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XINGFA ALUMINIUM HOLDINGS LIMITED
興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 98)

CONTINUING CONNECTED TRANSACTIONS –
(1) MASTER SUPPLY AGREEMENTS
AND
(2) LICENCE AND SERVICE AGREEMENT

(1) MASTER SUPPLY AGREEMENT A

The Company wishes to announce that on 12 July 2019, Guangdong Xingfa, an indirectly wholly-owned subsidiary of the Company, and China Lesso, a substantial Shareholder, entered into the Master Supply Agreement A pursuant to which Guangdong Xingfa Group members, as suppliers, would supply and China Lesso Group members, as purchasers, would purchase aluminium profiles and/or panels supplied by Guangdong Xingfa Group members on an on-going basis.

In view of the fact that the Company is owned as to approximately 26.28% by China Lesso through its directly wholly-owned subsidiary as at the date of this announcement, China Lesso is a substantial Shareholder and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Supply Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the Master Supply Agreement A is less than 5%, the continuing connected transactions under the Master Supply Agreement A are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) MASTER SUPPLY AGREEMENT B

On 12 July 2019, Guangdong Xingfa and Jiangxi Jingxing entered into the Master Supply Agreement B pursuant to which Guangdong Xingfa Group members, as suppliers, would supply and Jiangxi Jingxing, as purchaser, would purchase aluminium profiles supplied by Guangdong Xingfa Group members on an on-going basis.

Before the Relevant Date, the transactions contemplated under the Master Supply Agreement B were continuing transactions between the Group and a non-wholly owned subsidiary which is accounted for as an associate. Commencing from the Relevant Date, Jiangxi Jingxing has become a connected subsidiary of the Company. Accordingly, commencing from the Relevant Date, the transactions contemplated under the Master Supply Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the Master Supply Agreement B is less than 5%, the continuing connected transactions under the Master Supply Agreement B are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) LICENCE AND SERVICE AGREEMENT

On 1 January 2019, Jiangxi Jingxing and Guangzhou Jingxing entered into the Licence and Service Agreement pursuant to which Guangzhou Jingxing agreed to grant to Jiangxi Jingxing a right to use of the Patents and provide other related technologies and services.

Before the Relevant Date, the transactions contemplated under the Licence and Service Agreement were continuing transactions between the Group and a connected person (i.e. Guangzhou Jingxing) exempt under the "insignificant subsidiary exemption". Commencing from the Relevant Date, Guangzhou Jingxing has become a connected person at the issuer level as it has become a non-wholly owned subsidiary of China Lesso.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions under the Licence and Service Agreement, on an annual basis, is less than 5%, the continuing connected transactions under the Licence and Service Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

MASTER SUPPLY AGREEMENT A

On 12 July 2019, Guangdong Xingfa and China Lesso entered into the Master Supply Agreement A pursuant to which Guangdong Xingfa Group members, as suppliers, would supply and China Lesso Group members, as purchasers, would purchase aluminium profiles and/or panels supplied by Guangdong Xingfa Group members on an on-going basis. Major terms of the Master Supply Agreement A are set out below:

Date 12 July 2019

Parties

Supplier(s) : Guangdong Xingfa, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, and its subsidiaries from time to time and for the avoidance of doubt, including Jiangxi Jingxing.

Purchaser(s) : China Lesso, its subsidiaries and/or any company in the equity capital of which China Lesso and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other threshold as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time.

China Lesso is a company incorporated in the Cayman Islands with limited liability and is interested in approximately 26.28% of the equity interest of the Company through its directly wholly-owned subsidiary as at the date of this announcement. Accordingly, China Lesso is a substantial Shareholder and a connected person of the Company under the Listing Rules. The principal business activities of China Lesso are the manufacture and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services.

Duration

The Master Supply Agreement A is for a term from 9 July 2019 to 31 December 2019 (both dates inclusive).

Subject matter

Pursuant to the Master Supply Agreement A, Guangdong Xingfa Group members, as suppliers, would sell to China Lesso Group members, as purchasers, aluminium profiles and/or panels specified by members of the China Lesso Group members. The aluminium profiles and/or panels to be purchased by China Lesso Group members will be further processed into building materials, interior decoration products and renovation and installation materials and sold to their customers. There is no minimum supply amount under the Master Supply Agreement A and any Guangdong Xingfa Group member is not contractually bound to supply, in response to a purchase order placed, to any China Lesso Group member any products referred to in any purchase order. The aluminium profiles and/or panels to be supplied by Guangdong Xingfa Group to China Lesso Group will be in accordance with the specifications of China Lesso Group members if accepted by the Guangdong Xingfa Group members, on a case by case basis.

Pricing and payment terms

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

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

As different aluminium profiles and/or panels will be required by China Lesso Group members from order to order, for the purpose of a master supply agreement, it would not be commercially practicable for Guangdong Xingfa to agree with China Lesso the specific unit price of the aluminium profiles under the Master Supply Agreement A.

Internal Controls

The Group will undertake the following internal control measures to monitor the pricing and terms of the transactions contemplated under the Master Supply Agreement A and ensure that the prices and terms offered by Guangdong Xingfa Group to China Lesso Group will be no more favourable than prices and terms offered to independent customers and that the Annual Cap is not exceeded:

- (1) monitoring the prevailing average price of aluminium ingots as quoted on Guangdong Nanhai Nonferrous Metals Market on a daily basis;
- (2) comparing the prices and terms of the supply to China Lesso Group with the prices and terms of aluminium profiles and/or panels supplied by the Group in the PRC as agreed with independent customers on a regular basis;
- (3) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of supply of aluminium profiles offered by Guangdong Xingfa Group to China Lesso Group to ensure that they shall be no more favourable than those offered by the Group to independent customers;
- (4) a monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the Master Supply Agreement A will be submitted to the Board;
- (5) the independent non-executive Directors will review and confirm that the pricing and terms of the transactions contemplated under the Master Supply Agreement A are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, on terms no more favourable than prices and terms offered to independent customers on an annual basis; and
- (6) the auditors of the Company will review the pricing and terms of the transactions contemplated under the Master Supply Agreement A and Annual Cap of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

Historical figures

The Group did not have sale transaction with China Lesso Group for the two years ended 31 December 2017 and 2018. On 9 July 2019, Guangzhou Jingxing becomes a non-wholly owned subsidiary of China Lesso Group. Guangzhou Jingxing Group has been a customer of aluminium profiles and/or panels of the Group. For the two years ended 31 December 2017 and 2018 and for the five months ended 31 May 2019, the Group's sale of aluminium profiles and/or panels to Guangzhou Jingxing Group amounted to approximately RMB205.5 million, RMB204.5 million and RMB66.0 million respectively.

Annual Cap

The Annual Cap in respect of the transactions contemplated under the Master Supply Agreement A for the Year 2019 (commencing from the Relevant Date) will be RMB125 million (equivalent to approximately HK\$142.5 million). Such Annual Cap is estimated primarily with reference to:

- (1) the historical sales amount of aluminium profiles sold by Guangdong Xingfa Group to Guangzhou Jingxing Group;
- (2) the sales volume of aluminium profiles and panels under the Master Supply Agreement A will remain stable or start to decrease in the second half of 2019;
- (3) the projected purchase price of aluminium ignots will remain stable in the second half of 2019; and
- (4) the processing fee for processing aluminium ignots into aluminium profiles and panels will remain stable in the second half of 2019,

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

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Annual Cap for the Master Supply Agreement A is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of the Master Supply Agreement A

The Group is principally engaged in (i) the manufacture and sale of aluminium profiles which are applied as construction and industrial materials; and (ii) property development. Jiangxi Jingxing is principally engaged in the manufacture and sale of aluminium panels. China Lesso Group is principally engaged in the manufacture and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services. The Group has from time to time supplied aluminium profiles to Guangzhou Jingxing Group.

The Group is one of the leading aluminium profiles manufacturers in the PRC with advanced research and development capability. China Lesso Group plans to purchase aluminium profiles and/or panels from the Group in its ordinary course of business. As it is in the ordinary and usual course of business of the Group and the prices and terms offered by the Group will not be more favourable to China Lesso Group than those offered to independent customers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into the Master Supply Agreement A and to supply aluminium profiles and/or panels to China Lesso Group.

MASTER SUPPLY AGREEMENT B

On 12 July 2019, Guangdong Xingfa and Jiangxi Jingxing entered into the Master Supply Agreement B pursuant to which Guangdong Xingfa Group members, as suppliers, would supply and Jiangxi Jingxing, as purchaser, would purchase aluminium profiles supplied by Guangdong Xingfa Group members on an on-going basis. Major terms of the Master Supply Agreement B are set out below:

Date 12 July 2019

Parties

Supplier(s) : Guangdong Xingfa, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, and its subsidiaries from time to time

Purchaser : Jiangxi Jingxing, a limited liability company established in the PRC and owned as to 80% by Jiangxi Xingfa (an indirectly wholly-owned subsidiary of the Company) and as to 20% by Guangzhou Jingxing. Jiangxi Jingxing is accounted for as an associate of the Group and a subsidiary of Guangzhou Jingxing. Commencing from the Relevant Date, Jiangxi Jingxing has become a connected subsidiary of the Company under the Listing Rules.

The principal business of Jiangxi Jingxing is the manufacture and sale of aluminium panels.

Duration

The Master Supply Agreement B is for a term from 9 July 2019 to 31 December 2019 (both dates inclusive).

Subject matter

Pursuant to the Master Supply Agreement B, Guangdong Xingfa Group members would sell to Jiangxi Jingxing and Jiangxi Jingxing would purchase aluminium profiles from Guangdong Xingfa Group members. The aluminium profiles to be purchased by Jiangxi Jingxing will be further processed into aluminium panels and sold to its customers. There is no minimum supply amount under the Master Supply Agreement B and Guangdong Xingfa is not contractually bound to supply, in response to a purchase order placed, to Jiangxi Jingxing any products referred to in any purchase order. The aluminium profiles to be supplied by the Guangdong Xingfa Group members to Jiangxi Jingxing will be in accordance with the specifications of Jiangxi Jingxing if accepted by the Guangdong Xingfa, on a case by case basis.

Pricing and payment terms

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

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

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

Internal Controls

The Group will undertake the following internal control measures to monitor the pricing and terms of the transactions contemplated under the Master Supply Agreement B and ensure that the prices and terms offered by Guangdong Xingfa Group to Jiangxi Jingxing will be no more favourable than prices and terms offered to independent customers and that the Annual Cap are not exceeded:

- (1) monitoring the prevailing average price of aluminium ignots as quoted on Guangdong Nanhai Nonferrous Metals Market on a daily basis;
- (2) comparing the prices and terms of the supply to Jiangxi Jingxing with the prices and terms of aluminium profiles supplied by the Group in the PRC as agreed with independent customers on a regular basis;
- (3) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of supply of aluminium profiles offered by Guangdong Xingfa Group to Jiangxi Jingxing to ensure that they shall be no more favourable than those offered by the Group to independent customers;
- (4) a monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the Master Supply Agreement B will be submitted to the Board;

- (5) the independent non-executive Directors will review and confirm that the pricing and terms of the transactions contemplated under the Master Supply Agreement B are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, and on terms no more favourable than prices and terms offered to independent customers on an annual basis; and
- (6) the auditors of the Company will review the pricing and terms of the transactions contemplated under the Master Supply Agreement B and Annual Cap of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

Historical Figures

For the two years ended 31 December 2017 and 2018 and five months ended 31 May 2019, the Group's sale of aluminium profiles to Jiangxi Jingxing was approximately RMB115.4 million, RMB65.6 million and RMB53.2 million respectively.

Annual Cap

The Annual Cap in respect of the transactions contemplated under the Master Supply Agreement B for the Year 2019 (commencing from the Relevant Date) will be RMB72 million (equivalent to approximately HK\$82.1 million). Such Annual Cap is estimated primarily with reference to:

- (1) the historical sales amount of aluminium profiles sold by Guangdong Xingfa Group to Jiangxi Jingxing;
- (2) the sales volume of aluminium profiles under the Master Supply Agreement B will remain stable or start to decrease in the second half of 2019;
- (3) the projected purchase price of aluminium ignots will remain stable in the second half of 2019; and
- (4) the processing fee for processing aluminium ignots into aluminium profiles will remain stable in the second half of 2019,

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

In view of the above, the Directors (including the independent non-executive Directors) consider that the Annual Cap for the Master Supply Agreement B is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of the Master Supply Agreement B

The Group is principally engaged in (i) the manufacture and sale of aluminium profiles which are applied as construction and industrial materials; and (ii) property development. Jiangxi Jingxing is principally engaged in the manufacture and sale of aluminium panels.

The Group has been supplying aluminium profiles to Jiangxi Jingxing from time to time. As it is in the ordinary and usual course of business of the Group and the prices and terms offered by the Group will not be more favourable to Jiangxi Jingxing than those offered to independent customers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into the Master Supply Agreement B and to supply aluminium profiles to Jiangxi Jingxing.

LICENCE AND SERVICE AGREEMENT

On 1 January 2019, Jiangxi Jingxing and Guangzhou Jingxing entered into the Licence and Service Agreement pursuant to which Guangzhou Jingxing agreed to grant to Jiangxi Jingxing a right to use the Patents and provide other related technologies and services, details of which are set out below.

Date 1 January 2019

Parties

Licencee : Jiangxi Jingxing, a limited liability company established in the PRC and owned as to 80% by Jiangxi Xingfa, an indirectly wholly-owned subsidiary of the Company, and as to 20% by Guangzhou Jingxing.

Licensor : Guangzhou Jingxing, which as at the date of this announcement, is a substantial shareholder of Jiangxi Jingxing holding 20% equity interest in Jiangxi Jingxing. Commencing from the Relevant Date, Guangzhou Jingxing has become a connected person of the Company at issuer level under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the principal business of Guangzhou Jingxing is sale and leasing of aluminium panels.

Duration

The term of the Licence and Service Agreement is from 1 January 2019 to 31 December 2019 (both dates inclusive).

Subject matter

Pursuant to the Licence and Service Agreement, Guangzhou Jingxing shall:

- (1) grant to Jiangxi Jingxing a right to the use of the Patents;
- (2) provide corresponding information, patented technologies and guidance services in relation to the Patents; and
- (3) as the case may be, provide follow-up services for the effective implementation of the Patents.

Under the Licence and Service Agreement, Jiangxi Jingxing shall have the right to use the proprietary rights in or relating to the Patents that are developed or improved by Guangzhou Jingxing without additional fees, and Guangzhou Jingxing shall not grant any right to use the Patents to other third parties during the term of the Licence and Service Agreement.

Pricing and payment terms

For each calendar year during the term of the Licence and Service Agreement, Jiangxi Jingxing shall pay to Guangzhou Jingxing a licence and service fee which shall be calculated at 20% of net revenue (“**Net Revenue**”) of Jiangxi Jingxing for that corresponding year. Net Revenue shall mean the total of (1) the revenue arising from the manufacturing and sales of aluminium panels minus the costs of aluminium panels and the applicable business tax and levies of Jiangxi Jingxing; (2) the other net operating income minus the operating expenses of Jiangxi Jingxing; and (3) other net non-operating income of Jiangxi Jingxing for the corresponding year. The licence and service fee is payable upon issue of an invoice by Guangzhou Jingxing to Jiangxi Jingxing after the amount of licence and service fee of a particular year is confirmed by Guangzhou Jingxing and Jiangxi Jingxing on or before 31 March in the subsequent year.

Under the Licence and Service Agreement, in the event that:

- (1) the Net Revenue value is negative, no licence and service fee shall be payable to Guangzhou Jingxing; and
- (2) when the licence and service fee of a corresponding year was already paid to Guangzhou Jingxing and the actual figures used in calculating the licence and service fee differed from those as shown in the audited accounts of Jiangxi Jingxing for the corresponding year, the difference thereof shall be adjusted in the licence and service fee payable in the subsequent year end.

The licence and service fee and the payment terms have been arrived at after arm's length negotiations between the parties and on normal commercial terms based on the reasons as disclosed in the paragraph headed "Annual Cap" below. There are no comparable prices available from other independent third party providers for the nature of the transactions contemplated under the Licence and Service Agreement as the Patents are owned by Guangzhou Jingxing and that the patented technologies under the Patents are necessary for conducting the business of Jiangxi Jingxing.

Internal Controls

The Group will undertake the following internal control measures to monitor the continuing connected transactions contemplated under the Licence and Service Agreement are conducted in accordance with the terms of the Licence and Service Agreement, on normal commercial terms and in accordance with the pricing policy of the Group and that the Annual Cap is not exceeded:

- (1) instruct its finance department to supervise the continuing connected transactions in accordance with the Company's internal control procedures on continuing connected transactions;
- (2) instruct its finance department to follow and collect the data of the continuing connected transactions to ensure that the Annual Cap is not exceeded;
- (3) the independent non-executive Directors will review and confirm that the pricing and terms of the transactions contemplated under the Licence and Service Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole on an annual basis; and
- (4) the auditors of the Company will review the pricing and terms of the transactions contemplated under the Licence and Service Agreement and Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

Historical Figures

For the two years ended 31 December 2017 and 2018, the licence and service fee payable by Jiangxi Jingxing to Guangzhou Jingxing was approximately RMB3.2 million and RMB3.7 million respectively.

Annual Cap

The Annual Cap in respect of the transactions contemplated under the Licence and Service Agreement for the Year 2019 will be RMB3.5 million (equivalent to approximately HK\$4.0 million). Such Annual Cap is the expected 20% of the Net Revenue of Jiangxi Jingxing for the corresponding year and estimated primarily with reference to:

- (1) the historical figures for the licence and service fee payable to Guangzhou Jingxing for the two years ended 31 December 2017 and 2018 respectively; and
- (2) the order on hand of Jiangxi Jingxing,

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

Reasons for and benefits for the Licence and Service Agreement

The Group is principally engaged in (i) the manufacturing and sale of aluminium profiles which are applied as construction and industrial materials; and (ii) property development. Jiangxi Jingxing is a joint venture formed by the Group and Guangzhou Jingxing to engage in the business of production and sales of aluminium panels and systems, storing, refurbishing and sales of old aluminium panels and systems and its pre-assembly business, repairing of panel systems, and the production, alteration and repairing of construction mould systems and related products.

Jiangxi Jingxing started to apply the Patents in its manufacturing process since 2014. The use of aluminium alloy construction panels has gained increasing popularity in the PRC construction industry. The Group will continue to develop the construction aluminium panel business through Jiangxi Jingxing with a view to further broaden the product line of the Group.

VIEWS OF THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the Master Supply Agreement A, Master Supply Agreement B and the Licence and Service Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (including the independent non-executive Directors) also confirm that the Annual Caps set out above are fair and reasonable and in the interests of the Shareholders taken as a whole.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as each of (i) Mr. LUO Jianfeng, an executive Director nominated by China Lesso and an executive director of China Lesso; and (ii) Mr. ZUO Manlun, a non-executive Director nominated by China Lesso and the chief executive officer of China Lesso, may be deemed to have an interest in the Master Supply Agreement A, Master Supply Agreement B and the Licence and Service Agreement, each of Mr. LUO Jianfeng and Mr. ZUO Manlun had abstained from voting in the resolutions of the Board to approve each of the Master Supply Agreement A, Master Supply Agreement B and the Licence and Service Agreement and their respective Annual Cap.

IMPLICATIONS UNDER THE LISTING RULES

Master Supply Agreement A

In view of the fact that the Company is owned as to approximately 26.28% by China Lesso through its directly wholly-owned subsidiary as at the date of this announcement, China Lesso is a substantial Shareholder and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Supply Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the Master Supply Agreement A is less than 5%, the continuing connected transactions under the Master Supply Agreement A are subject to the reporting, announcement and annual review requirements but exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Master Supply Agreement B

Before the Relevant Date, the transactions contemplated under the Master Supply Agreement B were continuing transactions between the Group and a non-wholly owned subsidiary which is accounted for as an associate. Commencing from the Relevant Date, Jiangxi Jingxing has become a connected subsidiary of the Company. Accordingly, commencing from the Relevant Date, the transactions contemplated under the Master Supply Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the Master Supply Agreement B is less than 5%, the continuing connected transactions under the Master Supply Agreement B are subject to the reporting, announcement and annual review requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Licence and Service Agreement

Before the Relevant Date, the transactions contemplated under the Licence and Service Agreement was a continuing transaction between the Group and a connected person (i.e. Guangzhou Jingxing) exempt under the "insignificant subsidiary exemption". Commencing from the Relevant Date, Guangzhou Jingxing has become a connected person at the issuer level as it has become a non-wholly owned subsidiary of China Lesso.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions under the Licence and Service Agreement, on an annual basis, is less than 5%, the continuing connected transactions under the Licence and Service Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

"Annual Cap"	the maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the Master Supply Agreement A, Master Supply Agreement B and the Licence and Service Agreement (as the case may be)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"China Lesso"	China Lesso Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. As at the date of this announcement, China Lesso is interested in approximately 26.28% equity interest of the Company through its directly wholly-owned subsidiary

“China Lesso Group”	China Lesso, its subsidiaries and/or any company in the equity capital of which China Lesso and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other threshold as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time
“Company”	Xingfa Aluminium Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Nanhai Nonferrous Metals Market”	being the unofficial English translation of 南海有色 (靈通)
“Guangzhou Jingxing”	廣州景興建築科技有限公司 (unofficial English translation being Guangzhou Jingxing Construction Technology Company Limited), a company incorporated in the PRC with limited liability and a 20% shareholder of Jiangxi Jingxing
“Guangzhou Jingxing Group”	Guangzhou Jingxing and its subsidiaries
“Guangdong Xingfa”	廣東興發鋁業有限公司 (unofficial English translation being Guangdong Xingfa Aluminium Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Guangdong Xingfa Group”	Guangdong Xingfa and its subsidiaries (for the avoidance of doubt, for the purpose of the transactions contemplated under Master Supply Agreement A, includes Jiangxi Jingxing) from time to time
“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
“Jiangxi Jingxing”	江西省景興鋁模板製造有限公司 (unofficial English translation being Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd.), a limited liability company established in the PRC and owned as to 80% by Jiangxi Xingfa and as to 20% by Guangzhou Jingxing. Jiangxi Jingxing is accounted for as an associate of the Group
“Jiangxi Xingfa”	廣東興發鋁業(江西)有限公司 (unofficial English translation being Xingfa Jiangxi Aluminium Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Guangdong Xingfa
“Licence and Service Agreement”	the licence and service agreement dated 1 January 2019 and entered into between Jiangxi Jingxing and Guangzhou Jingxing in relation to the grant of the right to use the Patents
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement A”	the master supply agreement dated 12 July 2019 and entered into between Guangdong Xingfa and China Lesso, in relation to the supply of aluminium profiles and/or panels from Guangdong Xingfa Group to China Lesso Group for a term from 9 July 2019 to 31 December 2019 (both dates inclusive)
“Master Supply Agreement B”	the master supply agreement dated 12 July 2019 and entered into between Guangdong Xingfa and Jiangxi Jingxing, in relation to the supply of aluminium profiles from Guangdong Xingfa to Jiangxi Jingxing for a term from 9 July 2019 to 31 December 2019 (both dates inclusive)
“Patents”	certain design patents and utility patents owned by Guangzhou Jingxing as set out in the Licence and Service Agreement, which are required by Jiangxi Jingxing for its operation

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Date”	9 July 2019, the date on which Guangzhou Jingxing has become a non-wholly owned subsidiary of China Lesso
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“Year 2019”	a period of commencing from the Relevant Date to 31 December 2019

For the purpose of illustration only, the amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1:HK\$1.14. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

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

12 July 2019

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

Executive Directors:

Mr. LIU Libin (*Chairman*)
Mr. LIAO Yuqing (*Chief Executive Officer*)
Ms. ZHANG Li (*Chief Financial Officer*)
Mr. LAW Yung Koon
Mr. WANG Zhihua
Mr. LUO Jianfeng

Non-executive Directors:

Mr. ZUO Manlun
Ms. XIE Jingyun

Independent non-executive Directors:

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