" ("ANTE") and entitled to the preferential income tax rate of 15% for 2016 (2015: 15%).

(iv) Pursuant to the new tax 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 for 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. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

At 31 December 2016, deferred tax liabilities of RMB3,096,000 (2015: RMB3,690,000) *(Note 22(b)(i))* have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future in respect of the profits generated since 1 January 2008.

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

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**351,291**	320,660
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	**91,827**	83,208
Tax effect of non-deductible expenses	**837**	758
Tax effect of share of (profit)/loss of an associate	**(159)**	32
Effect of tax concession	**(35,800)**	(32,795)
Super deduction on research and development expenses in respect of 2015 *(i)*	**(3,296)**	–
Withholding tax effect on undistributed profits retained by PRC subsidiaries *(Note 22)*	**(594)**	3,690
Income tax expense	**52,815**	54,893

(i) During the year of 2016, Guangdong Xingfa and Xingfa Henan obtained approval from local tax authorities to claim super deduction on research and development expenses. As such, the income tax for 2016 was reduced by RMB3,296,000 (2015: Nil). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees	Salary, allowance and benefits in kind	Contribution to retirement benefit plan	Bonus paid	2016 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. LIU Libin	**720**	**210**	**24**	**1,776**	**2,730**
Mr. LUO Su	**636**	**278**	**–**	**1,599**	**2,513**
Mr. LUO Riming	**536**	**270**	**17**	**1,599**	**2,422**
Mr. LIAO Yuqing	**536**	**283**	**18**	**1,776**	**2,613**
Mr. LAW Yung Koon	**533**	**–**	**15**	**823**	**1,371**
Mr. WANG Zhihua	**416**	**103**	**16**	**1,425**	**1,960**
Mr. DAI Feng	**320**	**203**	**24**	**1,421**	**1,968**
Non-executive director					
Mr. CHEN Shengguan	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Mr. CHEN Mo	**150**	**–**	**–**	**–**	**150**
Mr. HO Kwan Yiu	**150**	**–**	**–**	**–**	**150**
Mr. LAM Ying Hung, Andy	**180**	**–**	**–**	**–**	**180**
Mr. LIANG Shibin	**150**	**–**	**–**	**–**	**150**
Alternate director to Mr. Liu Libin					
Mr. WONG Siu Ki	**511**	**120**	**15**	**388**	**1,034**
Total	**4,838**	**1,467**	**129**	**10,807**	**17,241**

	Fees *RMB'000*	Salary, allowance and benefits in kind *RMB'000*	Contribution to retirement benefit plan *RMB'000*	Bonus paid *RMB'000*	2015 Total *RMB'000*
Executive directors					
Mr. LIU Libin	720	198	26	1,540	2,484
Mr. LUO Su	636	264	–	1,386	2,286
Mr. LUO Riming	536	270	21	1,386	2,213
Mr. LIAO Yuqing	536	267	9	1,540	2,352
Mr. LAW Yung Koon	502	–	14	615	1,131
Mr. WANG Zhihua	416	193	13	966	1,588
Mr. DAI Feng	320	198	26	1,232	1,776
Non-executive director					
Mr. CHEN Shengguan	–	–	–	–	–
Independent non-executive directors					
Mr. CHEN Mo	150	–	–	–	150
Mr. HO Kwan Yiu	150	–	–	–	150
Mr. LAM Ying Hung, Andy	180	–	–	–	180
Mr. LIANG Shibin	150	–	–	–	150
Alternate director to Mr. Liu Libin					
Mr. WONG Siu Ki	481	120	14	100	715
Total	4,777	1,510	123	8,765	15,175

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five Individuals with the highest emoluments, all of them (2015: 5) are directors whose emoluments are disclosed in Note 7.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB298,476,000 (2015: RMB265,767,000) and the weighted average number of 418,000,000 ordinary shares (2015: 418,000,000 shares).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2016 and 2015, and therefore, the diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants	Machinery	Motor Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2015	977,563	1,227,448	26,361	139,986	57,188	2,428,546
Additions	–	158,221	1,321	5,760	35,944	201,246
Transfer from construction in progress	42,939	31,609	26	1,149	(75,723)	–
Disposal	–	(2,007)	(110)	–	–	(2,117)
At 31 December 2015	1,020,502	1,415,271	27,598	146,895	17,409	2,627,675
At 1 January 2016	1,020,502	1,415,271	27,598	146,895	17,409	2,627,675
Additions	4,062	145,635	1,572	3,148	31,843	186,260
Transfer from construction in progress	15,310	19,924	67	–	(35,301)	–
Disposal	(599)	(34,647)	(978)	–	–	(36,224)
At 31 December 2016	1,039,275	1,546,183	28,259	150,043	13,951	2,777,711
Accumulated depreciation:						
At 1 January 2015	(76,752)	(373,980)	(17,313)	(77,762)	–	(545,807)
Charge for the year	(28,479)	(116,808)	(2,329)	(29,348)	–	(176,964)
Written back on disposals	–	488	76	–	–	564
At 31 December 2015	(105,231)	(490,300)	(19,566)	(107,110)	–	(722,207)
At 1 January 2016	(105,231)	(490,300)	(19,566)	(107,110)	–	(722,207)
Charge for the year	(29,410)	(231,343)	(1,916)	(17,799)	–	(280,468)
Written back on disposals	194	18,061	894	–	–	19,149
At 31 December 2016	(134,447)	(703,582)	(20,588)	(124,909)	–	(983,526)
Net book value:						
At 31 December 2016	904,828	842,601	7,671	25,134	13,951	1,794,185
At 31 December 2015	915,271	924,971	8,032	39,785	17,409	1,905,468

(i) All properties owned by the Group are located in the PRC.

(ii) Up to the date of this report, the Group is in the process of applying for the title certificates of certain properties with carrying value of approximately RMB248,150,000 as at 31 December 2016 (2015: RMB258,986,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(iii) Certain plants with net book value of RMB483,163,000 (2015: RMB535,009,000) were pledged as securities for bank loans of the Group as at 31 December 2016. *(Note 19(b))*

As at 31 December 2016, there was no equipment held under the finance lease (31 December 2015: net book value of RMB85,122,000).

(iv) Change in estimates

The aluminium profiles are extruded or forced though moulds in different shapes, which are recorded under machinery and are designed to fulfil respective sales orders. The management had previously expected that the moulds could be generally used for 4 years, which is in line with the average sales cycle of aluminium profiles. With the technology improvement in aluminium engineering, the sales cycle of most aluminium profiles were less than 4 years, which in turn led to be shorter of the expected useful life of moulds.

In addition, the management previously expected that the moulds could retain a residual value of 20.51% after 4 years' usage. However, based on past years' experience and current market conditions, the residual value of these moulds was minimal.

Considering the above facts, circumstances and report from internal technicians, the management changed in estimates for the expected useful life of moulds to 3 years with no residual value. As a result, the expected useful life of the moulds decreased and its estimated residual value decreased. The effect of these changes on depreciation expense, recognized in 'cost of sales' in current and future periods, is as follows:

RMB'000	**2016**	**2017**	**2018**	**2019**	**2020**
Increase/(decrease) in depreciation expense	93,306	47,039	9,374	(15,094)	(16,204)

11 LEASE PREPAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Cost:		
At 1 January and 31 December	**352,929**	352,929
Accumulated amortisation:		
At 1 January	**(51,435)**	(44,402)
Charge for the year	**(7,033)**	(7,033)
At 31 December	**(58,468)**	(51,435)
Carrying amount:		
At 31 December	**294,461**	301,494

(i) Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. As at 31 December 2016, the remaining period of the land use rights ranges from 36 to 43 years.

(ii) The lease prepayments with carrying value of RMB294,461,000 (2015: RMB228,660,000) was pledged as securities for bank loans of the Group as at 31 December 2016 *(Note 19(b))*.

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Xingfa (BVI) Limited ("Xingfa BVI")	BVI 2 October 2007	United States Dollars ("USD") 1,000	100%	100%	–	Investment holding
Xingfa Aluminium (Hong Kong) Limited ("Xingfa Hong Kong")	Hong Kong 14 April 2008	Hong Kong Dollars 1,000	100%	–	100%	Sales of aluminium profiles
Guangdong Xingfa Aluminium Co., Ltd 廣東興發鋁業有限公司 *(i)(ii)* ("Guangdong Xingfa")	PRC 26 May 2006	RMB 360,040,000	100%	–	100%	Manufacturing and sales of aluminium profiles
Xingfa Aluminium (Chengdu) Co., Ltd. 興發鋁業(成都)有限公司*(i)(iii)* ("Xingfa Chengdu")	PRC 7 July 2009	RMB 130,000,000	100%	–	100%	Manufacturing and sales of aluminium profiles
Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. 廣東興發鋁業(江西)有限公司 *(i)(iii)* ("Xingfa Jiangxi")	PRC 30 May 2012	RMB 100,000,000	100%	–	100%	Manufacturing and sales of aluminium profiles
Guangdong Xingfa Aluminium (Henan) Co., Ltd. 廣東興發鋁業(河南)有限公司 *(i)(iii)* ("Xingfa Henan")	PRC 10 May 2010	RMB 100,000,000	100%	–	100%	Manufacturing and sales of aluminium profiles
Foshan Xingfa Real Estate Co., Ltd. 佛山市興發房地產開發有限公司 *(i)(iii)* ("Xingfa Real Estate")	PRC 5 June 2013	RMB 8,000,000	100%	–	100%	Development, sale and management of properties
Foshan Xingfa Trading Co., Ltd. 佛山市興發商貿有限公司 *(i)(iii)* ("Xingfa Trading")	PRC 6 February 2015	RMB10,000,000	100%	–	100%	Trading of aluminium profiles

(i) The English translation of the Company names are for reference only. The official names of these companies are in Chinese.

(ii) The subsidiary is a wholly foreign owned enterprise.

(iii) The subsidiaries are companies with limited liability.

13 INTEREST IN AN ASSOCIATE

Details of the Group's interest in the associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd. ("Jiangxi Jingxing") 江西省景興鋁模板制造有限公司 *(i)*	Limited liability company	People's Republic of China	Registered capital of RMB5,000,000	80% *(ii)*	80% *(ii)*	Manufacturing and sales of aluminium panels

(i) The English translation of the company name is for reference only. The official name of the company is in Chinese.

(ii) 20% of Jiangxi Jingxing's paid up capital was contributed by 廣州景興建築科技有限公司 (in English for identification only, Guangzhou Jingxing Construction Technology Co., Ltd.) ("Guangzhou Jingxing"). The Group has entered into the contractual arrangement with Guangzhou Jingxing. According to the agreement, Guangzhou Jingxing has control over Jiangxi Jingxing. Hence, the Group considered that Jiangxi Jingxing is an associate of the Group.

Jiangxi Jingxing, the only associate in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

During 2016, the amount of the Group's share of profit from this associate and the unrealised profit from transactions with this associate are RMB7,611,000 (2015: share of loss of RMB214,000) and RMB488,000 (2015: RMB689,000), respectively.

14 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016	2015
	RMB'000	*RMB'000*
Aluminium profiles manufacturing		
Raw materials	**274,478**	143,275
Work in progress	**82,074**	73,261
Finished goods	**352,628**	290,021
	709,180	506,557
Property under development for sale		
Lease prepayment	**47,388**	47,388
Deed tax	**4,760**	4,760
Construction cost	**202,130**	119,557
	254,278	171,705
	963,458	678,262

The balance of property under development for sale is expected to be recovered after more than one year.

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

	2016	2015
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**4,751,647**	4,148,068

Certain inventories with carrying value of RMB100,000,000 were pledged as securities for bank loans of the Group as at 31 December 2016 (31 December 2015: RMB40,000,000) *(Note 19(b))*.

15 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade debtors	**846,599**	646,697
Bills receivable	**675,086**	585,037
Less: allowance for doubtful debts *(Note 15(b))*	**(32,885)**	(27,906)
	1,488,800	1,203,828
Other receivables	**13,882**	17,260
Less: allowance for doubtful debts	**(1,845)**	–
	12,037	17,260
Prepayments and deposits	**81,191**	76,971
	1,582,028	1,298,059

Certain bills receivable with carrying value of RMB209,216,000 were pledged as securities for bank loans of the Group as at 31 December 2016 (31 December 2015: RMB260,292,000) *(Note 19(b))*.

The Group's trade and other receivables included amounts due from related parties of RMB78,695,000 (31 December 2015: RMB58,672,000) *(Note 27(b)(i))*. The remaining current trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the aging analysis of trade debtors and bills receivables (which are included in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**879,189**	638,927
1 to 3 months	**394,522**	354,993
3 to 6 months	**181,662**	178,111
Over 6 months	**33,427**	31,797
	1,488,800	1,203,828

Trade debtors and bills receivable are due within 60 days to 90 days from the date of billing. Further details on the Group's credit policy are set out in Note 24(a).

(b) Impairment losses

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly *(Note 1(h))*.

The movement in the allowance for doubtful debts during the year, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Balance at 1 January	**27,906**	11,111
Impairment losses recognised	**18,570**	25,597
Write back	**(13,591)**	(8,337)
Uncollectible amounts written off	**–**	(465)
Balance at 31 December	**32,885**	27,906

At 31 December 2016, the Group's trade debtors of RMB33,498,000 (31 December 2015: RMB28,948,000) was individually determined to be impaired. The individually impaired receivable related to customers that were in financial difficulties and management assessed that the receivable is not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB32,885,000 was recognised (2015: RMB25,327,000).

(c) Trade debtors and bills receivable that are not impaired

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,444,123**	1,172,184
Less than 1 month past due	**35,383**	6,742
1 to 3 months past due	**4,987**	12,584
3 to 6 months past due	**3,694**	11,276
	1,488,187	1,202,786

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16 PLEDGED DEPOSITS

Pledged deposits mainly represented bank deposits pledged to bank as securities for certain banking facilities *(Note 19(b)),* bills payable *(Note 18)*, and other deposits, required by the local laws and regulations.

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016	2015
	RMB'000	*RMB'000*
Cash at bank and on hand	**443,431**	416,012

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2016** **RMB'000**	2015 RMB'000
Profit before taxation		**351,291**	320,660
Adjustments for:			
Depreciation	*5(c)*	**280,468**	176,964
Amortisation of lease prepayments	*5(c)*	**7,033**	7,033
Impairment losses on trade and other receivables	*5(c)*	**6,824**	17,260
Interest income	*4*	**(7,455)**	(10,176)
Finance costs	*5(a)*	**117,950**	149,138
Loss on disposal of property, plant and equipment	*4*	**16,558**	1,523
Share of (profit)/loss of an associate	*13*	**(7,611)**	214
Unrealised profit from transactions with an associate	*13*	**(488)**	(689)
Net foreign exchange gain		**(4,902)**	(3,749)
Changes in working capital:			
Change in inventories		**(285,196)**	(46,655)
Change in trade and other receivables		**(290,306)**	217,562
Change in trade and other payables		**365,779**	(311,204)
Change in deferred income		**(9,091)**	259
Cash generated from operations		**540,854**	518,140

18 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**683,596**	530,181
Bills payable *(i)*	**637,850**	471,949
Receipts in advance	**124,281**	117,033
Accrued payroll and benefits	**135,220**	117,579
Other payables and accruals	**166,604**	145,600
Deferred income *(Note 21)*	**25,125**	25,294
	1,772,676	1,407,636

Amounts due to related parties are included in trade and other payables, the breakdown of which is set out in Note 27(b)(ii). All of the trade and other payables 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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**496,569**	389,080
1 to 3 months	**653,090**	397,157
3 to 6 months	**145,557**	198,503
Over 6 months	**26,230**	17,390
	1,321,446	1,002,130

(i) Bills payable were secured by pledged bank deposits of RMB206,900,000 as at 31 December 2016 (31 December 2015: RMB179,893,000) *(Note 16)*.

19 LOANS AND BORROWINGS

(a) Loans and borrowings were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**1,384,150**	1,699,467
After 1 year but within 2 years	**402,651**	175,000
After 2 years but within 5 years	**16,601**	126,000
	419,252	301,000
	1,803,402	2,000,467

(b) Terms

	2016	2015
	RMB'000	*RMB'000*
Secured bank loans	**1,703,402**	1,961,774
Unsecured bank loans	**100,000**	38,693
	1,803,402	2,000,467

The secured bank loans were secured by the following assets of the Group as at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
Carrying value of assets:		
Property, plant and equipment *(Note 10)*	**483,163**	535,009
Lease prepayments *(Note 11)*	**294,461**	228,660
Bills receivable *(Note 15)*	**209,216**	260,292
Pledged deposits *(Note 16)*	**1,062**	84,263
Inventories *(Note 14)*	**100,000**	40,000
Total	**1,087,902**	1,148,224

As at 31 December 2016, banking facilities of the Group totalling RMB4,006,338,000 (31 December 2015: RMB3,564,542,000) were utilised to the extent of RMB2,310,959,000 (31 December 2015: RMB2,221,955,000).

As at 31 December 2016, seven (2015: five) of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the subsidiaries' balance sheet ratios, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 24(b). As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

20 OBLIGATIONS UNDER FINANCE LEASES

	2016		2015	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**–**	**–**	6,712	6,770
Less: total future interest expenses		**–**		(58)
Present value of lease obligations		**–**		6,712

21 DEFERRED INCOME

The movements in deferred income as stated under current and non-current liabilities are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**82,063**	81,804
Received during the year	**8,223**	13,783
Recognised in profit or loss *(Note 4)*	**(17,314)**	(13,524)
At 31 December	**72,972**	82,063
Less: current portion included in trade and other payables *(Note 18)*	**(25,125)**	(25,294)
	47,847	56,769

Deferred income represents government grants obtained for the purposes of subsidising the Group's operation costs and sponsoring the costs of acquisition of fixed assets incurred by the Group. Government grants received are initially recognised in the consolidated statement of financial position as deferred income.

Government grants received to subsidise the operation costs are amortised through profit or loss on a systematic basis in the same periods in which the related costs of operation are incurred.

Government grants received for sponsoring costs of acquisition of fixed assets are recognised in profit or loss over the useful life of the asset.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**25,197**	26,119
Provision for PRC income tax *(Note 6(a))*	**53,388**	52,084
Provision for Hong Kong Profits Tax *(Note 6(a))*	**1,118**	930
Income tax paid	**(52,189)**	(53,936)
At 31 December	**27,514**	25,197

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each components of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Impairment of non-current financial assets	Employee benefits accrued but not paid	Impairment loss on bad and doubtful debts	Tax loss	Unrealised profit from intra-group transfer of certain land use right	Government grants in deferred income	Undistributed profit of PRC subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/(liabilities) arising from								
At 1 January 2015	1,787	549	1,765	198	23,494	11,861	–	39,654
(Charged)/credited to profit or loss *(Note 6(a))*	–	(549)	2,519	(198)	–	39	(3,690)	(1,879)
At 31 December 2015	1,787	–	4,284	–	23,494	11,900	(3,690)	37,775
At 1 January 2016	1,787	–	4,284	–	23,494	11,900	(3,690)	37,775
Credited/(charged) to profit or loss *(Note 6(a))*	–	–	1,027	1,024	–	(954)	594	1,691
At 31 December 2016	1,787	–	5,311	1,024	23,494	10,946	(3,096)	39,466

(ii) Reconciliation to the consolidated statement of financial position

	2016	2015
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**42,562**	41,465
Net deferred tax liability recognised in the consolidated statement of financial position	**(3,096)**	(3,690)
	39,466	37,775

(c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2016, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB1,049,776,000 (2015: RMB797,109,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		The Company					
	Note	**Share capital** *RMB'000* *Note 23(c)*	**Share premium** *RMB'000* *Note 23 (d)(i)*	**Other reserve** *RMB'000* *Note 23 (d)(ii)*	**Exchange reserve** *RMB'000* *Note 23 (d)(v)*	**Retained earnings/ (accumulated losses)** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2015		3,731	179,568	441,976	580	(7,652)	618,203
Changes in equity for 2015							
Profit for the year		–	–	–	–	70,167	70,167
Other comprehensive income		–	–	–	(48,618)	–	(48,618)
Total comprehensive income for the year		–	–	–	(48,618)	70,167	21,549
Dividends approved in respect of previous year	*23(b)*	–	–	–	–	(30,152)	(30,152)
Balance at 31 December 2015 and at 1 January 2016	*28*	3,731	179,568	441,976	(48,038)	32,363	609,600
Changes in equity for 2016							
Profit for the year		–	–	–	–	7,533	7,533
Other comprehensive income		–	–	–	39,580	–	39,580
Total comprehensive income for the year		–	–	–	39,580	7,533	47,113
Dividends approved in respect of previous year	*23(b)*	–	–	–	–	(31,895)	(31,895)
Balance at 31 December 2016	*28*	3,731	179,568	441,976	(8,458)	8,001	624,818

(b) Dividends

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

	2016	2015
	RMB'000	*RMB'000*
Final dividends proposed after the end of reporting period (2015: HKD9 cents per ordinary share)	**–**	31,518

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: HKD9 cents per ordinary share).

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.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016	2015
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD9 cents per ordinary share (2015: HKD9 cents per ordinary share)	**31,895**	30,152

(c) Share Capital

Ordinary shares, issued and fully paid:

	2016			2015		
	No. of shares	**Nominal value of fully paid shares**		No. of shares	Nominal value of Amount	
			RMB equivalents			*RMB equivalents*
	('000)	***HKD'000***	***'000***	*('000)*	*HKD'000*	*'000*
At 1 January and at 31 December	**418,000**	**4,180**	**3,731**	418,000	4,180	3,731

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account and other reserve account of the Company are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

The other reserve of the Group represents the difference between (a) the nominal value of share capital and the existing balance on the share premium account of a subsidiary acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group on 29 February 2008.

The other reserve of the Company represents the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group on 29 February 2008.

(iii) Capital reserve

The capital reserve represents waivers of liabilities due to related parties.

(iv) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the PRC subsidiaries of the Group. The subsidiaries are required to transfer at least 10% of their net profit, as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

PRC statutory reserves can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies with functional currency other than RMB.

(e) Distributability of reserves

The aggregate amount of distributable reserves of the Company as at 31 December 2016 was RMB621,087,000 (2015: RMB605,869,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares or raise new debt financing.

The Group's adjusted net debt-to-capital ratio at 31 December 2016 and 2015 was as follows:

	Note	**2016** *RMB'000*	2015 *RMB'000*
Current liabilities:			
– Loans and borrowings	*19*	**1,384,150**	1,699,467
– Obligations under finance leases	*20*	**–**	6,712
Non-current liabilities:			
– Loans and borrowings	*19*	**419,252**	301,000
Total debt		**1,803,402**	2,007,179
Add: Proposed dividends	*23(b)*	**–**	31,518
Less: Cash and cash equivalents	*17*	**(443,431)**	(416,012)
Pledged deposits	*16*	**(212,815)**	(278,141)
Adjusted net debt		**1,147,156**	1,344,544
Total equity		**1,687,920**	1,419,846
Less: Proposed dividends	*23(b)*	**–**	(31,518)
Adjusted capital		**1,687,920**	1,388,328
Adjusted net debt-to-capital ratio		**68%**	97%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except that banking facilities granted to certain subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios *(Note 19)*. The Group will actively and regularly monitor its compliance to such covenants.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5% (2015: 1%) and 16% (2015: 14%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the plain aluminium profiles and aluminium profiles with surface finishing segment.

Except for the financial guarantees given by the Company as set out in Note 26, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 26.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 15.

(b) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Loans and borrowings	**1,433,970**	**418,863**	**17,572**	**1,870,405**	**1,803,402**
Trade and other payables	**1,488,050**	**–**	**–**	**1,488,050**	**1,488,050**
	2,922,020	**418,863**	**17,572**	**3,358,455**	**3,291,452**

	2015				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 Dec
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	1,780,663	185,621	133,206	2,099,490	2,000,467
Obligation under finance leases	6,770	–	–	6,770	6,712
Trade and other payables	1,147,730	–	–	1,147,730	1,147,730
	2,935,163	185,621	133,206	3,253,990	3,154,909

As shown in the above analysis, bank loans and related interest expense of the Group amounting to RMB1,433,970,000 were due to be repaid during 2017 (2016: RMB1,780,663,000). The short-term liquidity risk inherent in this contractual maturity date was not significantly changed after the reporting period.

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings from banks. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the end of the reporting period.

	2016		2015	
	Effective interest rates	**Amount**	Effective interest rates	Amount
		'000		*'000*
Fixed rate borrowings:				
Bank loans	**2.90%-6.80%**	**1,345,313**	1.90% – 6.92%	1,437,217
Variable rate borrowings:				
Obligation under finance lease	**–**	**–**	4.46%	6,712
Bank loans	**4.04%-5.23%**	**458,089**	4.75% – 7.20%	563,250
		458,089		569,962
Total borrowings		**1,803,402**		2,007,179
Fixed rate borrowings as a percentage of total borrowings		**75%**		72%

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB3,894,000 (2015: RMB4,845,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

(d) Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars ("USD").

Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2016		2015	
	HKD	***USD***	*HKD*	*USD*
	'000	***'000***	*'000*	*'000*
Trade and other receivables	**19,992**	**12,905**	15,409	40,056
Cash and cash equivalents	**32,349**	**83,445**	31,985	37,334
Trade and other payables	**(20,498)**	**(970)**	(14,218)	(686)
Short-term loans	**–**	**–**	–	(260,232)
Gross and net exposure arising from recognised assets and liabilities	**31,843**	**95,380**	33,176	(183,528)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2016		2015	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profit**	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profit
		'000		*'000*
United States Dollars	**1%**	**791**	1%	(1,561)
Hong Kong Dollars	**1%**	**249**	1%	281

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Fair values measurement

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values.

25 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2016	2015
	RMB'000	*RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	**4,268**	458
– Purchase of property, plant and equipment for the production base in Yichun City	**8,501**	2,042
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**25,869**	18,758
– Purchase of property, plant and equipment for the production base in Qinyang City	**284**	8,572
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**209,689**	284,754
	248,611	314,584
Authorised but not contracted for	**86,033**	88,769
Total	**334,644**	403,353

(b) Operating lease commitments

The group leases out investment property and a number of items of machinery under operating leases.

At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,256**	985
After 1 year but within 5 years	**6,872**	–
Over 5 years	**7,433**	–
	16,561	985

The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every three years to reflect market rentals. None of the leases includes contingent rentals.

26 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 (2015: Nil).

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

During the year ended 31 December 2016, the directors are of the view that related parties of the Group include the following individuals/companies:

Name of related parties	Relationship with the Group
Foshan Leahin Coating Co., Ltd. (“Leahin Coating”) (佛山立興塗料有限公司) *(i)*	Effectively owned by certain executive directors of the Company
Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. (“Xingfa Curtain Wall”) (廣東興發幕牆門窗有限公司) *(i)*	Effectively owned by certain executive directors of the Company
Guangxi Laibin Yinhai Aluminium Co., Ltd. (“LBYH”) (廣西來賓銀海鋁材股份有限公司) *(i)*	Joint venture of a substantial shareholder of the Group, Guangdong Province, Guangxin Holdings Group Ltd.
Jiangxi Jingxing Aluminium Panel Manufacturing Co., Ltd. (“Jiangxi Jingxing”) (江西省景興鋁模板製造有限公司) *(i)*	Associate of the Group

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(a) Transactions

Sales and purchase

	2016	2015
	RMB'000	*RMB'000*
Sales of goods to		
– Xingfa Curtain Wall	**160,483**	176,997
– Jiangxi Jingxing	**82,430**	14,867
	242,913	191,864
Purchases of raw materials from		
– Leahin Coating	**–**	–
– LBYH	**–**	16,326
	–	16,326
Dormitory rent		
– Jiangxi Jingxing	**2,506**	1,901

(b) Balances with related parties

As at the end of the reporting period, the Group had the following balances with related parties:

(i) Trade and other receivables

	2016	2015
	RMB'000	*RMB'000*
Trade related		
Xingfa Curtain Wall	**30,562**	33,075
Jiangxi Jingxing	**48,133**	25,597
	78,695	58,672

(ii) Trade and other payables

	2016	2015
	RMB'000	*RMB'000*
Trade related		
Leahin Coating	**31**	137
LBYH	**207**	3,807
	238	3,944

The amounts due from/(to) related parties are unsecured, interest-free and have no fixed terms of repayment.

(c) Key management personnel compensation

Remuneration for key management personnel, including the amounts paid to the Group's directors as disclosed in Note 7 and the senior management as disclosed in Note 8, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Short-term employee benefits	**30,332**	24,080
Contribution to retirement benefit plan	**235**	229
	30,567	24,309

Total remuneration is included in "staff costs" *(Note 5(b))*.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions of sales and purchase above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Continuing connected transactions" of the Reports of the Directors of this annual report.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current asset			
Investments in subsidiaries	12	**620,901**	581,544
Current assets			
Amount due from a subsidiary		**49,305**	60,885
Cash and cash equivalents		**2,687**	7,564
		51,992	68,449
Current liabilities			
Amount due to a subsidiary		**42,883**	31,768
Other payables		**5,192**	8,625
		48,075	40,393
Net current assets		**3,917**	28,056
Total assets less current liabilities		**624,818**	609,600
Net assets		**624,818**	609,600
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**621,087**	605,869
Total equity		**624,818**	609,600

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a few of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IFRS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12- month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(q). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

IFRS 16, Leases

As disclosed in note 1(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 25(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB16,561,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

3 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 extracted from the annual report of the Company for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015** *RMB'000*	**2014** *RMB'000*
Revenue	*3*	4,977,829	4,843,915
Cost of sales		(4,148,068)	(4,086,288)
Gross profit		829,761	757,627
Other revenue	*4*	49,778	38,465
Other net loss	*4*	(8,365)	(6,589)
Distribution costs		(107,192)	(102,277)
Administrative expenses		(293,970)	(258,676)
Profit from operations		470,012	428,550
Finance costs	*5(a)*	(149,138)	(157,586)
Share of loss of an associate	*14*	(214)	(1,705)
Profit before taxation	*5*	320,660	269,259
Income tax	*6*	(54,893)	(44,653)
Profit for the year attributable to equity shareholders of the Company		265,767	224,606
Basic and diluted earnings per share *(RMB yuan)*	*9*	0.64	0.54

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in Renminbi)

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	265,767	224,606
Other comprehensive income for the year that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	270	206
Total comprehensive income for the year attributable to equity shareholders of the Company	266,037	224,812

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	11	1,905,468	1,882,739
Lease prepayments	12	301,494	308,527
Interest in an associate	14	1,416	941
Deferred tax assets	23(b)	41,465	39,654
		2,249,843	2,231,861
Current assets			
Inventories	15	678,262	631,607
Trade and other receivables	16	1,298,059	1,538,206
Pledged deposits	17	278,141	330,214
Cash and cash equivalents	18	416,012	305,856
		2,670,474	2,805,883
Current liabilities			
Trade and other payables	19	1,407,636	1,728,259
Loans and borrowings	20	1,699,467	1,723,782
Obligations under finance leases	21	6,712	26,212
Current taxation	23(a)	25,197	26,119
		3,139,012	3,504,372
Net current liabilities		(468,538)	(698,489)
Total assets less current liabilities		1,781,305	1,533,372
Non-current liabilities			
Loans and borrowings	20	301,000	279,250
Obligations under finance leases	21	–	6,314
Deferred income	22	56,769	63,847
Deferred tax liabilities	23(b)	3,690	–
		361,459	349,411
Net assets		1,419,846	1,183,961
Capital and reserves			
Share capital	24	3,731	3,731
Reserves		1,416,115	1,180,230
Total equity		1,419,846	1,183,961

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 Note 24(c)	Share premium RMB'000 Note 24(d)(i)	Capital reserve RMB'000 Note 24(d)(iii)	Other reserve RMB'000 Note 24(d)(ii)	PRC statutory reserves RMB'000 Note 24(d)(iv)	Exchange reserves RMB'000 Note 24(d)(v)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014		3,731	179,568	6,200	209,822	100,593	(3,957)	479,787	975,744
Changes in equity for 2014:									
Profit for the year		–	–	–	–	–	–	224,606	224,606
Other comprehensive income		–	–	–	–	–	206	–	206
Total comprehensive income		–	–	–	–	–	206	224,606	224,812
Dividends approved in respect of the previous year	*24(b)*	–	–	–	–	–	–	(16,595)	(16,595)
Appropriation to reserves		–	–	–	–	36,459	–	(36,459)	–
Balance at 31 December 2014		3,731	179,568	6,200	209,822	137,052	(3,751)	651,339	1,183,961
Balance at 1 January 2015		3,731	179,568	6,200	209,822	137,052	(3,751)	651,339	1,183,961
Changes in equity for 2015:									
Profit for the year		–	–	–	–	–	–	265,767	265,767
Other comprehensive income		–	–	–	–	–	270	–	270
Total comprehensive income		–	–	–	–	–	270	265,767	266,037
Dividends approved in respect of the previous year	*24(b)*	–	–	–	–	–	–	(30,152)	(30,152)
Appropriation to reserves		–	–	–	–	29,972	–	(29,972)	–
Balance at 31 December 2015		3,731	179,568	6,200	209,822	167,024	(3,481)	856,982	1,419,846

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	18(b)	518,140	1,164,663
Income tax paid by the subsidiaries in the PRC		(54,233)	(69,952)
Income tax recovered/(paid) by the subsidiary in Hong Kong		297	(216)
Net cash generated from operating activities		464,204	1,094,495
Investing activities			
Interest received		10,176	6,631
Proceeds received upon maturity of pledged deposits		757,078	539,608
Payment for pledged deposits		(705,005)	(792,806)
Payment for purchase of property, plant and equipment		(224,097)	(294,678)
Proceeds from disposal of property, plant and equipment		–	158
Payment for investment in an associate		–	(4,000)
Net cash used in investing activities		(161,848)	(545,087)
Financing activities			
Interest paid		(136,461)	(162,095)
Proceeds from loans and borrowings		2,090,800	2,452,828
Repayment of loans and borrowings		(2,093,365)	(2,732,485)
Capital element of finance lease rentals paid		(25,814)	(23,920)
Interest element of finance lease rentals paid		(1,227)	(2,910)
Dividends paid	24(b)	(30,152)	(16,595)
Net cash used in financing activities		(196,219)	(485,177)
Net increase in cash and cash equivalents		106,137	64,231
Cash and cash equivalents at 1 January		305,856	240,919
Effect of foreign exchange rate changes		4,019	706
Cash and cash equivalents at 31 December		416,012	305,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Renminbi)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRS, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable 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 (the"Stock Exchange"). A summary of significant accounting policies adopted by the Company and its subsidiaries (together referred to as "the Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 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 and prior 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 2015 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 31.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB469 million which indicated the existence of an uncertainty which may cast doubt on the Group's ability to continue as a going concern. Notwithstanding the net current liabilities position, the Directors are of the opinion that, based on undrawn banking facilities of RMB1,343 million of the Group as at 31 December 2015 and a detailed review of the working capital forecast of the Group for the year ending 31 December 2016, the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses *(Note 1(g))*.

(d) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment *(Note 1(g))*. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses *(Note 1(g))*.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs *(Note 1(r))*.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings and plants held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 35 years after the date of completion.
- Machinery 4 – 20 years
- Motor vehicles 3 – 5 years
- Office equipment and others 3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(g) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is determined and recognised as follows:

For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayment;

– investment in subsidiaries and associates in the Company's statement of financial position or in the Group's consolidated statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year *(Note 1(g)(i) and (ii))*.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

(i) Aluminium profiles manufacturing

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised *(see Note 1(r))*. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts *(Note 1(g))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(o)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  • the same taxable entity; or

  • different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(o)(ii) if and when (a) it becomes probable that the holder of the guarantee will call upon the Group, under the guarantee, and (b) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and goods return.

(ii) Services income

Revenue from services rendered is recognised in profit or loss upon the completion of transaction.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as other revenue in profit or loss over the useful life of the assets.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group's consolidated financial statements:

- Annual Improvements to IFRSs 2010-2012 Cycle

- Annual Improvements to IFRSs 2011-2013 Cycle

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

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 Revenue

The Group is principally engaged in the manufacturing and sale of aluminium profiles.

Revenue represents the sales value of goods supplied to customers. Revenue excludes value added taxes or other sales taxes and is after allowance for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Manufacture and sale of aluminium profiles	4,896,701	4,712,105
Manufacture and sale of aluminium panels, moulds and spare parts	77,754	128,750
Provision of processing services	3,374	3,060
	4,977,829	4,843,915

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.

Further details regarding the Group's principal activities are disclosed in Note 10 to these financial statements.

4 Other revenue and other net loss

	2015	**2014**
	RMB'000	*RMB'000*
Other revenue		
Interest income	10,176	6,631
Government grants *(i)*		
– Unconditional subsidies	10,494	5,229
– Conditional subsidies *(Note 22)*	13,524	13,043
Rental income	15,584	13,056
Others	–	506
	49,778	38,465
Other net loss		
Net loss on aluminium future contracts	–	(762)
Net foreign exchange losses	(6,842)	(951)
Loss on disposal of property, plant and equipment	(1,523)	(4,876)
	(8,365)	(6,589)

(i) Government grants in the form of cash subsidies were received from various PRC government authorities.

– *Unconditional subsidies*

The entitlements of certain government grants amounting to RMB10,494,000 (2014: RMB5,229,000) were unconditional. They were funds to subsidise the operating expenses of the PRC subsidiaries of the Group during the year.

– *Conditional subsidies*

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2015 was RMB13,524,000 (2014: RMB13,043,000) *(Note 22)*.

5 Profit before taxation

(a) Finance costs:

	2015	**2014**
	RMB'000	*RMB'000*
Interest expenses on bank loans	129,090	149,593
Interest expenses on discounted bills	18,885	11,847
Finance charges on obligations under finance leases	1,227	2,910
Total borrowing costs	149,202	164,350
Less: interest expenses capitalised into construction in progress*	(64)	(6,764)
	149,138	157,586

* *The borrowing costs have been capitalised at a rate from 5.65% to 6.15% (2014: 5.76% to 6.60%) per annum.*

(b) Staff costs:

	2015 *RMB'000*	2014 *RMB'000*
Salaries, wages and other benefits	441,233	399,000
Contributions to defined contribution retirement plan	29,022	21,242
	470,255	420,242

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "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.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employers are subject to a cap of monthly relevant income of HKD30,000 for the year ended 31 December 2015 (2014: HKD25,000).

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:

	2015	**2014**
	RMB'000	*RMB'000*
Depreciation *(i)*	176,964	132,683
Amortisation of lease prepayments *(i)*	7,033	7,359
Research and development costs *(ii)*	23,477	15,907
Impairment losses on trade and other receivables *(Note 16)*	17,260	10,063
Impairment losses on non-current financial assets	–	11,912
Auditors' remuneration		
– audit services	1,100	1,068
– other services	620	607
Cost of inventories *(i)*	4,148,068	4,086,288
Operating lease charges *(i)*	823	915

(i) Cost of inventories for the year ended 31 December 2015 included RMB432,225,000 (2014: RMB375,477,000) relating to depreciation, amortisation, operating lease charges and staff costs, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

(ii) Research and development costs include RMB9,762,000 (2014: RMB5,849,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 5(b).

6 Income tax expenses

(a) Income tax expenses in the consolidated income statement represent:

	2015	**2014**
	RMB'000	*RMB'000*
Current tax		
Provision for PRC corporate income tax	52,084	52,206
Provision for PRC land appreciation tax	–	11,106
Provision for Hong Kong Profits Tax	930	–
	53,014	63,312
Deferred tax		
Origination and reversal of temporary differences *(Note 23(b))*	1,879	(18,659)
	54,893	44,653

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2015 (2014: 16.5%).

(iii) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax as follows:

- All PRC subsidiaries of the Group are limited liability companies established under the laws of the PRC. They are liable to the PRC corporate income tax at a rate of 25% (2014: 25%) except Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa"), Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd ("Xingfa Jiangxi"), Xingfa Aluminium Chengdu Co., Ltd. ("Xingfa Chengdu") and Guangdong Xingfa Aluminium (Henan) Co., Ltd ("Xingfa Henan") for the year ended 31 December 2015.

- Guangdong Xingfa is qualified as a High and New Technology Enterprise ("HNTE") and entitled to the preferential income tax rate of 15% from 2015 to 2017. The corporate income tax rate applicable to Guangdong Xingfa is 15% for the year ended 31 December 2015 (2014: 15%).

- Xingfa Jiangxi is qualified as a HNTE and entitled to the preferential income tax rate of 15% from 2013 to 2015. The corporate income tax rate applicable to Xingfa Jiangxi is 15% for the year ended 31 December 2015 (2014: 15%).

- Xingfa Chengdu is qualified as a HNTE and entitled to the preferential income tax rate of 15% from 2014 to 2016. The corporate income tax rate applicable to Xingfa Chengdu is 15% for the year ended 31 December 2015 (2014: 15%).

- Xingfa Henan is qualified as a HNTE and entitled to the preferential income tax rate of 15% from 2015 to 2017. The corporate income tax rate applicable to Xingfa Henan is 15% for the year ended 31 December 2015 (2014: 25%).

(iv) Pursuant to the new tax 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. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

At 31 December 2015, Deferred tax liabilities of RMB3,690,000 have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future in respect of the profits generated since 1 January 2008.

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

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	320,660	269,259
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	83,208	67,902
Tax effect of non-deductible expenses	758	660
Tax effect of share of loss of an associate	32	256
Effect of tax concession	(32,795)	(35,318)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	47
PRC land appreciation tax	–	11,106
Withholding tax effect on undistributed profits retained by PRC subsidiaries *(Note 23)*	3,690	–
Income tax expenses	54,893	44,653

7 Directors' remuneration

Details of directors' remuneration of the Group are as follows:

	2015				
	Fees	Salary, allowance and benefits in kind	Contribution to retirement benefit plan	Bonus paid	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr LIU Libin	720	198	26	1,540	2,484
Mr LUO Su	636	264	–	1,386	2,286
Mr LUO Riming	536	270	21	1,386	2,213
Mr LIAO Yuqing	536	267	9	1,540	2,352
Mr LAW Yung Koon	502	–	14	615	1,131
Mr WANG Zhihua	416	193	13	966	1,588
Mr DAI Feng	320	198	26	1,232	1,776
Non-executive director					
Mr CHEN Shengguan	–	–	–	–	–
Independent non-executive directors					
Mr CHEN Mo	150	–	–	–	150
Mr HO Kwan Yiu	150	–	–	–	150
Mr LAM Ying Hung, Andy	180	–	–	–	180
Mr LIANG Shibin	150	–	–	–	150
Alternate director to Mr. Liu Libin					
Mr WONG Siu Ki	481	120	14	100	715
Total	4,777	1,510	123	8,765	15,175

	2014				
	Fees	Salary, allowance and benefits in kind	Contribution to retirement benefit plan	Bonus paid	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr LIU Libin	720	196	28	793	1,737
Mr LUO Su	636	264	–	714	1,614
Mr LUO Riming	536	266	18	714	1,534
Mr LIAO Yuqing	536	266	16	793	1,611
Mr LAW Yung Koon	494	–	13	431	938
Mr WANG Zhihua	416	186	10	282	894
Mr DAI Feng	320	196	28	634	1,178
Non-executive director					
Mr CHEN Shengguan	–	–	–	–	–
Independent non-executive directors					
Mr CHEN Mo	120	–	–	–	120
Mr HO Kwan Yiu	120	–	–	–	120
Mr LAM Ying Hung, Andy	150	–	–	–	150
Mr LIANG Shibin	120	–	–	–	120
Alternate director to Mr Liu Libin					
Mr WONG Siu Ki	480	120	4	–	604
Total	4,648	1,494	117	4,361	10,620

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2015	**2014**
	Number of directors	*Number of directors*
Nil to Hong Kong Dollars ("HKD") 1,000,000	6	6
HKD1,000,000 – HKD2,500,000	7	7

8 Senior management remuneration

Of the five individuals with the highest emoluments, all are directors whose emoluments are disclosed in Note 7 during the year (2014: five).

9 Earnings per share

The calculation of basic earnings per share during the year ended 31 December 2015 was based on the profit attributable to equity shareholders of the Company of RMB265,767,000 (2014: RMB224,606,000) and the weighted average number of shares in issue during the year ended 31 December 2015 of 418,000,000 (2014: 418,000,000).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2015 and 2014, and therefore, the diluted earnings per share are the same as the basic earnings per share.

10 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 two 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 provision of processing services, manufacture and sale of aluminium panels, moulds and spare parts and property under development for sale.

(a) Segment results, assets and liabilities

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 and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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 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 2015 and 2014 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue								
Revenue from external customers	757,894	795,350	4,138,807	3,916,755	81,128	131,810	4,977,829	4,843,915
Reportable segment profit								
Gross profit	115,014	114,614	691,397	617,970	23,350	25,043	829,761	757,627

(b) Reconciliations of reportable segment profit

	2015	**2014**
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	829,761	757,627
Other revenue	49,778	38,465
Other net loss	(8,365)	(6,589)
Distribution costs	(107,192)	(102,277)
Administrative expenses	(293,970)	(258,676)
Finance costs	(149,138)	(157,586)
Share of loss of an associate	(214)	(1,705)
Consolidated profit before taxation	320,660	269,259

(c) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 98% of the revenue are generated from the PRC market.

11 Property, plant and equipment

	Buildings and plants	Machinery	Motor Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	843,461	1,000,806	26,403	113,867	265,659	2,250,196
Additions	7,455	141,886	370	25,466	88,947	264,124
Transfer from construction in progress	127,032	93,269	69	653	(221,023)	–
Disposal	(385)	(8,513)	(481)	–	–	(9,379)
Reclassification to investment property under development	–	–	–	–	(76,395)	(76,395)
At 31 December 2014	977,563	1,227,448	26,361	139,986	57,188	2,428,546
At 1 January 2015	977,563	1,227,448	26,361	139,986	57,188	2,428,546
Additions	–	158,221	1,321	5,760	35,944	201,246
Transfer from construction in progress	42,939	31,609	26	1,149	(75,723)	–
Disposal	–	(2,007)	(110)	–	–	(2,117)
At 31 December 2015	1,020,502	1,415,271	27,598	146,895	17,409	2,627,675
Accumulated depreciation:						
At 1 January 2014	(51,666)	(296,925)	(14,690)	(53,973)	–	(417,254)
Charge for the year	(25,223)	(80,772)	(2,899)	(23,789)	–	(132,683)
Written back on disposals	137	3,717	276	–	–	4,130
At 31 December 2014	(76,752)	(373,980)	(17,313)	(77,762)	–	(545,807)
At 1 January 2015	(76,752)	(373,980)	(17,313)	(77,762)	–	(545,807)
Charge for the year	(28,479)	(116,808)	(2,329)	(29,348)	–	(176,964)
Written back on disposals	–	488	76	–	–	564
At 31 December 2015	(105,231)	(490,300)	(19,566)	(107,110)	–	(722,207)
Net book value:						
At 31 December 2015	915,271	924,971	8,032	39,785	17,409	1,905,468
At 31 December 2014	900,811	853,468	9,048	62,224	57,188	1,882,739

(i) All properties owned by the Group are located in the PRC.

(ii) Up to the date of this report, the Group is in the process of applying for the title certificates of certain properties with carrying value of approximately RMB258,986,000 as at 31 December 2015 (2014: RMB340,812,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(iii) Certain plants with net book value of RMB535,009,000 (2014: RMB127,531,000) were pledged as securities for bank loans of the Group as at 31 December 2015. *(Note 20(b))*

(iv) During the year ended 31 December 2013, the Group had entered into a sale and finance lease back contract for certain production equipment expiring in three years. The net book value of the equipment at the date of execution of the sales and lease back contract was RMB107,776,000. At the end of the lease term, the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. The lease contract did not include contingent rental.

As at 31 December 2015, the net book value of equipment held under the finance lease was RMB85,122,000 (31 December 2014: RMB92,942,000).

12 Lease prepayments

	2015	**2014**
	RMB'000	*RMB'000*
Cost:		
At 1 January	352,929	400,317
Reclassification to investment property under development	–	(47,388)
At 31 December	352,929	352,929
Accumulated amortisation:		
At 1 January	(44,402)	(37,043)
Charge for the year	(7,033)	(7,359)
At 31 December	(51,435)	(44,402)
Carrying amount:		
At 31 December	301,494	308,527

(i) Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. As at 31 December 2015, the remaining period of the land use rights ranges from 37 to 44 years.

(ii) The lease prepayments with carrying value of RMB228,660,000(2014: RMB308,527,000) was pledged as securities for bank loans of the Group as at 31 December 2015 *(Note 20(b))*.

13 Investments in subsidiaries

Details of subsidiaries of the Company at 31 December 2015 are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct %	Indirect %	Principal activities
China Xingfa (BVI) Limited (“Xingfa BVI”)	BVI 2 October 2007	United States Dollars (“USD”) 1,000	100%	–	Investment holding
Xingfa Aluminium (Hong Kong) Limited (“Xingfa Hong Kong”)	Hong Kong 14 April 2008	Hong Kong Dollars (“HKD”) 1,000	–	100%	Sales of aluminium profiles
Guangdong Xingfa 廣東興發鋁業有限公司*(i)(ii)*	PRC 26 May 2006	RMB360,040,000	–	100%	Manufacturing and sales of aluminium profiles
Xingfa Aluminium (Chengdu) Co., Ltd 興發鋁業(成都)有限公司*(i)(iii)* (“Xingfa Chengdu”)	PRC 7 July 2009	RMB130,000,000	–	100%	Manufacturing and sales of aluminium profiles
Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. 廣東興發鋁業(江西)有限公司 *(i)(iii)* (“Xingfa Jiangxi”)	PRC 30 May 2012	RMB100,000,000	–	100%	Manufacturing and sales of aluminium profiles
Guangdong Xingfa Aluminium (Henan) Co., Ltd. 廣東興發鋁業(河南)有限公司 *(i)(iii)* (“Xingfa Henan”)	PRC 10 May 2010	RMB100,000,000	–	100%	Manufacturing and sales of aluminium profiles
Foshan Xingfa Real Estate Co., Ltd. 佛山市興發房地產開發有限公司*(i)(iii)* (“Xingfa Real Estate”)	PRC 5 June 2013	RMB8,000,000	–	100%	Development, sale and management of properties
Foshan Xingfa Trading Co., Ltd. 佛山市興發商貿有限公司*(i)(iii)* (“Xingfa Trading”)	PRC 6 February 2015	RMB10,000,000	–	100%	Trading of aluminium profiles

(i) *The English translation of the Company names is for reference only. The official names of these companies are in Chinese.*

(ii) *The subsidiary is a wholly foreign owned enterprise.*

(iii) *The subsidiaries are companies with limited liability.*

14 Interest in an associate

Details of the Group's interest in the associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd ("Jiangxi Jingxing") ("江西省景興鋁模板製造有限公司") *(i)*	Limited liability company	People's Republic of China	Registered capital of RMB5,000,000	80% *(ii)*	80% *(ii)*	Manufacturing and sales of aluminium panels

(i) The English translation of the company's name is for reference only. The official name of the company is in Chinese.

(ii) 20% of Jiangxi Jingxing's paid up capital was contributed by 廣州景興建築科技有限公司 (in English for identification only, Guangzhou Jingxing Construction Technology Co., Ltd) ("Guangzhou Jingxing"). The Group has entered into the contractual arrangement with Guangzhou Jingxing to determine the direction of the relevant activities of Jiangxi Jingxing. According to the contractual arrangement, the Group did not have rights sufficient to give it power to control over Jiangxi Jingxing, thus the Group deemed Jiangxi Jingxing as an associate.

Jiangxi Jingxing, the only associate in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

During 2015, the amount of the Group's share of loss from this associate in the consolidated financial statements is RMB214,000.

15 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2015	**2014**
	RMB'000	*RMB'000*
Aluminium profiles manufacturing		
Raw materials	143,275	129,281
Work in progress	73,261	66,308
Finished goods	290,021	307,475
	506,557	503,064
Property under development for sale		
Land use right	47,388	47,388
Deed tax	4,760	4,760
Construction cost	119,557	76,395
	171,705	128,543
	678,262	631,607

The balance of property under development for sale is expected to be recovered after more than one year.

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

	2015	**2014**
	RMB'000	*RMB'000*
Carrying amount of inventories sold	4,148,068	4,086,288
Write down of inventories	–	–
	4,148,068	4,086,288

16 Trade and other receivables

	2015	2014
	RMB'000	*RMB'000*
Trade debtors	646,697	729,671
Bills receivable	585,037	665,626
Less: allowance for doubtful debts	(27,906)	(11,111)
	1,203,828	1,384,186
Other receivables, prepayments and deposits	94,231	154,020
	1,298,059	1,538,206

Certain bills receivable with carrying value of RMB260,292,000 were pledged as securities for bank loans of the Group as at 31 December 2015 (31 December 2014: RMB200,210,000) *(Note 20(b))*.

The Group's trade and other receivables included amounts due from related parties of RMB58,672,000 (31 December 2014: RMB60,304,000) *(Note 28(b)(i))*. The remaining current trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the aging analysis of trade debtors and bills receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	638,927	772,594
1 to 3 months	354,993	393,214
3 to 6 months	178,111	176,092
Over 6 months	31,797	42,286
	1,203,828	1,384,186

Trade debtors and bills receivable are due within 60 days to 90 days from the date of billing. Further details on the Group's credit policy are set out in Note 25(a).

(b) Impairment losses

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly *(Note 1(g))*.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Balance at 1 January	11,111	5,486
Recognised	25,597	10,670
Write back	(8,337)	(607)
Write off	(465)	(4,438)
Balance at 31 December	27,906	11,111

At 31 December 2015, the Group's trade debtors of RMB28,948,000 (31 December 2014: RMB28,905,000) was individually determined to be impaired. The individually impaired receivable related to customers that were in financial difficulties and management assessed that the receivable is not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB25,327,000 was recognised (2014: RMB9,056,000).

(c) Trade debtors and bills receivable that are not impaired

	2015	**2014**
	RMB'000	*RMB'000*
Neither past due nor impaired	1,172,184	1,325,773
Less than 1 month past due	6,742	12,488
1 to 3 months past due	12,584	13,765
3 to 6 months past due	11,276	14,366
	1,202,786	1,366,392

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but no impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17 Pledged deposits

Pledged deposits mainly represented bank deposits pledged to bank as securities for certain banking facilities *(Note 20(b))* and bills payable *(Note 19)*.

18 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2015	2014
	RMB'000	*RMB'000*
Cash at bank and in hand	416,012	305,856

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2015** *RMB'000*	**2014** *RMB'000*
Operating activities			
Profit before taxation		320,660	269,259
Adjustments for:			
Depreciation	*5(c)*	176,964	132,683
Amortisation of lease prepayments	*5(c)*	7,033	7,359
Interest income on bank deposits	*4*	(10,176)	(6,631)
Finance costs	*5(a)*	149,138	157,586
Loss on disposal of property, plant and equipment	*4*	1,523	4,876
Impairment loss on non-current financial assets	*5(c)*	–	11,912
Share of loss of an associate		214	1,705
Unrealised profit from downstream transaction to an associate		(689)	1,354
Net foreign exchange gain		(3,749)	(500)
Changes in working capital:			
Change in inventories		(46,655)	(57,363)
Change in trade and other receivables		234,822	(285,837)
Change in trade and other payables		(311,204)	925,603
Change in deferred income		259	2,657
Cash generated from operations		518,140	1,164,663

19 Trade and other payables

	2015	2014
	RMB'000	*RMB'000*
Trade payables	530,181	540,548
Bills payable *(i)*	471,949	833,810
Other payables and accruals	380,212	335,944
Deferred income *(Note 22)*	25,294	17,957
	1,407,636	1,728,259

Amounts due to related parties are included in trade and other payables, the breakdown of which is set out in Note 28(b)(ii). All of the trade and other payables 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:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	389,080	402,728
1 to 3 months	397,157	748,797
3 to 6 months	198,503	176,317
Over 6 months	17,390	46,516
	1,002,130	1,374,358

(i) Bills payable were secured by pledged bank deposits of RMB179,893,000 as at 31 December 2015 (31 December 2014: RMB310,042,000) *(Note 17)*.

20 Loans and borrowings

(a) Loans and borrowings were repayable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	1,699,467	1,723,782
After 1 year but within 2 years	175,000	144,250
After 2 years but within 5 years	126,000	135,000
	301,000	279,250
	2,000,467	2,003,032

(b) Terms

	2015	2014
	RMB'000	*RMB'000*
Secured bank loans	1,961,774	1,734,032
Unsecured bank loans	38,693	269,000
	2,000,467	2,003,032

The secured bank loans were secured by the following assets of the Group as at the end of the reporting period.

	2015	2014
	RMB'000	*RMB'000*
Carrying value of assets:		
Property, plant and equipment *(Note 11)*	535,009	127,531
Lease prepayments *(Note 12)*	228,660	308,527
Bills receivable *(Note 16)*	260,292	200,210
Pledged deposits *(Note 17)*	84,263	20,172
Inventories	40,000	40,000
Total	1,148,224	696,440

As at 31 December 2015, banking facilities of the Group totalling RMB3,564,542,000 (31 December 2014: RMB3,235,850,000) were utilised to the extent of RMB2,221,955,000 (31 December 2014: RMB2,130,569,000).

As at 31 December 2015,five (2014: seven) of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the subsidiaries' balance sheet ratios, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 25(b). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached.

21 Obligations under finance leases

	2015		2014	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	6,712	6,770	26,212	27,024
After 1 year but within 2 years	–	–	6,314	6,787
		6,770		33,811
Less: total future interest expenses		(58)		(1,285)
Present value of lease obligations		6,712		32,526

22 Deferred income

The movements in deferred income as stated under current and non-current liabilities are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Accumulated deferred income		
At the beginning of the year	81,804	79,147
Received during the year	13,783	15,700
Recognised in profit or loss *(Note 4)*	(13,524)	(13,043)
At the end of the year	82,063	81,804
Less: current portion included in trade and other payables *(Note 19)*	(25,294)	(17,957)
	56,769	63,847

Deferred income represents government grants obtained for the purposes of subsidising the Group's operation and sponsoring the costs of acquisition of fixed assets incurred by the Group. Government grants received are initially recognised in the consolidated statement of financial position as deferred income.

Government grants received to subsidise the operation costs are amortised through profit or loss on a systematic basis in the same periods in which the related costs of operation are incurred.

Government grants received for sponsoring costs of acquisition of fixed assets are recognised in profit or loss over the useful life of the asset to offset the depreciation charge of the relevant assets.

Included in the deferred income as at 31 December 2015, RMB12,139,000 (2014: RMB5,354,000) and RMB69,924,000 (2014: RMB76,450,000) represent balances of government grants received to subsidise the operation costs and government grants received for sponsoring costs of acquisition of fixed assets, respectively, but not yet recognised in profit or loss.

23 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	26,119	32,975
Provision for PRC income tax *(Note 6(a))*	52,084	52,206
Provision for Hong Kong Profits Tax *(Note 6(a))*	930	–
Provision for PRC land appreciation tax *(Note 6(a))*	–	11,106
Income tax paid	(53,936)	(59,062)
PRC land appreciation tax paid	–	(11,106)
At 31 December	25,197	26,119

(b) Deferred tax assets and liabilities recognised:

(i) Movement of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Impairment of non-current financial assets	Employee benefits accrued but not paid	Impairment loss on bad and doubtful debts	Tax loss	Unrealised profit	Government grants in deferred income	Undistributed profit of PRC subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/ (liabilities) arising from								
At 1 January 2014	–	1,181	922	–	–	18,892	–	20,995
Credited/(charged) to profit or loss *(Note 6(a))*	1,787	(632)	843	198	23,494	(7,031)	–	18,659
At 31 December 2014	1,787	549	1,765	198	23,494	11,861	–	39,654
At 1 January 2015	1,787	549	1,765	198	23,494	11,861	–	39,654
Credited/(charged) to profit or loss *(Note 6(a))*	–	(549)	2,519	(198)	–	39	(3,690)	(1,879)
At 31 December 2015	1,787	–	4,284	–	23,494	11,900	(3,690)	37,775

(ii) Reconciliation to the consolidated statement of financial position

	2015	**2014**
	$'000	*$'000*
Net deferred tax asset recognised in the consolidated statement of financial position	41,465	39,654
Net deferred tax liability recognised in the consolidated statement of financial position	(3,690)	–
	37,775	39,654

(c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2015, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB797,109,000 (2014: RMB596,236,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

24 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		The Company					
	Note	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings/ (accumu-lated losses) RMB'000	Total RMB'000
At 1 January 2014		3,731	179,568	441,976	553	12,994	638,822
Loss for the year		–	–	–	–	(4,051)	(4,051)
Other comprehensive income		–	–	–	27	–	27
Total comprehensive income for the year		–	–	–	27	(4,051)	(4,024)
Dividends approved in respect of previous year	24(b)	–	–	–	–	(16,595)	(16,595)
At 31 December 2014		3,731	179,568	441,976	580	(7,652)	618,203
At 1 January 2015		3,731	179,568	441,976	580	(7,652)	618,203
Profit for the year		–	–	–	–	70,167	70,167
Other comprehensive income		–	–	–	(48,618)	–	(48,618)
Total comprehensive income for the year		–	–	–	(48,618)	70,167	21,549
Dividends approved in respect of previous year	24(b)	–	–	–	–	(30,152)	(30,152)
At 31 December 2015		3,731	179,568	441,976	(48,038)	32,363	609,600

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Final dividends proposed after the end of reporting period	31,518	29,678

A final dividend of HK$0.09 per ordinary share (2014: HK$0.09) to all equity shareholders of the Company have been proposed by the directors and are subject to the approval of the shareholders in the annual general meeting.

The final dividends proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015	**2014**
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of HK$0.09 per ordinary share (2014: HK$0.05 per ordinary share)	30,152	16,595

(c) Share Capital

Ordinary shares issued and fully paid:

	2015			**2014**		
	No. of shares	Nominal value of Amount		No. of shares	Nominal value of fully paid shares	
			RMB equivalents			*RMB equivalents*
	('000)	*HKD'000*	*'000*	*('000)*	*HKD'000*	*'000*
At 1 January and at 31 December	418,000	4,180	3,731	418,000	4,180	3,731

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account and other reserve account of the Company are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

The other reserve of the Group represents the difference between (a) the nominal value of share capital and the existing balance on the share premium account of a subsidiary acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group on 29 February 2008.

The other reserve of the Company represents the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group on 29 February 2008.

(iii) Capital reserve

The capital reserve represents waivers of liabilities due to related parties.

(iv) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the PRC subsidiaries of the Group. The subsidiaries are required to transfer at least 10% of their net profit, as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

PRC statutory reserves can be used to make good prior years' losses, if any, and may be converted into share capital by issuing new shares to equity shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside the PRC.

(e) Distributability of reserves

The aggregate amount of distributable reserves of the Company as at 31 December 2015 was RMB605,869,000 (2014: RMB614,472,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and obligations under finance leases) plus unaccrued purposed dividends, less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2015, the Group's strategy was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares or raise new debt financing.

		2015	**2014**
	Note	*RMB'000*	*RMB'000*
Current liabilities:			
– Loans and borrowings	*20*	1,699,467	1,723,782
– Obligations under finance leases	*21*	6,712	26,212
Non-current liabilities:			
– Loans and borrowings	*20*	301,000	279,250
– Obligations under finance leases	*21*	–	6,314
Total debt		2,007,179	2,035,558
Add: Proposed dividends	*24(b)*	31,518	29,678
Less: Cash and cash equivalents	*18*	(416,012)	(305,856)
Pledged deposits	*17*	(278,141)	(330,214)
Adjusted net debt		1,344,544	1,429,166
Total equity		1,419,846	1,183,961
Less: Proposed dividends	*24(b)*	(31,518)	(29,678)
Adjusted capital		1,388,328	1,154,283
Adjusted net debt-to-capital ratio		97%	124%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2015, 1% (31 December 2014: 2%) and 14% (31 December 2014: 8%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the plain aluminium profiles and aluminium profiles with surface finishing segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 27.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,780,663	185,621	133,206	–	2,099,490	2,000,467
Obligation under finance leases	6,770	–	–	–	6,770	6,712
Trade and other payables	1,407,636	–	–	–	1,407,636	1,407,636
Current taxation	25,197	–	–	–	25,197	25,197
	3,220,266	185,621	133,206	–	3,539,093	3,440,012

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,780,087	148,388	143,303	–	2,071,778	2,003,032
Obligation under finance leases	27,024	6,787	–	–	33,811	32,526
Trade and other payables	1,728,259	–	–	–	1,728,259	1,728,259
Current taxation	26,119	–	–	–	26,119	26,119
	3,561,489	155,175	143,303	–	3,859,967	3,789,936

As shown in the above analysis, bank loans of the Group amounting to RMB1,780,663,000 were due to be repaid during 2016. The short-term liquidity risk inherent in this contractual maturity date was not significantly changed after the reporting period.

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings from banks. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing borrowings at the end of the reporting period.

	2015		2014	
	Effective interest rates	Amount	Effective interest rates	Amount
		'000		*'000*
Fixed rate borrowings:				
Bank loans	1.90%-6.92%	1,437,217	4.80%-7.80%	1,329,210
Variable rate borrowings:				
Obligation under finance lease	4.46%	6,712	4.86%	32,526
Bank loans	4.75%-7.20%	563,250	5.60%-7.00%	673,822
		569,962		706,348
Total borrowings:		2,007,179		2,035,558
Fixed rate borrowings as a percentage of total borrowings		72%		65%

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB4,844,674 (2014: RMB5,953,962).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2014.

(d) Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars.

Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	31 December 2015		31 December 2014	
	HKD	*USD*	*HKD*	*USD*
	'000	*'000*	*'000*	*'000*
Trade and other receivables	15,409	40,056	4,755	37,103
Cash and cash equivalents	31,985	37,334	27,845	3,685
Pledged deposits	–	–	3,217	–
Trade and other payables	(14,218)	(686)	(5,975)	–
Short term loans	–	(260,232)	–	–
Gross and net exposure arising from recognised assets and liabilities	33,176	(183,528)	29,842	40,788

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2015		**2014**	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profit** *'000*	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit after tax and retained profit** *'000*
United States Dollars	1%	(1,561)	1%	347
Hong Kong Dollars	1%	281	1%	251

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Fair values measurement

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values.

26 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2015	2014
	RMB'000	*RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	458	3,828
– Purchase of property, plant and equipment for the production base in Yichun City	2,042	5,978
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	18,758	14,123
– Purchase of property, plant and equipment for the production base in Qinyang City	8,572	11,082
– Building an integrated commercial and residental property base in Nanzhuang, Foshan City	284,754	288,875
	314,584	323,886
Authorised but not contracted for	88,769	128,089
Total	403,353	451,975

(b) Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	985	1,372
After 1 year but within 5 years	–	856
	985	2,228

27 Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2015.

At the end of the reporting period, contingent liabilities of the Company were as follows:

	The Company	
	2015	2014
	RMB'000	*RMB'000*
Guarantees given to banks by the Company in respect of banking facilities utilised by certain subsidiaries	740,693	768,972

As at 31 December 2015, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

28 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

During the year ended 31 December 2015, the directors are of the view that related parties of the Group include the following individuals/companies:

Name of related party	Relationship with the Group
Foshan Leahin Coating Co., Ltd. ("Leahin Coating") (佛山立興塗料有限公司) *(i)*	Effectively owned by certain executive directors of the Company
Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("Xingfa Curtain Wall") (廣東興發幕牆門窗有限公司) *(i)*	Effectively owned by certain executive directors of the Company
Guangxi Laibin Yinhai Aluminium Co., Ltd. ("LBYH") (廣西來賓銀海鋁材股份有限公司) *(i)*	Joint venture of a substantial shareholder of the Group, Guangdong Province, Guangxin Holdings Group Ltd.
Jiangxi Jingxing Aluminium Panel Manufacturing Co., Ltd. ("Jiangxi Jingxing") (江西省景興鋁模板製造有限公司) *(i)*	Associate of the Group

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(a) Transactions

Sales and purchase

	2015	**2014**
	RMB'000	*RMB'000*
Sales of goods to		
– Xingfa Curtain Wall	176,997	120,042
– Jiangxi Jingxing	14,867	17,112
	191,864	137,154
Purchases of raw materials from		
– Leahin Coating	–	258
– LBYH	16,326	91,435
	16,326	91,693
Dormitory rent		
– Jiangxi Jingxing	1,901	924

(b) Balances with related parties

As at the end of the reporting period, the Group had the following balances with related parties:

(i) Trade and other receivables

	2015	**2014**
	RMB'000	*RMB'000*
Trade related		
Xingfa Curtain Wall	33,075	45,887
Jiangxi Jingxing	25,597	14,417
	58,672	60,304

(ii) Trade and other payables

	2015	2014
	RMB'000	*RMB'000*
Trade related		
Leahin Coating	137	137
LBYH	3,807	1,532
	3,944	1,669

The amounts due from/(to) related parties are unsecured, interest free and have no fixed terms of repayment.

(c) Key management personnel compensation

Remuneration for key management personnel, including the amounts paid to the Group's directors as disclosed in Note 7 and the senior management as disclosed in Note 8, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Short-term employee benefits	24,080	17,614
Contribution to retirement benefit plan	229	203
	24,309	17,817

Total remuneration is included in "staff costs" *(Note 5(b)).*

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions of sales and purchase above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Continuing connected transactions" of the Reports of the Directors of this annual report.

29 Company-level statement of financial position

	2015	2014
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	581,544	626,654
Current assets		
Amount due from a subsidiary	60,885	28,404
Cash and cash equivalents	7,564	1,713
	68,449	30,117
Current liabilities		
Amount due to a subsidiary	31,768	29,960
Other payables	8,625	8,608
	40,393	38,568
Net current assets/(liabilities)	28,056	(8,451)
Total assets less current liabilities	609,600	618,203
Net assets	609,600	618,203
Capital and reserves		
Share capital	3,731	3,731
Reserves	605,869	614,472
Total equity	609,600	618,203

30 Non-adjusting events after the reporting period

After 31 December 2015 the directors proposed a final dividend. Further details are disclosed in Note 24(b).

31 Accounting estimates

Key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment, lease prepayments, non-current financial assets and prepayment for machinery, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

(ii) Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of aging analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

(iii) Impairment losses for inventories are assessed and provided based on the directors' regular review of market price against inventories costs. A considerable level of judgment is exercised by the directors when assessing the market price.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a few of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4 INDEBTEDNESS STATEMENT

As at 28 February 2017, being the latest practicable date of this indebtedness statement, the Group has loans and borrowings amounting to approximately RMB1,744,157,000, of which:

- approximately RMB789,341,000 were secured by the Group's property, plant and equipment, lease prepayment and guaranteed by the intra-group companies;
- approximately RMB152,816,000 were secured by the Group's bank acceptance bills with an aggregate carrying value of approximately RMB152,816,000;
- approximately RMB702,000,000 were unsecured but guaranteed by the intra-group companies;
- approximately RMB100,000,000 were neither secured nor guaranteed.

Save as disclosed above, the Group had no other material contingent liabilities or outstanding mortgages, charges, guarantees, bank loans and overdrafts or other similar indebtedness as at the close of business on 28 February 2017.

5 MATERIAL CHANGES

The directors of the Company confirm that, there was no material change in the financial or trading position or outlook of the Company subsequent to 31 December 2016, being the date to which the last published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

1 RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Group has been supplied by the Company. The issue of this Scheme Document has been approved by the directors of the Company, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Guangxin Aluminium has been supplied by Guangxin Aluminium. The issue of this Scheme Document has been approved by the directors of Guangxin Aluminium and Guangxin Holdings, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the Individual Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the Individual Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Mr. LUO Su has been supplied by Mr. LUO Su, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the other Joint Offerors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the other Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Mr. LUO Riming has been supplied by Mr. LUO Riming, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the other Joint Offerors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the other Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Mr. LIAO Yuqing has been supplied by Mr. LIAO Yuqing, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the other Joint Offerors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the other Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Mr. LAW Yung Koon has been supplied by Mr. LAW Yung Koon, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the other Joint Offerors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the other Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to Ms. LAM Yuk Ying has been supplied by Ms. LAM Yuk Ying, who accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the other Joint Offerors) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group and the other Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2 SHARE CAPITAL

As at the Latest Practicable Date:

(a) the authorised share capital of the Company is HK$10,000,000 divided into 1,000,000,000 Shares, and the Company has 418,000,000 Shares in issue;

(b) no additional Shares have been issued since the end of the last financial year of the Company;

(c) all of the Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting; and

(d) other than the 418,000,000 Shares disclosed above, there are no outstanding Shares, warrants, options, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

3 MARKET PRICE

The table below sets out the closing price of the Shares on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Business Day of each of the calendar months during the period commencing six months preceding the Offer Period Commencement Date and ending on the Latest Practicable Date:

	Closing price for each Share *(HK$)*
31 March 2016	3.01
29 April 2016	2.62
31 May 2016	2.49
30 June 2016	2.69
29 July 2016	2.56
31 August 2016	2.70
14 September 2016 (Last Trading Day)	2.97
30 September 2016	3.48
31 October 2016	3.54
30 November 2016	3.48
30 December 2016	3.42
27 January 2017	3.48
28 February 2017	3.46
31 March 2017	3.62
21 April 2017 (Latest Practicable Date)	3.57

The lowest and highest closing prices of Shares as quoted on the Stock Exchange during the period commencing six months preceding the Offer Period Commencement Date and ending on the Latest Practicable Date were HK$2.40 per Share on 13 June 2016, and HK$3.63 per Share on 28 March 2017 and 29 March 2017, respectively.

The Cancellation Price of HK$3.70 per Scheme Share represents a premium of approximately 24.58% over the closing price of HK$2.97 per Share as quoted on the Stock Exchange on 14 September 2016 (being the Last Trading Day).

4 DISCLOSURE OF INTERESTS

For the purpose of this paragraph, (i) "interested" and "interests" have the same meanings as given to them in the appropriate part of the SFO; (ii) the "Offer Period" means the period from 22 September 2016 (being the date of which the Company first announced the possibility of an offer by the Joint Offerors which might lead to a privatisation of the Company) to the Effective Date, both dates inclusive; and (iii) the "Disclosure Period" means the period beginning from the date which is six months prior to the Offer Period Commencement Date and ending with the Latest Practicable Date, both dates inclusive.

(a) Interests and dealings in Shares

(i) As at the Latest Practicable Date, the Joint Offerors and Joint Offerors Concert Party had the following interests in Shares:

	As at the Latest Practicable Date	
Shareholders	**Number of Shares**	**%**
Joint Offerors		
Guangxin Aluminium[1]	125,360,000	29.99
Mr. LUO Su[2]	57,109,200	13.66
Mr. LUO Riming[2]	51,813,700	12.40
Mr. LIAO Yuqing[2]	48,200,100	11.53
Mr. LAW Yung Koon[2]	19,050,000	4.56
Ms. LAM Yuk Ying[3]	1,719,000	0.41
Joint Offerors Concert Party		
Mr. WONG Siu Ki[4]	50,000	0.01
Aggregate number of Shares of the Joint Offerors and the Joint Offerors Concert Party	303,302,000	72.56
Other public Shareholders	114,698,000	27.44
Aggregate number of Shares of the Independent Shareholders	114,698,000	27.44
Total	418,000,000	100.00

Notes:

(1) Guangxin Aluminium is wholly owned by Guangxin Holdings, which is wholly owned by the Guangdong SASAC.

(2) Each of Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing and Mr. LAW Yung Koon is an executive director of the Company.

(3) Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon.

(4) Mr. WONG Siu Ki is the alternative director to Mr. LIU Libin, the chairman and an executive director of the Company.

(5) All percentages in the above table are approximations.

(ii) During the Disclosure Period, none of the Joint Offerors and the Joint Offerors Concert Party (excluding the exempt principal traders in CICC group) had any dealings in the Shares for value.

(iii) During the Disclosure Period, no dealing in Shares for value has been conducted by CICC group (other than exempt principal traders), for its own account or on a discretionary basis.

(iv) As at the Latest Practicable Date, no person had, prior to the posting of this Scheme Document, irrevocably committed themselves to accept or reject the offer, or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Disclosure Period.

(v) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company or adviser of the Company as specified in class (2) of the definition of associate under the Takeovers Code (other than exempt principal traders) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares. During the period commencing on the Offer Period Commencement Date and up to the Latest Practicable Date, no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(vi) As at the Latest Practicable Date, save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, no person had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares with the Joint Offerors (or with Joint Offerors Concert Party) and save as disclosed in paragraphs 5(a)(i) and (ii) of this section, no such person owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Disclosure Period.

(vii) As at the Latest Practicable Date, no person had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares with the Company (or with any person who is an associate of the Company by virtue of class (1) to (4) of the definition of "associate" under the Takeovers Code). During the Disclosure Period, save as disclosed in paragraphs 5(a)(i) and (ii), no such person owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(viii) As at the Latest Practicable Date, save as disclosed in paragraph 5(a)(i) of this section, none of the Directors had any interest in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(ix) Save as disclosed in paragraph 5(a)(i) of this section, none of the Joint Offerors and their respective directors owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date. During the Disclosure Period, none of the Joint Offerors and their respective directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(x) As at the Latest Practicable Date, none of the Joint Offerors, the Joint Offerors Concert Party (other than those members of CICC group that are exempt principal traders), the Company or the Directors had borrowed or lent any Shares, save for any borrowed Shares which have been either on-lent or sold.

(xi) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares. During the Disclosure Period, no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(b) Interests and dealings in the Joint Offerors' shares

The Company and the Directors had no interest in the Joint Offerors' shares or convertible securities, warranties, options or derivatives in respect of the the Joint Offerors' shares as at the Latest Practicable Date. During the Disclosure Period, neither the Company nor the Directors had dealt for value in any such shares or any convertible securities, warranties, options or derivatives in respect of the Joint Offerors' shares.

(c) Arrangements with the Joint Offerors and Joint Offerors Concert Party in respect of the Proposal

As at the Latest Practicable Date:

(i) save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exist between the Joint Offerors or Joint Offerors Concert Party and any other person in relation to Shares;

(ii) there was no agreement or arrangement to which any Joint Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme; and

(iii) save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, there was no agreement, arrangement or understanding between the Joint Offerors and any other person in relation to the transfer, charge or pledge of the Shares to be issued to the Joint Offerors upon completion of the Scheme and the Joint Offerors have no intention to transfer, charge or pledge any Shares in the Company acquired pursuant to the Scheme to any other person.

(d) Other interests

As at the Latest Practicable Date:

(i) no benefit is or will be paid/given to any director of the Company as compensation for loss of office or otherwise in connection with the Scheme;

(ii) save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, there was no agreement, arrangement or understanding (including any compensation arrangement) between any of the Joint Offerors or Joint Offerors Concert Party and any of the directors of the Company, recent directors of the Company, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Scheme;

(iii) save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, there was no agreement or arrangement between any director of the Company and any other person which is conditional on or dependent upon the outcome of the offer or otherwise connected with the Scheme;

(iv) save as disclosed in "12. Information on the Joint Offerors" and "13. Consortium Agreement" in the Explanatory Memorandum, no material contract has been entered into by any Joint Offerors in which any director of the Company has a material personal interest; and

(v) save for the service contract set out below, no other directors of the Company has a service contract with any member of the Group or associated companies of the Company in force which (i) (including both continuous and fixed term contracts) has been entered into or amended within six months before the Offer Period Commencement Date; or (ii) is continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract that has more than 12 months to run irrespective of the notice period.

Name of director	Date of last renewal of service contract	Expiry date of service contract	Remuneration
LIANG Shibin	14 December 2015	13 December 2018	RMB150,000 per annum

5 MATERIAL LITIGATION

As at the Latest Practicable Date, there was no material litigation or claim of material importance known to the directors of the Company to be pending or threatened against any member of the Group.

6 MATERIAL CONTRACTS

None of the Company nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried or by the Company or any of its subsidiaries) after the date two years before the Offer Period Commencement Date up to and including the Latest Practicable Date.

7 EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

Name	Qualifications
CICC	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Octal Capital Limited	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Chartered professional surveyors and valuers

8 CONSENTS

Each of experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

9 MISCELLANEOUS

(a) The directors of the Company are:

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 to Mr. LIU Libin:
Mr. WONG Siu Ki *(Chief Investment Officer)*

(b) The company secretary of the Company is Mr. TAM Ka Wai, Kelvin.

(c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(d) The principal place of business of the Company in Hong Kong is at Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(e) The head office of the Company is situated at No. 5, Zone D, Central Science and Technology Industrial Park, Sanshui District, Foshan City, Guangdong Province, China.

(f) The principal share registrar of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands.

(g) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(h) Guangxin Aluminium is a company incorporated in in Hong Kong on 2 July 1985 with limited liability. Its registered office is situated at Room 1801-04, 18/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(i) The directors of Guangxin Aluminium are Mr. LIU Libin, Ms. ZHAO Lan and Mr. DAN Nianyang.

(j) The address of Mr. LUO Su is No. 6, Lane 1, Xingfa Fifth Street, Nanzhuang Town, Chancheng district, Foshan, Guangdong, PRC.

(k) The address of Mr. LUO Riming is No. 4, Lane 1, Xingfa Fifth Street, Nanzhuang Town, Chancheng district, Foshan, Guangdong, PRC.

(l) The address of Mr. LIAO Yuqing is No. 1, Lane 8, Jixiang Road, Nanzhuang Town, Chancheng district, Foshan, Guangdong, PRC.

(m) The address of Mr. LAW Yung Koon is 37/F, Block 9, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong.

(n) The address of Ms. LAM Yuk Ying is 37/F, Block 9, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong.

(o) The principal place of business of CICC is at 29th Floor, One International Finance Centre, 1 Harbour View Street Central, Hong Kong.

(p) The principal place of business of Octal Capital Limited is at 802-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

(q) The principal place of business of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is at 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company, Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday and on the website of the Company at www.xingfa.com and the website of SFC at www.sfc.hk from the dispatch of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of Guangxin Aluminium;

(c) the annual report of the Company for the year ended 31 December 2014;

(d) the annual report of the Company for the year ended 31 December 2015;

(e) the annual report of the Company for the year ended 31 December 2016;

(f) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;

(g) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;

(h) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;

(i) the letter, summary of valuation and valuation certificates from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this Scheme Document and the letter from it giving and not withdrawing its consent to the publication of its name in this Scheme Document;

(j) written consents referred to in the section headed "8. Consents" in Appendix II – General Information on the Company and the Joint Offerors to this Scheme Document;

(k) the service contract referred to in the section headed "5. Disclosure of Interests – (d) Other Interests" in Appendix II – General Information on the Company and the Joint Offerors to this Scheme Document; and

(l) this Scheme Document.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 28 February 2017 of the property interests held by the Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

24 April 2017

The Board of Directors
Xingfa Aluminium Holdings Limited
Unit 605, 6/F, Wing On Plaza,
62 Mody Road, Tsim Sha Tsui East, Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Xingfa Aluminium Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 28 February 2017 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing property nos. 1, 2 and Part A of property no. 3 in Group I which are held and occupied by the Group, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing property nos. 4 and 5 in Group II and Part B of property no. 3 in Group I which were held under development as at the valuation date, we have assumed that they would be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparables as available in the relevant market for property no. 5 and cost approach for property no. 4 and Part B of property no. 3, and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates, Building Ownership Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Group's PRC legal adviser – Jun He LLP, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period between October 2016 and March 2017 by 6 professional staff including Mr. Legend Zhan, Mr. Larry Li, Mr. Jake Zhong, Ms. Bella He, Ms. Tinnie Zhu and Ms. Anna Liang. They have 1 to 8 years' experience in the valuation of properties in the PRC and possess bachelor or master degree in real estate valuation, construction project budget and real estate financing.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached below for your attention.

As advised by the Group, the potential tax liabilities which would arise if the property nos. 1 to 5 of the Group specified in this report were to be sold at the amount of the valuation is estimated to be approximately RMB177,900,000, of which the potential tax liabilities for property no. 5 is estimated to be approximately RMB41,000,000. The taxes mainly include value added tax (5% of the transaction amount), land appreciation tax (30% to 60% of appreciated amount), deed tax (3% of the transaction amount) and stamp duty (0.05% of the transaction amount). As confirmed by the Group, property no.5 is intended to be sold to various third parties. For property nos. 1 to 4, the Group have no intention to sell those properties as they are mainly occupied for production. Therefore, the possibility of incurrence of such tax liabilities for property nos. 1 to 4 is very remote.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	**Property**	**Market value in existing state as at 28 February 2017** *RMB*
1.	A parcel of land, 22 buildings and various structures located at No. 5 of Zone D of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	523,100,000
2.	11 parcels of land, 10 buildings and various structures located at No.100 Jingfa Avenue Economic and Technological Development District Yichun City Jiangxi Province The PRC	272,100,000
3.	A parcel of land, 5 completed buildings and 2 buildings under construction located at the northern side of Jiaoke Road and the western side of Yizhuang Sanjie Farmland Qinyang City Henan Province The PRC	186,500,000
	Sub-total:	**981,700,000**

Group II – Property interest held under development by the Group in the PRC

No.	**Property**	**Market value in existing state as at 28 February 2017** *RMB*
4.	2 parcels of land, 14 buildings and various structures under development located at No. 1589 Kong Gang Forth Road Xi Hang Gang Industrial Zone Shuangliu District Chengdu City Sichuan Province The PRC	328,700,000
5.	Project Xingfa Plaza located at the northern side of Jihua Road and the western side of Changang Road Chancheng District Foshan City Guangdong Province The PRC	392,600,000
	Sub-total:	**721,300,000**
	Grand-total:	**1,703,000,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017 *RMB*
1.	A parcel of land, 22 buildings and various structures located at No. 5 of Zone D of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 497,955.70 sq.m and 22 buildings and various structures erected thereon which were completed in various stages between 2008 and 2016. The buildings have a total gross floor area of approximately 273,275.13 sq.m. and the details are set out as follows:	As at the valuation date, the property was occupied by the Group for production, office and dormitory purposes.	523,100,000

Use	No. of Item	Gross Floor Area *(sq.m.)*
Production	13	227,496.90
Office	1	17,199.00
Dormitory	8	28,579.23
Total	**22**	**273,275.13**

The structures mainly include plant area, roads, walls, sport yard and landscaped facilities.

The land use rights of the property have been granted for a term of 50 years expiring on 4 September 2056 for industrial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Fo San Guo Yong (2009) Di No. 20093100307, the land use rights of a parcel of land with a site area of approximately 497,955.70 sq.m. have been granted to Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa", a 100%-owned subsidiary of the Company), for a term of 50 years expiring on 4 September 2056 for industrial use.

2. Pursuant to 21 Real Estate Title Certificates, 21 buildings of the property with a total gross floor area of approximately 256,076.13 sq.m. are owned by Guangdong Xingfa. The relevant land use rights of the property have been granted to Guangdong Xingfa for a term of 50 years expiring on 4 September 2056 for industrial use. The details are set out as follows:

No.	Certificate No.	Gross Floor Area *(sq.m.)*	Usage
(1)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062650	13,355.80	Industrial
(2)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062651	3,527.32	Dormitory
(3)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062652	12,096.00	Industrial
(4)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062653	15,984.00	Industrial
(5)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062654	15,911.35	Industrial
(6)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062655	16,650.00	Industrial
(7)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062656	3,434.99	Dormitory
(8)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062657	12,096.00	Industrial
(9)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062660	3,443.60	Dormitory
(10)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062661	3,358.40	Dormitory
(11)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410062662	3,527.32	Dormitory
(12)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102941	7,043.74	Dormitory
(13)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102942	4,835.22	Dormitory
(14)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102943	4,243.86	Dormitory
(15)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102944	15,984.00	Industrial
(16)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102945	44,986.00	Industrial
(17)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102946	12,501.30	Industrial
(18)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102947	18,576.00	Industrial
(19)	Yue Fang Di Quan Zheng Fo Zi Di No. 0410102948	14,299.23	Industrial
(20)	Yue Fang Di Quan Zheng Fo Zi Di No. 0430003199	17,982.00	Industrial
(21)	Yue Fang Di Quan Zheng Fo Zi Di No. 0430003200	12,240.00	Industrial
	Total:	**256,076.13**	

3. As advised by the Group, the Real Estate Title Certificate of the office building of the property with a gross floor area of approximately 17,199.00 sq.m. is under application.

4. In the valuation of the property, we have attributed no commercial value to the office building (excluding the land portion) of the property mentioned in note 3 of which the Real Estate Title Certificate have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this building (excluding the land portion) as at the valuation date would be RMB26,600,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

5. Pursuant to 3 Mortgage Contracts of Maximum Amount – GDY476630120092165, GDY476630120152127 and GDY476630120132155, the land use rights of the property and the ownership of 21 buildings of the property (under the State-owned Land Use Rights Certificate – Fo San Guo Yong (2009) Di No. 20093100307 and the Real Estate Title Certificates – Yue Fang Di Quan Zheng Fo Zi Di Nos. 0430003199 to 0430003200, Yue Fang Di Quan Zheng Fo Zi Di Nos. 0410062650 to 0410062657, 0410062660 to 0410062662, and 0410102941 to 0410102948) are subject to the mortgages in favour of Bank of China Limited Foshan Sub-Branch.

6. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser dated 31 March 2017, which contains, *inter alia*, the following:

   a. Guangdong Xingfa is legally and validly in possession of the land use rights of the land parcel mentioned in note 1 and the ownership of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcel and buildings during the term of the land use rights except for being subject to the aforesaid mortgages; and

   b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgages.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017 *RMB*
2.	11 parcels of land, 10 buildings and various structures located at No. 100 Jingfa Avenue Economic and Technological Development District Yichun City Jiangxi Province The PRC	The property comprises 11 parcels of land with a total site area of approximately 375,813.55 sq.m. and 10 buildings and various structures erected thereon which were completed in various stages between 2011 and 2014. The buildings have a total gross floor area of approximately 126,401.28 sq.m. and the details are set out as follows:	As at the valuation date, a portion of the property was rented to an associate of the Company, while the remaining portion of the property was occupied by the Group for production, office, warehouse and dormitory purposes.	272,100,000

Use	No. of Item	Gross Floor Area *(sq.m.)*
Production	5	71,037.28
Office	1	6,442.28
Warehouse	1	37,596.06
Dormitory	3	11,325.66
Total	**10**	**126,401.28**

The structures mainly include plant area, roads and landscaped facilities.

The land use rights of the property have been granted for a term of 50 years expiring on 8 September 2059 for industrial use.

Notes:

1. Pursuant to 11 State-owned Land Use Rights Certificates, the land use rights of 11 parcels of land with a total site area of approximately 375,813.55 sq.m. have been granted to Guangdong Xingfa Aluminum (Jiangxi) Co., Ltd. ("Xingfa Jiangxi", a 100%-owned subsidiary of the Company), for a term of 50 years expiring on 8 September 2059 for industrial use. The details are set out as follows:

No.	Certificate No.	Site Area *(sq.m.)*	Expiry Date
(1)	Yi Jing Guo Yong (2015) No. 02015023	35,104.63	8 September 2059
(2)	Yi Jing Guo Yong (2015) No. 02015024	7,516.10	8 September 2059
(3)	Yi Jing Guo Yong (2015) No. 02015025	4,003.41	8 September 2059
(4)	Yi Jing Guo Yong (2015) No. 02015026	4,095.45	8 September 2059
(5)	Yi Jing Guo Yong (2015) No. 02015027	63,851.23	8 September 2059
(6)	Yi Jing Guo Yong (2015) No. 02015028	35,173.92	8 September 2059
(7)	Yi Jing Guo Yong (2015) No. 02015029	22,085.75	8 September 2059
(8)	Yi Jing Guo Yong (2015) No. 02015030	27,293.74	8 September 2059
(9)	Yi Jing Guo Yong (2015) No. 02015031	35,486.03	8 September 2059
(10)	Yi Jing Guo Yong (2015) No. 02015032	36,103.59	8 September 2059
(11)	Yi Jing Guo Yong (2015) No. 02015033	105,099.70	8 September 2059
	Total:	**375,813.55**	

2. Pursuant to 10 Building Ownership Certificates, 10 buildings of the property with a total gross floor area of approximately 126,401.28 sq.m. are owned by Xingfa Jiangxi. The details are set out as follows:

No.	Certificate No.	Gross Floor Area *(sq.m.)*	Usage
(1)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120263	3,775.22	Industrial
(2)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120264	14,443.47	Industrial
(3)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120265	37,596.06	Industrial
(4)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120266	7,200.00	Industrial
(5)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120267	3,775.22	Industrial
(6)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120268	25,059.03	Industrial
(7)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120269	11,209.78	Industrial
(8)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120270	3,775.22	Industrial
(9)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-2014000239	13,125.00	Industrial
(10)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-2014000240	6,442.28	Industrial
	Total:	**126,401.28**	

3. Pursuant to a Tenancy Agreement entered into between Xingfa Jiangxi and Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd（江西省景興鋁模板製造有限公司）(the "Lessee"), an associate of the Company, a portion of the property with a total gross floor area of approximately 9,542.00 sq.m. and open area of the property with a total site area of approximately 8,475.00 sq.m. are leased to the Lessee on monthly basis at a monthly rent of RMB105,469, exclusive of management fees, water, electricity charges and other outgoings.

4. Pursuant to 2 Mortgage Contracts of Maximum Amount – (2016) Hui Fo Di Zi Di Nos. CN11009056201/160729 and 36100620160001831, the land use rights of 11 parcels of land and 10 buildings of the property (under the State-owned Land Use Right Certificates – Yi Jing Guo Yong (2015) Di No. 02015023 to 02015033 and Building Ownership Certificates – Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120263 to 2-20120270, 2-2014000239 and 2-2014000240) are subject to the mortgages in favour of Agricultural Bank of China Co., Ltd. Yichun Sub-Branch.

5. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser dated 31 March 2017, which contains, *inter alia*, the following:

   a. Xingfa Jiangxi is legally and validly in possession of the land use rights of the land parcels mentioned in note 1 and the ownership of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcels and buildings during the terms of the land use rights except for being subject to the aforesaid mortgages; and

   b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgages.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017 *RMB*
3.	A parcel of land, 5 completed buildings and 2 buildings under construction located at the northern side of Jiaoke Road and the western side of Yizhuang Sanjie Farmland Qinyang City Henan Province The PRC	The property comprises a parcel of land with a site area of approximately 268,160.82 sq.m., 5 buildings and various structures erected thereon which were completed in various stages between 2010 and 2015 ("Part A"), and 2 buildings which were being constructed thereon as at the valuation date ("Part B").	As at the valuation date, Part A of the property was occupied by the Group for production, office, dormitory and ancillary purposes, and Part B of the property was under construction.	186,500,000

The buildings of Part A have a total gross floor area of approximately 71,826.76 sq.m. and the details are set out as follows:

Use	No. of Item	Gross Floor Area *(sq.m.)*
Production	4	71,040.76
Office	1	786.00
Total	**5**	**71,826.76**

The structures mainly include plant area, roads, walls and landscaped facilities.

Part B comprises an office building and a dormitory which were under construction as at the valuation date.

As advised by the Group, the development of Part B is scheduled to be completed in May 2017. Upon completion, Part B will have a gross floor area of approximately 9,496.99 sq.m.

The construction cost of the development of Part B is estimated to be approximately RMB17,300,000, of which approximately RMB16,700,000 has been paid as at the valuation date.

The land use rights of the property have been granted for a term of 50 years expiring on 28 June 2060 for industrial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Qin Guo Yong (2010) Di No. 11300018, the land use rights of a parcel of land with a site area of approximately 268,160.82 sq.m. have been granted to Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("Xingfa Henan", a 100%-owned subsidiary of the Company), for a term of 50 years expiring on 28 June 2060 for industrial use.

2. Pursuant to 7 Building Ownership Certificates, Part A of the property with a total gross floor area of approximately 71,826.76 sq.m. is owned by Xingfa Henan. The details are set out as follows:

No.	**Certificate No.**	**Gross Floor Area** *(sq.m.)*	**Usage**
(1)	Qin Fang Quan Zheng Zi Di No. 1050121228	786.00	Office
(2)	Qin Fang Quan Zheng Zi Di No. 1450100174	10,633.06	Industrial
(3)	Qin Fang Quan Zheng Zi Di No. 1450100175	29,305.01	Industrial
(4)	Qin Fang Quan Zheng Zi Di No. 1450100176	8,933.00	Industrial
(5)	Qin Fang Quan Zheng Zi Di No. 1450100177	12,663.48	Industrial
(6)	Qin Fang Quan Zheng Zi Di No. 1450100178	9,305.52	Industrial
(7)	Qin Fang Quan Zheng Zi Di No. 1450100179	200.69	Industrial
	Total:	**71,826.76**	

3. Pursuant to a Construction Work Planning Permit – Qin Jian Zi (2010) No. 028 in favour of Xingfa Henan, the property with a total gross floor area of approximately 218,000.00 sq.m. has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits – No. 410882201608240101 and 410882201010010106 in favour of Xingfa Henan, permission by the relevant local authority was given to commence the construction of Part B of the property with a gross floor area of approximately 9,496.99 sq.m.

5. The market value of Part B of the property as if completed as the valuation date, according to the development proposal as described above and assuming which can be freely transferred in the market, would be RMB23,500,000.

6. Pursuant to 2 Mortgage Contracts of Maximum Amount – Nos. 41100220110006054 and 41100620140001603, the land use rights of a parcel of land and the ownership of 6 buildings of the property (under the State-owned Land Use Rights Certificate – Qin Guo Yong (2010) Di No. 11300018 and Qin Fang Quan Zheng Zi Di Nos. 1450100174 to 1450100179) are subject to the mortgages in favour of Agricultural Bank of China Co., Ltd Qinyang Sub-Branch.

7. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser dated 31 March 2017, which contains, *inter alia*, the following:

   a. Xingfa Henan is legally and validly in possession of the land use rights of the land parcel mentioned in note 1 and the ownership of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcel and buildings during the term of the land use rights except for being subject to the aforesaid mortgages;

   b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgages; and

   c. Xingfa Henan has obtained all requisite approvals in respect of the development and construction of the property from the relevant government authorities, and the development and construction of the property conforms to the relevant provisions of the relevant laws and regulations of the PRC.

VALUATION CERTIFICATE

Group II – Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017 *RMB*
4.	2 parcels of land, 14 buildings and various structures under development located at No. 1589 Kong Gang Forth Road Xi Hang Gang Industrial Zone Shuangliu District Chengdu City Sichuan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 378,869.23 sq.m. and 14 buildings and various structures which were being developed thereon as at the valuation date. The development of the property is scheduled to be completed in June 2017. Upon completion, the development will have a planned gross floor area of approximately 174,827.81 sq.m. The details are set out as follows:	As at the valuation date, the property was under development.	328,700,000

Usage	No. of Item	Gross Floor Area (*sq.m.*)
Production	9	151,598.57
Office	1	4,915.92
Canteen	1	3,573.63
Dormitory	3	14,739.69
Total	**14**	**174,827.81**

The structures mainly include plant area, roads, walls, sport yard and landscaped facilities.

The total construction cost of the development of the property is estimated to be approximately RMB 239,800,000, all of which had been paid as at the valuation date.

The land use rights of the property have been granted for terms of 50 years expiring on 25 October 2059 and 7 December 2060 for industrial use.

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of 2 parcels of land with a total site area of approximately 378,869.23 sq.m. have been granted to Xingfa Aluminium Chengdu Co., Ltd. ("Xingfa Chengdu", a 100%-owned subsidiary of the Company), for the terms of 50 years expiring on 25 October 2059 and 7 July 2060 for industrial use. The details are set out as follows:

No.	Certificate No.	Site Area *(sq.m.)*	Expiry Date
(1)	Shuang Guo Yong (2015) No. 8315	333,370.81	25 October 2059
(2)	Shuang Guo Yong (2015) No. 7606	45,498.42	7 December 2060
	Total:	**378,869.23**	

2. Pursuant to 2 Construction Land Planning Permits, permissions towards the planning of the aforesaid land parcels with a total site area of approximately 378,869.23 sq.m. have been granted to Xingfa Chengdu. The details are set out as follows:

No.	Permit No.	Site Area *(sq.m.)*	Issuance date
(1)	Di Zi Di No. 510122201121084	45,498.42	13 September 2011
(2)	Di Zi Di No. 510122200921092	333,370.81	25 November 2009
	Total:	**378,869.23**	

3. Pursuant to 3 Construction Work Planning Permits in favour of Xingfa Chengdu, the property with a total gross floor area of approximately 174,715.65 sq.m has been approved for construction. The details are set out as follows:

No.	Permit No.	Gross Floor Area *(sq.m.)*	Issuance date
(1)	Jian Zi Di No. 510122200931100	84,735.18	21 December 2009
(2)	Jian Zi Di No. 510122201231103	62,345.90	6 December 2012
(3)	Jian Zi Di No. 510122201331057 Bu	27,634.57	8 May 2013
	Total:	**174,715.65**	

4. Pursuant to 5 Construction Work Commencement Permits in favour of Xingfa Chengdu, permissions by the relevant local authority were given to commence the construction of the property with a total gross floor area of approximately 176,594.75 sq.m. The details are set out as follows:

No.	**Permit No.**	**Gross Floor Area** *(sq.m.)*	**Issuance date**
(1)	Shuang Shi (2010) No. 46	84,735.18	25 March 2010
(2)	Shuang Shi (2012) No. 162	29,732.05	27 December 2012
(3)	Shuang Shi (2012) No. 163	32,613.85	27 December 2012
(4)	Shuang Shi (2015) No. 075	25,108.34	11 November 2015
(5)	Shuang Shi (2015) No. 076	4,405.33	11 November 2015
	Total:	**176,594.75**	

5. The market value of the property as if completed as the valuation date, according to the development proposal as described above and assuming which can be freely transferred in the market, would be RMB329,000,000.

6. Pursuant to a Tenancy Agreement entered into between Xingfa Chengdu and Shanghai Jihua Logistics Co., Ltd. Chengdu Branch（上海際華物流有限公司成都分公司）(the "Lessee"), an independent third party, 3 industrial buildings of the property with a total lettable area of approximately 62,345.90 sq.m. are leased to the Lessee for a term of 5 years commencing from 11 June 2013 and expiring on 10 June 2018 at an monthly rent of RMB1,031,045, exclusive of management fees, water and electricity charges and other outgoings.

7. Pursuant to 2 Mortgage Contracts of Maximum Amount – Cheng Nong Shang Tian Ying Gong Gao Di Bu No. 20150044 and Cheng Nong Shang Tian Ying Gong Gao Di No. 20160003, the land use rights of the property (under the State-owned Land Use Rights Certificates – Shuang Guo Yong (2015) No. 8315 and Shung Guo Yong (2011) No. 7606) are subject to the mortgages in favour of Chengdu Rural Commercial Bank Co., Ltd. Tianfu New District Sub-Branch.

8. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser dated 31 March 2017, which contains, *inter alia*, the following:

   a. Xingfa Chengdu is legally and validly in possession of the land use rights of the land parcels mentioned in note 1, and is entitled to occupy, use, lease or otherwise dispose of these land parcels during the terms of the land use rights except for being subject to the aforesaid mortgage;

   b. Xingfa Chengdu has obtained all requisite approvals in respect of the development and construction of the property from the relevant government authorities, and the development and construction of the property conforms to the relevant provisions of the relevant laws and regulations of the PRC; and

   c. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgage.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017 *RMB*
5.	Project Xingfa Plaza located at the northern side of Jihua Road and the western side of Changang Road Chancheng District Foshan City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m. and 2 buildings which were being constructed thereon as at the valuation date. The development of the property is scheduled to be completed in August 2017. Upon completion, the development will have a planned gross floor area of approximately 123,716.39 sq.m. The details are set out as follows: **Use** / **Planned Gross Floor Area** *(sq.m.)* Commercial 17,700.37 Office 72,738.38 Ancillary 4,594.60 Basement (inclusive of 750 car parking lots) 28,683.04 **Total** **123,716.39** The total construction cost of the development of the property is estimated to be approximately RMB497,500,000, of which approximately RMB186,600,000 had been paid as at the valuation date. The land use rights of the property have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses.	As at the valuation date, the property was under construction.	392,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Fo Chan Guo Yong (2014) Di No. 0000933, the land use rights of a parcel of land with a site area of approximately 16,961.36 sq.m. have been granted to Foshan Xingfa Real Estate Co., Ltd. ("Xingfa Real Estate", a 100%-owned subsidiary of the Company), for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses.

2. Pursuant to a construction Land Planning Permit – Di Zi Di No. 440604201300064, permission towards the planning of the aforesaid land parcel with a site area of approximately 16,961.36 sq.m. has been granted to Xingfa Real Estate.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 440604201400133 in favour of Xingfa Real Estate, the property with a gross floor area of approximately 123,527.29 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – No. 4406012014121001 in favour of Xingfa Real Estate, permission by the relevant local authority was given to commence the construction of the property with a gross floor area of approximately 123,527.29 sq.m.

5. Pursuant to a Pre-sale Permit – Chan Fang Yu Zi Di No. 2016012901 in favour of Xingfa Real Estate, the Group is entitled to sell portions of Xingfa Plaza (representing a total gross floor area of approximately 33,814.68 sq.m.) to purchasers.

6. As advised by the Group, 132 office units with a total gross floor area of approximately 7,100.29 sq.m. of Xingfa Plaza have been pre-sold to various third parties at a total consideration of RMB58,102,971. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

7. The market value of the property as if completed as at the valuation date, according to the development proposal as described above and assuming which can be freely transferred in the market, would be RMB871,000,000.

8. Our valuation has been made on the following basis and analysis:

   We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB7,600 to RMB8,800 for office units, RMB5,000 to 15,000 for retail units and RMB110,000 to RBM150,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

9. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser dated 31 March 2017, which contains, *inter alia*, the following:

   a. Xingfa Real Estate is legally and validly in possession of the land use rights of the land parcel mentioned in note 1, and is entitled to occupy, use, lease or otherwise dispose of this land parcel during the term of the land use rights except for being subject to the aforesaid mortgage; and

   b. Xingfa Real Estate has obtained all requisite approvals in respect of the development and construction of the property from the relevant government authorities, and the development and construction of the property conforms to the relevant provisions of the relevant laws and regulations of the PRC.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: FSD 69 OF 2017

IN THE MATTER OF

XINGFA ALUMINIUM HOLDINGS LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW (2016 REVISION)
OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT

between

XINGFA ALUMINIUM HOLDINGS LIMITED

and

THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Business Day"	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
"Cancellation Price"	the cancellation price of HK$3.70 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme
"Cayman Islands Grand Court"	the Grand Court of the Cayman Islands
"Companies Law"	the Companies Law (2016 Revision)

"Company"	Xingfa Aluminium Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0098)
"Director"	a director of the Company
"Effective Date"	the date on which the Scheme, if approved and sanctioned by the Cayman Islands Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the Order of the Cayman Islands Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, and which is expected to be Thursday, 1 June 2017 (Cayman Islands time)
"Guangdong SASAC"	State-owned Assets Supervision and Administration Commission under the People's Government of the Guangdong Province*（廣東省人民政府國有資產監督管理委員會）
"Guangxin Aluminium"	Guangxin Aluminium (HK) Limited, a company incorporated in Hong Kong with limited liability and a Joint Offeror
"Guangxin Holdings"	Guangdong Guangxin Holdings Group Ltd.*（廣東省廣新控股集團有限公司）, a company established in the PRC and the holding company of Guangxin Aluminium
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	the Shareholders other than the Joint Offerors and the Joint Offerors Concert Party

"Joint Offerors"	Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying
"Joint Offerors Concert Party"	a party acting in concert or presumed to be acting in concert with any of the Joint Offerors under the definition of "acting in concert" under the Takeovers Code, including Mr. WONG Siu Ki as at the date of this joint announcement
"Latest Practicable Date"	21 April 2017, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained herein
"Proposal"	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, on the terms and subject to the conditions set out in this Scheme Document
"Record Time"	4:00 p.m. (Hong Kong time) on the Scheme Record Date
"Register"	the principal or branch register of members of the Company (as the case may be)
"Scheme"	a scheme of arrangement under section 86 of the Companies Law involving the cancellation of all the Scheme Shares and reduction of share capital and the restoration of the share capital of the Company to the amount immediately before such cancellation and reduction of share capital
"Scheme Document"	this composite document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time

"Scheme Record Date"	Thursday, 1 June 2017, or such other time and date as shall have been announced to holders of Shares, being the record date for the purpose of determining the entitlements of Scheme Shareholders under the Scheme
"Scheme Shareholders"	holder(s) of Scheme Shares as at the Record Time
"Scheme Shares"	Share(s) other than those held by the Joint Offerors
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	the holders of the Shares
"Takeovers Code"	The Code on Takeovers and Mergers and Share Buy-backs

(B) The Company was incorporated as an exempted company on 13 September 2007 in the Cayman Islands under the Companies Law.

(C) The authorized share capital of the Company as at the Latest Practicable Date was HK$10,000,000 divided into 1,000,000,000 Shares of which 418,000,000 Shares were issued and fully paid, with the remainder being unissued.

(D) The Joint Offerors have proposed the privatisation of the Company by way of the Scheme.

1. The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that the Company should become owned by the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, as to approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57%, respectively.

2. On the Latest Practicable Date, 303,302,000 Shares were legally and/or beneficially owned by the Joint Offerors and the Joint Offerors Concert Party and registered as follows:

	As at the Latest Practicable Date	
Shareholders	**Number of Shares**	**%[5]**
Joint Offerors		
Guangxin Aluminium[1]	125,360,000	29.99
Mr. LUO Su[2]	57,109,200	13.66
Mr. LUO Riming[2]	51,813,700	12.40
Mr. LIAO Yuqing[2]	48,200,100	11.53
Mr. LAW Yung Koon[2]	19,050,000	4.56
Ms. LAM Yuk Ying[3]	1,719,000	0.41
Joint Offerors Concert Party		
Mr. WONG Siu Ki[4]	50,000	0.01
Subtotal	303,302,000	72.56
Total Shares in issue	418,000,000	100.00

Notes:

1. Guangxin Aluminium is wholly owned by Guangxin Holdings, which is wholly owned by the Guangdong SASAC.

2. Each of Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing and Mr. LAW Yung Koon is an executive director of the Company.

3. Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon.

4. Mr. WONG Siu Ki is the alternative director to Mr. LIU Libin, the chairman and an executive director of the Company.

5. All percentages in the above table are approximations.

3. The Joint Offerors Concert Party will procure that any Shares in respect of which he is beneficially interested will not be represented or voted at the meeting convened at the direction of the Cayman Islands Grand Court for the purpose of considering and, if thought fit, approving the Scheme.

4. The Joint Offerors have undertaken to the Cayman Islands Grand Court to be bound by the Scheme, and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:

   (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

   (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to the Joint Offerors (namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, as to approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57%, respectively) the same number of Shares as the number of Scheme Shares cancelled and extinguished; and

   (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to the Joint Offerors, credited as fully paid.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Joint Offerors shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price.

PART III

General

3. (a) As soon as possible and in any event not later than seven (7) Business Days after the Effective Date, the Joint Offerors shall send or cause to be sent to Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.

(b) Unless otherwise indicated in writing to the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, all such cheques shall be sent by post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the Register at the Record Time or, in the case of joint holders, at the address as appearing on the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.

(c) Cheques shall be posted at the risk of the addressee and neither the Joint Offerors nor the Company shall be responsible for any loss or delay in the transmission of the same.

(d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Joint Offerors for the monies represented thereby.

(e) On or after the day being six calendar months after the posting of the cheque pursuant to paragraph (b) of this Clause 3, the Joint Offerors shall have the right to cancel or countermand payment of any such cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account of the Joint Offerors with a licensed bank of Hong Kong selected by the Company. The Joint Offerors shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Joint Offerors that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. The Joint Offerors shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Joint Offerors to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(f) On the expiration of six years from the Effective Date, the Joint Offerors shall be released from any further obligation to make any payments under this Scheme.

(g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

(h) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.

4. Each instrument of transfer and certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Joint Offerors to deliver up the same to the Joint Offerors for the cancellation thereof.

5. All mandates or relevant instructions to the Company in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.

6. This Scheme shall become effective as soon as a copy of the order of the Cayman Islands Grand Court sanctioning this Scheme under Section 86 of the Companies Law has been registered by the Registrar of Companies in the Cayman Islands.

7. Unless this Scheme shall have become effective on or before 19 July 2017, or such later dates as the Company and the Joint Offerors may agree, or as the Cayman Islands Grand Court, on application of the Company and/or the Joint Offerors may allow, this Scheme shall lapse.

8. The Company and the Joint Offerors may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition that the Cayman Islands Grand Court may think fit to approve or impose.

9. All costs, charges and expenses of the advisers and counsels appointed by the Company, will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by Joint Offerors will be borne by the Joint Offerors, and other costs, charges and expenses of this Scheme will be shared between the Joint Offerors and the Company equally.

* *For identification purposes only*

24 April 2017

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 69 of 2017

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2016 REVISION)

AND IN THE MATTER OF THE GRAND COURT RULE, ORDER 102

AND IN THE MATTER OF XINGFA ALUMINIUM HOLDINGS LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 20 April 2017 (the "**Order**") made in the above matter, the Grand Court of the Cayman Islands (the "**Court**") has directed a meeting (the "**Court Meeting**") to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the "**Scheme of Arrangement**") proposed to be made between Xingfa Aluminium Holdings Limited (the "**Company**") and the Scheme Shareholders and that the Court Meeting will be held at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong on Wednesday, 17 May 2017 at 11:30 a.m.. at which place and time all Independent Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 24 April 2017 dispatched to members of the Company on 24 April 2017.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 11:30 a.m. on Monday, 15 May 2017, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed LIU Libin, a director of the Company, or failing him any other person who is a director of the Company as at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court
Xingfa Aluminium Holdings Limited

Dated 24 April 2017

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Unit 605, 6/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Xingfa Aluminium Holdings Limited (the "**Company**") will be held at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong on Wednesday, 17 May 2017 at 12:00 p.m. (Hong Kong time) (or so soon thereafter as the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened by direction of the Grand Court of the Cayman Islands for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1 **THAT**:

(a) Pursuant to the scheme of arrangement dated 24 April 2017 (the "**Scheme of Arrangement**") between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and

(b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of capital pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose.

ORDINARY RESOLUTION

2 **THAT**:

(a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the share capital of the Company will be increased to its former amount by the issuance at par to Guangxin Aluminium (HK) Limited, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying (the "**Joint Offerors**"), credited as fully paid, the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled, in proportion to each of their respective percentage shareholding in the Company upon the cancellation of the Scheme Shares without involving any fraction of a Share; and

(b) The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

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

Dated 24 April 2017

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 605, 6/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Notes:

(1) A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company, but must attend the extraordinary general meeting in person to represent him.

(2) A **white** form of proxy for use at the extraordinary general meeting is enclosed with the composite document containing the Scheme of Arrangement dated 24 April 2017 dispatched to members of the Company.

(3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Hong Kong branch share registrar of the Company in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the extraordinary general meeting or any adjournment thereof failing which the form of proxy will not be valid. Completion and return of the form of proxy will not preclude a member from attending the extraordinary general meeting and voting in person if he so wishes. In the event that a member attends and votes at the extraordinary general meeting after having lodged his form of proxy, his form of proxy will be revoked by operation of law.

(4) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(5) At the extraordinary general meeting, the chairman of the extraordinary general meeting will exercise his power under the articles of association of the Company to put all resolutions proposed at the extraordinary general meeting to a vote by way of a poll.

The register of members of the Company will be closed from Friday, 12 May 2017 to Wednesday, 17 May 2017 (both days inclusive) and during such period no transfer of shares will be registered. In order to be entitled to attend and vote at the extraordinary general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 11 May 2017.