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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)**

### **POSSIBLE DISPOSAL OF THE JIANGXI JINGXING INTEREST**

#### **POSSIBLE DISPOSAL OF JIANGXI JINGXING INTEREST**

The Board announces that the Company will dispose of the Jiangxi Jingxing Interest, through its wholly-owned subsidiary, Jiangxi Xingfa, by way of a listing-for-sale through GUAEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets. The Listing-for-Sale process commences on 18 December 2020.

The Minimum Consideration, i.e. the minimum bidding price for the Jiangxi Jingxing Interest, is RMB10 million (equivalent to HK\$11.90 million). The final consideration for the Jiangxi Jingxing Interest will depend on the final bid price offered by the Qualified Transferee, but will in any event be no less than the Minimum Consideration.

#### **POSSIBLE CONNECTED TRANSACTION**

As at the date of this announcement, Jiangxi Jingxing is owned as to 80% by the Group and 20% by Guangzhou Jingxing. Guangzhou Jingxing is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Guangzhou Jingxing is a connected person of the Company.

It is expected that the Disposal, if materialises, will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. However, Guangzhou Jingxing has indicated to the Group their interest in purchasing the Jiangxi Jingxing Interest by submitting an application to GUAEX. In the event that Guangzhou Jingxing is the final buyer identified after completion of the Listing-for-Sale process (i.e. the Qualified Transferee), the Disposal will constitute a connected transaction for the Company under the Listing Rules and it is expected that the Disposal will be subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the Qualified Transferee; and (iii) the entering into of the Equity Transfer Agreement, will be made by the Company as soon as practicable after the expiry of the Publication Period in accordance with the relevant requirements of the Listing Rules.

## **BACKGROUND OF THE DISPOSAL**

The Company intends to dispose of the Jiangxi Jingxing Interest, through its wholly-owned subsidiary, Jiangxi Xingfa, by way of a listing-for-sale through GUAEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets.

The Listing-for-Sale process commences on 18 December 2020 and the Listing-for-Sale Notice setting out, among others, the minimum bidding price and the major terms for the disposal of the Jiangxi Jingxing Interest is published on the website of GUAEX.

## **THE LISTING-FOR-SALE**

### **Major terms of the Listing-for-Sale**

#### ***(a) Procedures of the Listing-for-Sale***

The initial Publication Period will be open for 20 Business Days from the date of the Listing-for-Sale Notice and shall end on 15 January 2021. During the Publication Period, interested bidders may offer their bid price (subject to the Minimum Consideration as the minimum bidding price) through the designated online system of GUAEX and pay earnest money in the amount of RMB1 million (equivalent to HK\$1.19 million) (“**Earnest Money**”) to GUAEX.

If GUAEX does not receive any application during the initial Publication Period, the Publication Period will be extended for another 20 Business Days. The terms as set out in the Listing-for-Sale Notice shall remain unchanged.

Given that the other shareholder of Jiangxi Jingxing (i.e. Guangzhou Jingxing) has the pre-emptive right in relation to the Jiangxi Jingxing Interest, if the bidder who offered the highest effective bid price during the Publication Period is not Guangzhou Jingxing, Guangzhou Jingxing shall have the pre-emptive right to purchase the Jiangxi Jingxing Interest at the bid price offered by such bidder.

If Guangzhou Jingxing does not exercise its pre-emptive right, the bidder who offered the highest effective bid price during the Publication Period will be the successful bidder and become the final buyer of the Jiangxi Jingxing Interest (i.e. the Qualified Transferee).

If Guangzhou Jingxing is the bidder who offered the highest effective bid price during the Publication Period or if Guangzhou Jingxing exercises its pre-emptive right, Guangzhou Jingxing will become the final buyer of the Jiangxi Jingxing Interest (i.e. the Qualified Transferee).

After determination of the Qualified Transferee, the parties shall enter into the Equity Transfer Agreement within 5 Business Days of notification by GUAEX. The Earnest Money from the Qualified Transferee will be applied towards the consideration for the transfer of Jiangxi Jingxing Interest under the Equity Transfer Agreement.

**(b) Consideration**

The Minimum Consideration is RMB10 million (equivalent to HK\$11.90 million), which is determined with reference to the proportion of Jiangxi Jingxing Interest in the Valuation conducted by the Valuer using the income approach. Based on such Valuation, the appraised value of the entire equity interest of Jiangxi Jingxing was RMB12.50 million (equivalent to approximately HK\$14.88 million) as at 31 December 2019. The Company will comply with the disclosure requirements under Rule 14A.68(7) of the Listing Rules if the Disposal constitutes a connected transaction for the Company.

The final consideration for the Jiangxi Jingxing Interest will depend on the final bid price offered by the Qualified Transferee, but will in any event be no less than the Minimum Consideration.

The consideration for the transfer of Jiangxi Jingxing Interest shall be paid in cash according to the following arrangement:

- (i) 50% of the consideration (including the Earnest Money applied towards the consideration) shall be paid by the Qualified Transferee into the designated account of GUAEX within 5 Business Days after the signing and effective date of the Equity Transfer Agreement; and
- (ii) the remainder of the consideration shall be paid by the Qualified Transferee into the designated account of GUAEX within 5 Business Days from the date (“**Business Registration Completion Date**”) of completion of the requisite business registration for the transfer of Jiangxi Jingxing Interest under the Equity Transfer Agreement (“**Business Registration**”) and in any event within 1 year from the effective date of the Equity Transfer Agreement.

The Qualified Transferee shall be liable to pay interest calculated at the loan prime rate of the same period as promulgated by the National Interbank Funding Center of the PRC on any late payment of the consideration.

**(c) Other major conditions**

- (i) Any profit or loss incurred by Jiangxi Jingxing from the Valuation Reference Date to the Business Registration Completion Date shall be borne by the shareholders of Jiangxi Jingxing after the completion of the Business Registration in accordance with their then respective shareholdings.
- (ii) The economic and legal obligations of Jiangxi Jingxing as set out in the Valuation Report shall be borne by Jiangxi Jingxing before completion of the Business Registration. The economic and legal obligations arising (1) in the period from the day after the Valuation Reference Date until the Business Registration Completion Date, and (2) on the day after the Business Registration Completion Date and thereafter, shall be borne by Jiangxi Jingxing after completion of the Business Registration.
- (iii) The rights and obligations of Jiangxi Jingxing in relation to (1) any debts as set out in the Valuation Report, (2) any new debts arising in the period from the day after the Valuation Reference Date until the Business Registration Completion Date, and (3) any new debts arising on the day after the Business Registration Completion Date and thereafter, shall be borne by Jiangxi Jingxing after completion of the Business Registration.
- (iv) The Equity Transfer Agreement and the transfer of Jiangxi Jingxing Interest contemplated thereunder shall become effective subject to the Company having complied with the Listing Rules and other applicable laws.
- (v) Jiangxi Jingxing shall pay dividends to Jiangxi Xingfa in the total amount of approximately RMB27.65 million and the Qualified Transferee shall procure Jiangxi Jingxing to pay such dividends by instalments as follows:
  - (1) the amount of RMB10 million shall be paid within 5 Business Days from the Business Registration Completion Date;
  - (2) the amount of RMB10 million shall be paid within 1 month from the Business Registration Completion Date; and
  - (3) the remainder of the total amounts of dividends shall be paid within 2 months from the Business Registration Completion Date.

**INFORMATION ON THE GROUP AND JIANGXI JINGXING**

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 Xingfa is an indirect wholly-owned subsidiary of the Company, which is principally engaged in the business of manufacturing and sales of aluminium profiles.

Jiangxi Jingxing is a company established in the PRC on 13 March 2014. As at the date of this announcement, its registered capital is RMB5 million which is held as to 80% by Jiangxi Xingfa and as to 20% by Guangzhou Jingxing, a company incorporated in the PRC and a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Jiangxi Jingxing is principally engaged in the business of manufacturing and sales of aluminium panels.

As at 31 October 2020, the unaudited total asset value and unaudited net liabilities of Jiangxi Jingxing were approximately RMB77.66 million (equivalent to approximately HK\$92.42 million) and approximately RMB6.07 million (equivalent to approximately HK\$7.22 million) respectively. Certain financial information of Jiangxi Jingxing as extracted from the audited financial statements of Jiangxi Jingxing for the two years ended 31 December 2018 and 31 December 2019 is as follows:

	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>approximately</i>	<i>approximately</i>
Net profit (before taxation)	19,904	14,921
Net profit (after taxation)	<u>15,057</u>	<u>11,181</u>

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group wishes to dispose of the Jiangxi Jingxing Interest to facilitate the strategic restructuring of the structure of the Group. The Board is of the view that it is desirable for the Group to dispose of the Jiangxi Jingxing Interest through Listing-for-Sale, in order to comply with relevant PRC laws and regulations concerning the disposal of State-owned assets, to achieve the highest price in the open market (subject to the pre-emptive right of Guangzhou Jingxing in relation to the Jiangxi Jingxing Interest) and to have the proceeds to fund the development of the Group's other principal businesses.

In view of the above, the Directors are of the opinion that the terms of the Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL IMPACTS OF THE DISPOSAL**

Immediately before completion of the Disposal, Jiangxi Jingxing is accounted for as an associate of the Group. Immediately upon completion of the Disposal, the Group will cease to hold any interest in Jiangxi Jingxing. Jiangxi Jingxing will then cease to be an associate of the Group and a connected subsidiary of the Company.

The Group intends to use the net proceeds from the Disposal for general working capital purpose.

## **POSSIBLE CONNECTED TRANSACTION**

As at the date of this announcement, Jiangxi Jingxing is owned as to 80% by the Group and 20% by Guangzhou Jingxing. Guangzhou Jingxing is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Guangzhou Jingxing is a connected person of the Company.

It is expected that the Disposal, if materialises, will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. However, Guangzhou Jingxing has indicated to the Group their interest in purchasing the Jiangxi Jingxing Interest by submitting an application to GUAEX. In the event that Guangzhou Jingxing is the final buyer identified after completion of the Listing-for-Sale process (i.e. the Qualified Transferee), the Disposal will constitute a connected transaction for the Company under the Listing Rules and it is expected that the Disposal will be subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the Qualified Transferee; and (iii) the entering into of the Equity Transfer Agreement, will be made by the Company as soon as practicable after the expiry of the Publication Period in accordance with the relevant requirements of the Listing Rules.

## **DEFINITIONS**

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

“Board”	means the board of Directors
“Business Day(s)”	means any day on which licensed banks in the PRC are open for business
“China Lesso”	means 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 direct wholly-owned subsidiary

“Company”	means 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
“Directors”	means the directors of the Company
“Disposal”	means the Company’s proposed disposal of the Jiangxi Jingxing Interest through Listing-for-Sale
“Equity Transfer Agreement”	means the equity transfer agreement to be entered into between Jiangxi Xingfa as vendor and the Qualified Transferee as purchaser in relation to the Disposal
“Group”	means the Company and its subsidiaries from time to time
“GUAEX”	means 廣東聯合產權交易中心 (Guangdong United Assets and Equity Exchange), an institution authorised by Guangdong Municipal Government to transact assets and equity of State-owned enterprises under the central government of the PRC
“Guangzhou Jingxing”	means 廣州景興建築科技有限公司 (unofficial English translation being Guangzhou Jingxing Construction Technology Company Limited), a company established in the PRC with limited liability, and a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. As at the date of this announcement, Guangzhou Jingxing owns 20% of the equity interest of Jiangxi Jingxing
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

“Jiangxi Jingxing”	means 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 company established in the PRC with limited liability 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 and is a connected subsidiary of the Company as at the date of this announcement
“Jiangxi Jingxing Interest”	means the 80% equity interest held by Jiangxi Xingfa in Jiangxi Jingxing
“Jiangxi Xingfa”	means 廣東興發鋁業(江西)有限公司 (unofficial English translation being Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which owns 80% of the equity interest of Jiangxi Jingxing as at the date of this announcement
“Listing-for-Sale”	means the listing-for-sale process carried out through GUAEX for the disposal of the Jiangxi Jingxing Interest
“Listing-for-Sale Notice”	means the notice (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	means the minimum consideration of RMB10 million (equivalent to HK\$11.90 million), i.e. the minimum bidding price, for the Disposal
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan



“Publication Period”	means the period during which the Disposal is disclosed to the public on the designated online system of GUAEX by way of the Listing-for-Sale Notice
“Qualified Transferee”	means the successful qualified bidder as determined from the process of Listing-for-Sale and notified by GUAEX in relation to the Disposal
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Valuation”	means the valuation of the entire equity interest of Jiangxi Jingxing conducted by the Valuer as at the Valuation Reference Date
“Valuation Reference Date”	means 31 December 2019
“Valuation Report”	means the valuation report issued by the Valuer in respect of the Valuation
“Valuer”	means 廣東財興資產評估土地房地產估價有限公司, a qualified independent valuer in the PRC
“%”	means per cent

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.19. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

18 December 2020

*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