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## **XINGFA ALUMINIUM HOLDINGS LIMITED**

**興發鋁業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 98)**

### **CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY**

#### **THE ACQUISITION**

On 21 December 2022, Guangdong Xingfa, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Guangxin Holding pursuant to which Guangxin Holding agreed to sell and transfer and Guangdong Xingfa agreed to acquire and accept the transfer of 4% equity interest in the Target Company at the Consideration of approximately RMB27.52 million (equivalent to approximately HK\$30.82 million). As at the date of this announcement, the Target Company is wholly-owned by Guangxin Holding. Immediately upon completion of the Acquisition, the Target Company will be owned as to 96% by Guangxin Holding and as to 4% by Guangdong Xingfa.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Guangxin Holding is the controlling shareholder of the Company and indirectly interested in approximately 31.47% of the total issued share capital of the Company, therefore, Guangxin Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under the Listing Rules.

## THE ACQUISITION

On 21 December 2022, Guangdong Xingfa, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Guangxin Holding.

### Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set forth as follows:

Date: 21 December 2022

Parties: (1) Guangxin Holding (as vendor); and  
(2) Guangdong Xingfa (as purchaser).

Subject matter: Pursuant to the Equity Transfer Agreement, Guangxin Holding agreed to sell and transfer and Guangdong Xingfa agreed to purchase and accept the transfer of 4% equity interest in the Target Company.

Consideration: The Consideration of the Acquisition amounts to approximately RMB27.52 million (equivalent to approximately HK\$30.82 million) which was determined with reference to the proportion of 4% equity interest in the Target Company in the Valuation conducted by the Valuer using income approach.

Pursuant to the Valuation Report, the appraised value of the entire equity interest of the Target Company as at the Valuation Reference Date was approximately RMB687.90 million (equivalent to approximately HK\$770.45 million) as assessed by the Valuer.

The Consideration will be satisfied by the internal funding of the Group.

Guangdong Xingfa shall pay the Consideration in one lump sum by cash into the designated account of Guangxin Holding within seven (7) Working Days after the Equity Transfer Agreement becoming effective.

Completion: Completion shall take place upon the completion of the business registration for the Acquisition, of which Guangdong Xingfa is to hold 4% equity interest in the Target Company under its name. Such business registration shall be completed within thirty (30) Working Days (“**Completion Date**”) after the Equity Transfer Agreement has become effective and Guangdong Xingfa has paid and settled the Consideration.

Immediately upon completion of the Acquisition, the Target Company will be owned as to 96% by Guangxin Holding and 4% by Guangdong Xingfa.

Effective date: The Equity Transfer Agreement shall become effective upon:

- (i) all parties to the Equity Transfer Agreement have duly executed the Equity Transfer Agreement; and
- (ii) all parties to the Equity Transfer Agreement have obtained the necessary approvals for the Equity Transfer Agreement.

Exit option: The parties to the Equity Transfer Agreement agreed that if any of the events set forth below (each a “**Trigerring Event**”) cannot be fulfilled or satisfied by the Target Company within five (5) years from the date of the Equity Transfer Agreement, Guangdong Xingfa is entitled to exercise its exit option (“**Exit Option**”) by giving notice in writing to request Guangxin Holding to repurchase all of its equity interest held in the Target Company at a repurchase price which shall not be less than the audited net asset value of the relevant equity interest in the Target Company of the year preceding the date of such exit option is being exercised by Guangdong Xingfa. The Trigerring Events include:

- (i) during the five (5) years from the date of the Equity Transfer Agreement, the annual operating revenue and the annual net profit of the Target Company shall reach RMB4 billion (equivalent to approximately HK\$4.48 billion) and RMB75 million (equivalent to approximately HK\$84 million) respectively, with a compound annual growth rate of 13% and 18% respectively;
- (ii) within five (5) years from the date of the Equity Transfer Agreement, the Target Company shall explore eight (8) new quality customers within the aluminium profiles market and the construction materials and bathroom products market and the aggregate sale transaction value with such customers shall exceed RMB40 million (equivalent to approximately HK\$44.8 million); and
- (iii) under the premise of the risk control requirements of Guangxin Holding, the amount of aluminium profiles to be purchased by the Target Company from Guangdong Xingfa within five (5) years from the date of the Equity Transfer Agreement shall not be less than RMB3 billion (equivalent to approximately HK\$3.36 billion) and the settlement period shall be better than the average settlement period of receivables of Guangdong Xingfa in the preceding year.

In the event that the Target Company records loss in any one year during the five (5) years from the date of the Equity Transfer Agreement and the Target Company continues to record loss in the following year, Guangdong Xingfa will be entitled to exercise the Exit Option forthwith.

Other major conditions:

- (i) Any gain or loss generated from the assets of the Target Company and any change in the net asset value of the Target Company from the day following the Valuation Reference Date to the Completion Date (both dates inclusive) shall be borne by Guangdong Xingfa. No adjustment will be made to the Consideration in this respect.

- (ii) The liabilities of the Target Company arising before and after the Completion Date shall be borne by the Target Company.

## **FINANCIAL INFORMATION ON THE TARGET GROUP**

Set out below is certain audited consolidated financial information of the Target Company and its subsidiaries for the year ended 31 December 2020 and the year ended 31 December 2021 prepared in accordance with the PRC Generally Accepted Accounting Principles:

	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>
Net profit before taxation	RMB60.10 million (equivalent to approximately HK\$67.31 million)	RMB45.24 million (equivalent to approximately HK\$50.67 million)
Net profit after taxation	RMB51.65 million (equivalent to approximately HK\$57.85 million)	RMB34.05 million (equivalent to approximately HK\$38.14 million)

The audited consolidated total asset value and net asset value of the Target Group were approximately RMB870.27 million (equivalent to approximately HK\$974.70 million) and approximately RMB579.25 million (equivalent to approximately HK\$648.76 million) as at 30 September 2022.

## **INFORMATION ON THE PARTIES AND THE TARGET GROUP**

### **The Group**

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.

### **Guangdong Xingfa**

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

## **Guangxin Holding**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangxin Holding is (i) a company established in the PRC with limited liability; (ii) directly owned as to 90% by the Guangdong Provincial People's Government\* (廣東省人民政府) and 10% by Department of Finance of Guangdong Province\* (廣東省財政廳); and (iii) principally engaged in capital investment. As at the date of this announcement, Guangxin Holding is the controlling shareholder of the Company holding approximately 31.47% interest in the Company and therefore Guangxin Holding is a connected person of the Company.

## **The Target Group**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company is (i) a company incorporated in the PRC with limited liability; (ii) principally engaged in the import and export of kitchen and bathroom fittings and accessories and electrical appliances; and (iii) wholly-owned by Guangxin Holding, the controlling shareholder of the Company, which is ultimately controlled by the Guangdong Provincial People's Government\*.

The Target Company holds (i) the entire equity interest in Zhuhai Guangjin Kitchen Accessories Co., Ltd.\* (珠海廣金廚具有限公司) and Guangdong Foreign Trading Development Company Shenzhen Office\* (廣東省外貿開發公司深圳辦事處); (ii) approximately 66% of the equity interest in Guangdong Chinese Trading Property Management Co., Ltd.\* (廣東粵貿物業管理有限公司); (iii) approximately 51% of the equity interest in Guangdong Guangxin Furniture Co., Ltd.\* (廣東廣新傢俱有限公司); and (iv) approximately 45% equity interest in Guangdong Guangxin Cross-border New Retail Co., Ltd.\* (廣東廣新跨境新零售有限公司).

Zhuhai Guangjin Kitchen Accessories Co., Ltd.\* is a company incorporated in the PRC with limited liability and is principally engaged in the business of design, development, production, processing and sale of hardware products and stainless steel sinks.

Guangdong Foreign Trading Development Company Shenzhen Office\* is company incorporated in the PRC with limited liability and is a Shenzhen branch office of the Target Company and is principally engaged in the sale of kitchen and bathroom fittings and accessories.

Guangdong Chinese Trading Property Management Co., Ltd.\* is a company incorporated in the PRC with limited liability and is principally engaged in the business of property management.

Guangdong Guangxin Furniture Co., Ltd.\* is a company incorporated in the PRC with limited liability and is principally engaged in the business of international trading and export of furniture.

Guangdong Guangxin Cross-border New Retail Co., Ltd.\* is a company incorporated in the PRC with limited liability and is principally engaged in the international trading of furniture, kitchen and bathroom fittings and electrical appliances.

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

It is expected that the Acquisition would bring strategic benefit to the Group and would allow the Group to leverage on the international marketing capabilities and channel resources of the Target Company to accelerate the Group's overseas market penetration with an aim to enhance the Group's competitiveness in both the domestic market and international market. Furthermore, it is anticipated that the participation in the Group's supply chain by the Target Company would bring collaborative effect to the business development of the Group, which would in turn bring sustainable returns to the Company and its Shareholders.

## **VIEWS OF THE DIRECTORS**

Having considered the reasons for and benefits of the Acquisition mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole although the Acquisition is not conducted in the ordinary and usual course of business of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. WANG Li, Mr. WANG Lei and Ms. XIE Jingyun is a Director nominated by Guangxin Holding and each of them may be deemed to have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, each of Mr. WANG Li, Mr. WANG Lei and Ms. XIE Jingyun had abstained from voting on the Board resolutions on approving on the Equity Transfer Agreement and the transactions contemplated thereunder.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Guangxin Holding is the controlling shareholder of the Company and indirectly interested in approximately 31.47% of the total issued share capital of the Company, therefore, Guangxin Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of 4% equity interest in the Target Company by Guangdong Xingfa pursuant to the Equity Transfer Agreement;
“Board”	the board of directors of the Company;
“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;
“Consideration”	the consideration payable by Guangdong Xingfa pursuant to the Equity Transfer Agreement;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 21 December 2022 entered into between Guangxin Holding (as vendor) and Guangdong Xingfa (as purchaser) in respect of the Acquisition;
“Group”	the Company and its subsidiaries from time to time;
“Guangdong Xingfa”	廣東興發鋁業有限公司 (unofficial English translation being Guangdong Xingfa Aluminium Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Guangxin Holding”	廣東省廣新控股集團有限公司 (unofficial English translation being Guangdong Guangxin Holding Group Co., Ltd.), a company established in the PRC with limited liability and ultimately owned as to 90% by the Guangdong Provincial People’s Government* (廣東省人民政府) and 10% by Department of Finance of Guangdong Province* (廣東省財政廳);



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	廣東省外貿開發有限公司 (unofficial English translation being Guangdong Province Trading Development Co., Ltd.), a company established in the PRC with limited liability and wholly-owned by Guangxin Holding as at the date of this announcement;
“Target Group”	the Target Company and its subsidiaries as at the date of this announcement;
“Valuation”	the valuation of the entire equity interest of the Target Company conducted by the Valuer as at the Valuation Reference Date;
“Valuation Reference Date”	30 September 2022;
“Valuation Report”	the valuation report dated 3 December 2022 issued by the Valuer in respect of the Valuation;
“Valuer”	Guangdong CEA Zhengcheng Asset Real Estate Land Appraisal and Project Cost Consultation, Co., Ltd.* (廣東中企華正誠資產房地產土地評估造價諮詢有限公司), a qualified independent valuer in the PRC;
“Working Day”	a working day other than Saturday, Sunday and statutory holiday under the laws of the PRC; and
“%”	per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.0 to HK\$1.12. 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.*

By Order of the Board  
**Xingfa Aluminium Holdings Limited**  
**WANG Li**  
*Chairman*

Hong Kong, 21 December 2022

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

*Executive Directors:*

Mr. WANG Li (*Chairman*)  
Mr. LIAO Yuqing (*Chief Executive Officer*)  
Mr. WANG Lei  
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. WEN Xianjun

\* *For identification purpose only*