

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Xingfa Aluminium Holdings Limited (“**Company**”), you should at once hand this circular and the accompanying revised form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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) REVISION OF THE EXISTING 2023 ANNUAL CAP
FOR THE 2023 LESSO MASTER SUPPLY AGREEMENT;
(2) THE SUPPLEMENTAL AGREEMENT
TO THE 2023 LESSO MASTER SUPPLY AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



裕韜資本有限公司

Euto Capital Partners Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 to page 19 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 20 to page 35 of this circular.

A notice convening the EGM to be held at 2:00 p.m. (Hong Kong time) on Thursday, 14 December 2023 at No. 5, Zone D, Central Science and Technology Industrial Park, Sanshui District, Foshan City, Guangdong Province, the People's Republic of China is set out on page EGM-1 to page EGM-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event by 2:00 p.m. (Hong Kong time) on Tuesday, 12 December 2023 or not later than 48 hours before the time appointed for holding the adjourned meeting (if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

28 November 2023

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DEFINITIONS

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

“2022 Announcement”	the announcement of the Company dated 30 December 2022 in connection with, among others, the 2023 Lesso Master Supply Agreement
“2023 Lesso Master Supply Agreement”	the master supply agreement dated 30 December 2022 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 of one year from 1 January 2023 to 31 December 2023 (both dates inclusive)
“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 (Stock Code: 2128). As at the Latest Practicable Date, China Lesso was interested in approximately 26.11% equity interest of the Company through Lesso Group Holdings Limited, its direct wholly-owned subsidiary
“China Lesso Group”	China Lesso, its subsidiaries and/or any company in the issued share 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

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“EGM”	the extraordinary general meeting of the Company convened to be held for the purpose of considering and, if thought fit, approving the Proposed New 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025)
“Existing 2023 Annual Cap”	the existing maximum aggregate annual transaction value in respect of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement for the Year 2023 as disclosed in the 2022 Announcement
“Group”	the Company and its subsidiaries from time to time
“Guangdong Nanhai Nonferrous Metals Market”	being the unofficial English translation of 南海有色 (靈通)
“Guangdong Xingfa”	廣東興發鋁業有限公司 (unofficial English translation being Guangdong Xingfa Aluminium Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Guangdong Xingfa Group”	Guangdong Xingfa and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung, Andy and Mr. WEN Xianjun, being all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the revision of the Existing 2023 Annual Cap, the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) and as to the voting actions therefor

DEFINITIONS

“Independent Financial Adviser” or “Euto Capital Partners”	Euto Capital Partners Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser appointed for the purpose of advising and making recommendations to the Independent Board Committee and the Independent Shareholders with regard to the revision of the Existing 2023 Annual Cap, the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) and as to the voting actions therefor
“Independent Shareholders”	the Shareholders, other than Lesso Group Holdings Limited, a substantial Shareholder, who do not have any material interest in the 2023 Lesso Master Supply Agreement and the Supplemental Agreement and the transactions contemplated thereunder
“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 an indirect non-wholly owned subsidiary of China Lesso
“Latest Practicable Date”	23 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed New 2023 Annual Cap”	the proposed revised maximum aggregate annual transaction value in respect of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement for the Year 2023

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“Proposed New Annual Caps”	collectively, the Proposed New 2023 Annual Cap and the proposed annual caps for the Year 2024 and Year 2025 in respect of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders’ approval)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) 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
“subsidiaries”	any entity which falls within the definition of “subsidiary” under the Listing Rules or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supplemental Agreement”	the supplemental agreement dated 27 October 2023 entered into between Guangdong Xingfa and China Lesso to amend and supplement the 2023 Lesso Master Supply Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Year 2021”	the period of one year from 1 January 2021 to 31 December 2021 (both dates inclusive)
“Year 2022”	the period of one year from 1 January 2022 to 31 December 2022 (both dates inclusive)
“Year 2023”	the period of one year from 1 January 2023 to 31 December 2023 (both dates inclusive)
“Year 2024”	the period of one year from 1 January 2024 to 31 December 2024 (both dates inclusive)

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“Year 2025” the period of one year from 1 January 2025 to 31 December 2025 (both dates inclusive)

“%” per cent.

References to time and dates in this circular are to Hong Kong time and dates.

For the purpose of illustration only, the amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1:HK\$1.09. 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.



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. 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

Registered office:

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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

28 November 2023

To the Shareholders

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS —
(1) REVISION OF THE EXISTING 2023 ANNUAL CAP
FOR THE 2023 LESSO MASTER SUPPLY AGREEMENT; AND
(2) THE SUPPLEMENTAL AGREEMENT
TO THE 2023 LESSO MASTER SUPPLY AGREEMENT**

LETTER FROM THE BOARD

(I) INTRODUCTION

Reference is made to the announcement of the Company dated 27 October 2023 in connection with the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement to the 2023 Lesso Master Supply Agreement.

The purpose of this circular is to:

- (1) provide you with further information relating to the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement to the 2023 Lesso Master Supply Agreement (and the proposed annual caps for Year 2024 and Year 2025);
- (2) other information of the Group as required under the Listing Rules;
- (3) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation and opinion of the Independent Board Committee after having considered the advice of the Independent Financial Adviser in relation to the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement (and the proposed annual caps for the Year 2024 and Year 2025); and
- (4) give you notice of the EGM.

(II) REVISION OF THE EXISTING 2023 ANNUAL CAP FOR THE 2023 LESSO MASTER SUPPLY AGREEMENT

Reference is made to the 2022 Announcement in connection with, among others, the 2023 Lesso Master Supply Agreement entered into between Guangdong Xingfa, an indirect wholly-owned subsidiary of the Company, and China Lesso.

Summary of major terms of the 2023 Lesso Master Supply Agreement

The principal terms of the 2023 Lesso Master Supply Agreement have been disclosed in the 2022 Announcement, a summary of which is set out as follows:

- | | |
|---------------------------|------------------------|
| (a) Date: | 30 December 2022 |
| (b) Parties: | |
| (i) Supplier(s): | Guangdong Xingfa Group |
| (ii) Purchaser(s): | China Lesso Group |

LETTER FROM THE BOARD

(c) Subject matter

Pursuant to the 2023 Lesso Master Supply Agreement, Guangdong Xingfa Group members, as suppliers, agreed to sell to China Lesso Group members, as purchasers, aluminium profiles and/or panels specified by members of the China Lesso Group. The aluminium profiles and/or panels to be purchased by China Lesso Group members will be further processed into building materials, home improvement products and renovation and installation materials and sold to their customers. There is no minimum supply amount under the 2023 Lesso Master Supply Agreement 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.

(d) Pricing and payment terms

Pursuant to the 2023 Lesso Master Supply Agreement, 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 aluminium profiles and/or panels as required by China Lesso Group. 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 and/or panels required will be different from batch to batch.

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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 and/or panels under the 2023 Lesso Master Supply Agreement. The relevant sales department of Guangdong Xingfa Group will approve the proposed transactions to ensure that the aluminium profiles and/or panels to be supplied to China Lesso Group members are of comparable prices for such products being supplied to independent third parties.

(III) SUPPLEMENTAL AGREEMENT

Given that the 2023 Lesso Master Supply Agreement will expire on 31 December 2023 and the parties thereto anticipated that the continuing connected transactions contemplated thereunder will continue on an on-going basis, on 27 October 2023, Guangdong Xingfa and China Lesso entered into the Supplemental Agreement to amend and extend the term of the 2023 Lesso Master Supply Agreement to 31 December 2025, subject to Independent Shareholders' approval.

As amended and supplemented by the Supplemental Agreement, subject to Independent Shareholders' approval, the duration of the 2023 Lesso Master Supply Agreement shall be amended to a term of three years from 1 January 2023 to 31 December 2025 (both dates inclusive). Save for the aforesaid, the other principal terms of the 2023 Lesso Master Supply Agreement shall remain unchanged and a summary of which has been set out under the section headed "(II) Revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement — Summary of major terms of the 2023 Lesso Master Supply Agreement" in this circular.

(IV) HISTORICAL AGGREGATE VALUE OF SALES TRANSACTIONS

For the two years ended 31 December 2021 and 31 December 2022, Guangdong Xingfa Group's sale of aluminium profiles and/or panels to China Lesso Group (including Jiangxi Jingxing which became members of China Lesso Group since March 2021) amounted to approximately RMB63.2 million (equivalent to approximately HK\$68.9 million) and approximately RMB82.2 million (equivalent to approximately HK\$89.6 million) respectively.

For the six months ended 30 June 2023, Guangdong Xingfa Group's sale of aluminium profiles and/or panels to China Lesso Group amounted to approximately RMB127.5 million (equivalent to approximately HK\$139.0 million).

(V) THE EXISTING 2023 ANNUAL CAP AND THE PROPOSED NEW ANNUAL CAPS

Due to the anticipated increase in purchase orders, the aggregate value of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement for the Year 2023 is expected to be higher than that as envisaged at the time of entering into of the 2023 Lesso Master Supply Agreement, and the Existing 2023 Annual Cap will not be

LETTER FROM THE BOARD

sufficient to meet the business needs of the Group. Furthermore, it is expected that the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement will continue on an on-going basis. In view of the aforesaid, the Board has resolved to revise the Existing 2023 Annual Cap and to amend and extend the term of the 2023 Lesso Master Supply Agreement to 31 December 2025, subject to Independent Shareholders' approval.

The Existing 2023 Annual Cap and the Proposed New Annual Caps in respect of the transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) are as follows:

Existing 2023 Annual Cap (RMB)	Proposed New 2023 Annual Cap (RMB)	Proposed Annual Cap for Year 2024 (RMB)	Proposed Annual Cap for Year 2025 (RMB)
153,712,000	300,000,000	350,000,000	400,000,000

As at the Latest Practicable Date, the total actual value of the transactions carried out pursuant to the 2023 Lesso Master Supply Agreement in Year 2023 has not exceeded the Existing 2023 Annual Cap.

(VI) BASIS AND ASSUMPTIONS OF THE PROPOSED NEW ANNUAL CAPS

The Proposed New 2023 Annual Cap and the proposed annual caps for Year 2024 and Year 2025 are determined on the principal 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 businesses of the Group and primarily with reference to:

- the historical sales amount of aluminium profiles and/or panels sold by Guangdong Xingfa Group to China Lesso Group;
- the projected future volume of aluminium profiles and/or panels to be sold to China Lesso Group during Year 2023, Year 2024 and Year 2025;
- the processing fee for processing aluminium ingots into aluminium profiles and panels in Year 2023, Year 2024 and Year 2025; and
- the recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic.

LETTER FROM THE BOARD

(i) Historical sales amount and projected future demand of aluminium profiles and/or panels

Set out in the below table are the (i) existing annual caps for the sale of aluminium profiles and/panels by Guangdong Xingfa Group to China Lesso Group pursuant to the respective master supply agreement for Year 2021, Year 2022 and Year 2023; (ii) the total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group (including Jiangxi Jingxing which became member of China Lesso Group since March 2021) in Year 2021 and Year 2022 and for the six months ended 30 June 2023; and (iii) the utilisation rate of the respective annual cap for Year 2021, Year 2022 and Year 2023 (as at 30 June 2023).

	Year 2021 (RMB)	Year 2022 (RMB)	Year 2023 (RMB)
Existing annual caps	125,000,000	122,000,000	153,712,000
			For the six months ended 30 June 2023
	Year 2021 (RMB)	Year 2022 (RMB)	2023 (RMB)
Total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group (<i>approximately</i>)	63,200,000	82,200,000	127,500,000
Utilisation rate of the annual caps	50.6%	67.4%	82.9%

As illustrated in the table above, it is noted that the total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group increased from approximately RMB63,200,000 in Year 2021 to approximately RMB82,200,000 in Year 2022 (representing an increase of approximately 30.1%), while the utilisation rate of the annual caps for Year 2021 and Year 2022 amounted to approximately 50.6% and 67.4% respectively. The low utilization rate of the respective annual cap for Year 2021 and Year 2022 was as a result of the COVID-19 pandemic, which led to a decrease in the number of and delay in the construction and interior decoration projects and therefore a decrease in demand of the building materials and interior decoration products by China Lesso Group in Year 2021 and Year 2022.

LETTER FROM THE BOARD

The total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group for the six months ended 30 June 2023 increased to approximately RMB127,500,000, which represented an approximately 1.6 times of the total actual amount of annual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group in Year 2022 and an utilisation rate of approximately 82.9% of the Existing 2023 Annual Cap. Such significant increase in the aggregated amount of sales of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group for the six months ended 30 June 2023 was mainly due to the recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic and the projects of China Lesso Group previously delayed by the COVID-19 pandemic has been gradually resumed in Year 2023.

In view of (i) new sales contracts were entered into between Guangdong Xingfa Group and China Lesso Group pursuant to the 2023 Lesso Master Supply Agreement in October 2023 and among which, approximately RMB85,800,000 sales are planned to be executed in November and December 2023; (ii) an aggregated amount of sales transacted pursuant to the 2023 Lesso Master Supply Agreement of approximately RMB150,000,000 was recorded as at the Latest Practicable Date, representing an utilisation rate of approximately 97.6% of the Existing 2023 Annual Cap; and (iii) the expected increase in demand of different types of aluminium profiles and/or panels, including scrap aluminium, from China Lesso Group, it is foreseeable that the aggregated amount of sale of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group pursuant to the 2023 Lesso Master Supply Agreement in Year 2023 would reach approximately RMB239,500,000.

(ii) Recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic

Furthermore, given that (i) the demand of aluminium profiles and/panels is expected to increase gradually due to the recovery of market demand for such from the COVID-19 pandemic; and (ii) one-off or occasional projects of China Lesso Group which were delayed as a result of the COVID-19 pandemic will resume in Year 2024 and Year 2025, it is anticipated that the annual growth rate of the sale of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group in Year 2024 and Year 2025 would be approximately 16.7% and 14.3% respectively.

To cater for any unexpected increase in the sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group as a result of one-off or occasional projects of China Lesso Group, an approximate 20% buffer has been applied when determining the Proposed New Annual Caps.

LETTER FROM THE BOARD

(VII) INTERNAL CONTROLS

The relevant management personnel from the sales department of the Group will undertake the following internal control measures (item (1) to item (4)) to monitor the pricing and terms of the transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) and to 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 Proposed New Annual Caps are 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 of aluminium profiles and/or panels 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 monthly 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 and/or panels 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 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval), 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 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) are in the Group's ordinary and usual course of business and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders and the Company 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 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) and the Proposed New Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

LETTER FROM THE BOARD

(VIII) REASONS FOR AND BENEFITS OF THE REVISION OF THE EXISTING 2023 ANNUAL CAP AND THE SUPPLEMENTAL AGREEMENT

The Board has been closely monitoring the historical transacted amounts of the continuing connected transactions under the 2023 Lesso Master Supply Agreement. Taking into account the increase in the sales orders, it is considered that the expected aggregate value of continuing connected transactions under the 2023 Lesso Master Supply Agreement would exceed the Existing 2023 Annual Cap. Furthermore, it is expected that the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement will continue on an on-going basis.

Having considered (i) the prices and terms offered by the Group to China Lesso Group have not been more favourable to China Lesso Group than those offered to independent customers; (ii) the internal control measures implemented by the Group; and (iii) the revision of the Existing 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) are necessary to meet the business needs of the Group and to supply aluminium profiles and/or panels to China Lesso Group on an on-going basis pursuant to the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval), the Directors (including the independent non-executive Directors) consider that the 2023 Lesso Master Supply Agreement as amended and Supplemented by the Supplemental Agreement and the Proposed New Annual Caps are (a) entered into in the ordinary and usual course of business of the Group; (b) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the interests of the Company and the Shareholders as a whole.

(IX) INFORMATION ON THE GROUP AND THE PARTIES

(a) The Group

The Group is principally engaged in (i) the manufacturing and sale of aluminium products; and (ii) sale of completed properties.

(b) Guangdong Xingfa

Guangdong Xingfa is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Guangdong Xingfa is principally engaged in the business of manufacturing and sale of aluminium profiles.

(c) China Lesso

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, China Lesso was a company incorporated in the Cayman Islands with limited liability and was interested in

LETTER FROM THE BOARD

approximately 26.11% of the issued shares of the Company through Lesso Group Holdings Limited, its direct wholly-owned subsidiary. Accordingly, as at the Latest Practicable Date, China Lesso was a substantial Shareholder.

The principal activity of China Lesso is investment holding. The principal business activities of the China Lesso Group are the manufacture and sale of building materials and home improvement products; sale of products and provision of services relating to new energy business; the provision of renovation and installation works, environmental engineering and other related services, logistics and other related services, financial services and property rental and other related services.

(X) IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, China Lesso, through Lesso Group Holdings Limited, being its direct wholly-owned subsidiary, held approximately 26.11% of issued shares of the Company and therefore, China Lesso was a substantial Shareholder and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio relating to the Proposed New 2023 Annual Cap for the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement exceeds 5%, the Proposed New 2023 Annual Cap is subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio relating to the highest proposed annual cap for the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval) exceeds 5%, the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(XI) APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (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 interest in the 2023 Lesso Master Supply Agreement and the Supplemental Agreement, and the Proposed New Annual Caps, each of Mr. LUO Jianfeng and Mr. ZUO Manlun had

LETTER FROM THE BOARD

abstained from voting on the resolutions of the Board approving the Proposed New 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025).

(XII) RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 18 to page 19 of this circular which contains its recommendations to the Independent Shareholders in relation to the revision of the Existing 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025); and (ii) the letter from Independent Financial Adviser set out on page 20 to page 35 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders in relation to the revision of the Existing 2023 Annual Cap, the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) and the principal factors and reasons considered by them in formulating their advice.

The Independent Board Committee, having taken into account the recommendation of the Independent Financial Adviser, considers that the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps are:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and
- (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM relating to the Proposed New 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025).

(XIII) EGM

A notice convening the EGM is set out on page EGM-1 to page EGM-3 of this circular. Ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed New 2023 Annual Cap and the Supplemental Agreement (as well as the proposed annual caps for Year 2024 and Year 2025). The voting at the EGM will be taken by poll.

In accordance with the Listing Rules, any connected person or Shareholder with a material interest in the 2023 Lesso Master Supply Agreement and the Supplemental Agreement, the continuing connected transactions contemplated thereunder and the Proposed New Annual Caps must abstain from voting on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Lesso Group Holdings Limited (a substantial Shareholder and a direct wholly-owned subsidiary of China Lesso) which held 109,842,900 Shares, representing approximately 26.11% of issued shares of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM, no other Shareholders have a material interest and will be required to abstain from voting at the EGM in respect of the respective resolutions in relation to the Proposed New 2023 Annual Cap and the Supplemental Agreement (as well as the proposed annual caps for Year 2024 and Year 2025).

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event by 2:00 p.m. (Hong Kong time) on Tuesday, 12 December 2023 or not later than 48 hours before the time appointed for holding the adjourned meeting (if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

(XIV) CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Thursday, 14 December 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of Shares accompanied by the relevant Share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 11 December 2023.

(XV) FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular and the notice of the EGM.

On behalf of the Board
Xingfa Aluminium Holdings Limited
WANG Li
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)

28 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS —
(1) REVISION OF THE EXISTING 2023 ANNUAL CAP
FOR THE 2023 LESSO MASTER SUPPLY AGREEMENT; AND
(2) THE SUPPLEMENTAL AGREEMENT
TO THE 2023 LESSO MASTER SUPPLY AGREEMENT**

We refer to the circular dated 28 November 2023 of the Company (“**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement to the 2023 Lesso Master Supply Agreement (and the proposed annual caps for Year 2024 and Year 2025), details of which are set out in the Circular.

Euto Capital Partners has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement to the 2023 Lesso Master Supply Agreement (and the proposed annual caps for Year 2024 and Year 2025).

We wish to draw your attention to the letter from the Board set out on page 6 to page 17 of the Circular which contains, among others, information on the revision of the Existing 2023 Annual Cap for the 2023 Lesso Master Supply Agreement, the Supplemental Agreement to the 2023 Lesso Master Supply Agreement (and the proposed annual caps for Year 2024 and Year 2025) as well as the letter from the Independent Financial Adviser set out on page 20 to page 35 of the Circular which contains its advice in respect of the revision of the Existing 2023

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement to the 2023 Lesso Master Supply Agreement (and the proposed annual caps for Year 2024 and Year 2025).

Having taken into account (i) that the price and terms offered by the Group to China Lesso Group have not been more favourable to China Lesso Group than those offered to independent customers purchasing the same or substantially similar products of the same period; (ii) the internal control measures implemented by the Group; (iii) the advice of the Independent Financial Adviser as set out in its letter of advice on page 20 to page 35 of the Circular; and (iv) the revision of the Existing 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) are necessary to meet the business needs of the Group and to supply aluminium profiles and/or panels to China Lesso Group on an on-going basis pursuant to the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval), we concur with the view of the Independent Financial Adviser and consider that the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement are (a) entered into in the ordinary and usual course of business of the Group; (b) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Proposed New 2023 Annual Cap for the 2023 Lesso Master Supply Agreement and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025).

Yours faithfully

The Independent Board Committee

CHEN Mo

Independent non-executive Director

HO Kwan Yiu

Independent non-executive Director

LAM Ying Hung, Andy

Independent non-executive Director

WEN Xianjun

Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in respect of the transaction contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps, which has been prepared for the purpose of inclusion in this circular.



Room 1204, Jubilee Centre,
18 Fenwick Street, Wan Chai,
Hong Kong

28 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF THE EXISTING 2023 ANNUAL CAP
FOR THE 2023 LESSO MASTER SUPPLY AGREEMENT
AND
THE SUPPLEMENTAL AGREEMENT TO
THE 2023 LESSO MASTER SUPPLY AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps, details of which are set out in the letter from the Board contained in the circular dated 28 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, Guangdong Xingfa is an indirect wholly-owned subsidiary of the Company. China Lesso, through Lesso Group Holdings Limited, its direct wholly-owned subsidiary, held approximately 26.11% of issued shares of the Company and therefore, China Lesso is a substantial Shareholder and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest of the applicable percentage ratios of the Proposed New Annual Caps exceeds 5%, the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement constituted continuing connected transactions of the Company which are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to consider and advise the Independent Shareholders in relation to the entering of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and as to whether the Proposed New Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the entering of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps.

OUR INDEPENDENCE

Euto Capital was engaged as the independent financial adviser to the Company in relation to the tenancy agreement dated 16 October 2023 and entered into between Guangdong Xingfa Precision Manufacture Co., Ltd., an indirect wholly-owned subsidiary of the Company, as landlord, and Guangdong Xingfa Environmental Technology Co., Ltd., as tenant, in respect of the leasing of the property for a term of nineteen years (details of which were set out in the Company's announcement dated 16 October 2023). Save for the aforesaid engagement, there was no other service provided by Euto Capital to the Company during the past two years immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as a hindrance to Euto Capital's independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and the Management, for which they are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be true as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analysis were based upon, among other things, (i) the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement; (ii) the summary of the contract list setting out the information of the contracts entered into between the Guangdong Xingfa Group and China Lesso Group for the six months ended 30 June 2023; (iii) the contract list setting out the information of the contracts entered into between the Guangdong Xingfa Group and other independent customers for the ten months ended 31 October 2023; (iv) summary of sales order list entered and to be entered between the Guangdong Xingfa Group and China Lesso Group for November and December 2023; (v) the historical transactions documents between the Guangdong Xingfa Group and other independent customers for the six months ended 30 June 2023; (vi) the internal control policy for continuing connected transactions of the Group; and (vii) this Circular.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and/or the Management.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the entering of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the entering of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

1. Information on the Company and the Group background information of the parties to the entering of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement

(i) The Group

The Group is principally engaged in (i) the manufacturing and sale of aluminium products; and (ii) sale of completed properties.

(ii) Guangdong Xingfa

Guangdong Xingfa is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Guangdong Xingfa is principally engaged in the business of manufacturing and sale of aluminium profiles.

(iii) China Lesso

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, China Lesso was a company incorporated in the Cayman Islands with limited liability and was interested in approximately 26.11% of the issued shares of the Company through Lesso Group Holdings Limited, its direct wholly-owned subsidiary. Accordingly, as at the Latest Practicable Date, China Lesso is a substantial Shareholder.

The principal activity of China Lesso is investment holding. The principal business activities of the China Lesso Group are the manufacture and sale of building materials and home improvement products; sale of products and provision of services relating to new energy business; the provision of renovation and installation works, environmental engineering and other related services, logistics and other related services, financial services and property rental and other related services.

Reasons for and benefits of the revision of the Existing 2023 Annual Cap and the supplemental agreement

The Board has been closely monitoring the historical transacted amounts of the continuing connected transactions under the 2023 Lesso Master Supply Agreement. Taking into account the increase in the sales orders, it is considered that the expected aggregate value of continuing connected transactions under the 2023 Lesso Master Supply Agreement would

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

exceed the Existing 2023 Annual Cap. Furthermore, it is expected that the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement will continue on an on-going basis.

Having considered (i) the prices and terms offered by the Group to China Lesso Group have not been more favourable to China Lesso Group than those offered to independent customers; (ii) the internal control measures implemented by the Group; and (iii) the revision of the Existing 2023 Annual Cap and the Supplemental Agreement (and the proposed annual caps for Year 2024 and Year 2025) are necessary to meet the business needs of the Group and to supply aluminium profiles and/or panels to China Lesso Group on an on-going basis pursuant to the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement subject to Independent Shareholders' approval), the Directors (including the independent non-executive Directors whose view has been included in the section headed "Letter from the Independent Board Committee" in this circular) consider that the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps are (a) entered into in the ordinary and usual course of business of the Group; (b) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the interests of the Company and the Shareholders as a whole.

2023 LESSO MASTER SUPPLY AGREEMENT

(i) Principal terms of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement

1. The principal terms of the 2023 Lesso Master Supply Agreement are set out below:

Date: 30 December 2022

Parties

(i) Supplier(s): Guangdong Xingfa Group

(ii) Purchaser(s): China Lesso Group

Duration

The 2023 Lesso Master Supply Agreement is for a term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter

Pursuant to the 2023 Lesso Master Supply Agreement, Guangdong Xingfa Group members, as suppliers, agreed to sell to China Lesso Group members, as purchasers, aluminium profiles and/or panels specified by members of the China Lesso Group. The aluminium profiles and/or panels to be purchased by China Lesso Group members will be further processed into building materials, home improvement products and renovation and installation materials and sold to their customers. There is no minimum supply amount under the 2023 Lesso Master Supply Agreement 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 2023 Lesso Master Supply Agreement, 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 aluminium profiles and/or panels as required by China Lesso Group. 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 and/or panels required will be different from batch to batch.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and/or panels under the 2023 Lesso Master Supply Agreement. The relevant sales department of Guangdong Xingfa Group will approve the proposed transactions to ensure that the aluminium profiles and/or panels to be supplied to China Lesso Group members are of comparable prices for such products being supplied to independent third parties.

2. The principal terms of the Supplemental Agreement are set out below:

Given that the 2023 Lesso Master Supply Agreement will expire on 31 December 2023 and the parties thereto anticipated that the continuing connected transactions contemplated thereunder will continue on an on-going basis, on 27 October 2023, Guangdong Xingfa and China Lesso entered into the Supplemental Agreement to amend and extend the term of the 2023 Lesso Master Supply Agreement to 31 December 2025, subject to Independent Shareholders' approval.

As amended and supplemented by the Supplemental Agreement, subject to Independent Shareholders' approval, the duration of the 2023 Lesso Master Supply Agreement shall be amended to a term of three years from 1 January 2023 to 31 December 2025 (both dates inclusive). Save for the aforesaid, the other principal terms of the 2023 Lesso Master Supply Agreement shall remain unchanged and a summary of which has been set out above.

(ii) Assessment on the principal terms of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement

In order to assess the fairness and reasonableness of the terms of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement, we have obtained the 2023 Lesso Master Supply Agreement, the Supplemental Agreement and the contract list setting out the information of the contracts entered into between the Guangdong Xingfa Group and China Lesso Group for the ten months ended 31 October 2023 (the "**Contract List**"). We have also selected samples of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and sample contracts entered into between the Guangdong Xingfa Group and its independent third parties customers (the "**Independent Customers**") for the six months ended 30 June 2023.

We have selected and reviewed 10 existing contracts between the Group and the China Lesso Group and the contracts between the Group and the Independent Customers for the six months ended 30 June 2023 (the "**Comparable Contracts**"). By comparing the terms of the contracts of the China Lesso Group against the terms of the Comparable Contracts, we noted that the major contract terms offered to the China Lesso Group and the Independent Customers are consistent with each other.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also enquired the Management and noted that 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.

Also, we noted that 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 aluminium profiles and/or panels as required by China Lesso Group. 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 and/or panels 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 and/or panels under the 2023 Lesso Master Supply Agreement. The relevant sales department of Guangdong Xingfa Group will approve the proposed transactions to ensure that the aluminium profiles and/or panels to be supplied to China Lesso Group members are of comparable prices for such products being supplied to independent third parties.

Besides, we have reviewed the summary of contract list setting out the information of the contracts entered into between the Guangdong Xingfa Group and Independent Customers for the six months ended 30 June 2023 and compared the prices of the aluminium profiles or panels per unit for similar products offered to the China Lesso Group with the ones offered to the Independent Customers and checked to the prevailing average price of aluminium ingots as quoted on Guangdong Nanhai Nonferrous Metals Market in the same period. We noted that the respective price per aluminium profiles and/or panels offered to the China Lesso Group were comparable to those offered to the Independent Customers and were higher than the prevailing average price of aluminium ingots as quoted on Guangdong Nanhai Nonferrous Metals Market during the relevant periods.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Having considered that (i) the major contract terms offered to the China Lesso Group and the Independent Customers are comparable with each other; and (ii) the prices 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 than those of sale of such aluminium profiles and/or panels to other independent customers, it is considered that the terms of the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(iii) The Proposed New Annual Caps

Historical transaction amounts

The following table sets out the (i) existing annual caps for the sale of aluminium profiles and/panels by Guangdong Xingfa Group to China Lesso Group pursuant to the respective master supply agreement for Year 2021, Year 2022 and Year 2023; and (ii) the total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group (including Jiangxi Jingxing which became member of China Lesso Group since March 2021) in Year 2021 and Year 2022 and for the six months ended 30 June 2023:

	For the year ended 31 December		
	2021 (RMB)	2022 (RMB)	2023 (RMB)
Existing annual caps	125,000,000	122,000,000	153,712,000
			For the six months ended
	For the year ended 31 December		30 June
	2021 (RMB)	2022 (RMB)	2023 (RMB)
Total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group (approximately)	63,200,000	82,200,000	127,500,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following sets out the Proposed New Annual Caps in respect of the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Proposed New Annual Caps	300,000,000	350,000,000	400,000,000

As advised by the Management, the Proposed New Annual Caps are determined on the principal 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 businesses of the Group and primarily with reference to:

- (1) the historical sales amount of aluminium profiles and/or panels sold by Guangdong Xingfa Group to China Lesso Group;
- (2) the projected future sales volume of aluminium profiles and/or panels to be sold to China Lesso Group during the Year 2023, Year 2024 and Year 2025;
- (3) the processing fee for processing aluminium ingots into aluminium profiles and panels in the Year 2023, Year 2024 and Year 2025; and
- (4) the recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic.

As at the Latest Practicable Date, the total actual value of the transactions carried out pursuant to the 2023 Lesso Master Supply Agreement in the Year 2023 has not exceeded the Existing 2023 Annual Cap.

Our view and assessment on the Proposed New Annual Caps

In assessing the reasonableness and fairness of the Proposed New Annual Caps, we have discussed with the Management and noted that the Proposed New Annual Caps are determined with reference to the following basis.

- (i) *The recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic*

Set out in the below table are the (i) existing annual caps for the sale of aluminium profiles and/panels by Guangdong Xingfa Group to China Lesso Group pursuant to the respective master supply agreement for Year 2021, Year 2022 and Year 2023; (ii) the total actual sales amount of aluminium profiles and/or panels by Guangdong Xingfa Group to China Lesso Group (including Jiangxi Jingxing which became member of China

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

stable business development of the Guangdong Xingfa Group and the China Lesso Group, it is considered that the Existing 2023 Annual Cap is not sufficient and is necessary to be renewed to meet the business needs of the Group in order to supply aluminium profiles and/or panels to the China Lesso Group on an on-going basis pursuant to the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement.

(ii) the projected future sales volume of aluminium profiles and/or panels to be sold to China Lesso for the three years ending 31 December 2025

As advised by the Management, the Proposed New Annual Caps were estimated mainly based on the projected future volume of aluminium profiles and/or panels to be sold to the China Lesso Group for the three years ending 31 December 2025. As stated in the above tables, the actual sales increased significantly from approximately RMB63.2 million in Year 2021 to approximately RMB82.2 million in Year 2022 and further to approximately RMB127.5 million for the six months ended 30 June 2023. As advised by the Management, the total amount of sales between the Guangdong Xingfa Group and the China Lesso Group is estimated to be approximately RMB150 million as at the Latest Practicable Date which represented an utilisation rate of approximately 97.6% of the Existing 2023 Annual Cap. Also, we were further advised that (i) the sales between the Guangdong Xingfa Group and the China Lesso Group is estimated to be approximately RMB85.8 million and RMB239.5 million for two months ending 31 December 2023 and for the year ending 31 December 2023 respectively; (ii) there will be an increase in demand of the different types of aluminium profiles and/or panels from the China Lesso Group including but not limited to the scrap aluminium and it will contribute a more significant portion of the sales in the future; (iii) there is a continued expansion in the business scales of the Guangdong Xingfa Group and the China Lesso Group in the coming years; and (iv) approximate 20% buffers were applied in order to cater for the possible unexpected increases in transaction amounts due to one-off or occasional projects from China Lesso Group which were delayed by COVID-19 pandemic and will resume for the two years ending 31 December 2025.

In assessing the fairness and reasonableness of the Proposed New Annual Caps, we reviewed the contract list setting out the information of the contracts entered between the Guangdong Xingfa Group and the China Lesso Group for the ten months ended 31 October 2023 and the summary of sales order list entered and to be entered between the Guangdong Xingfa Group and the China Lesso Group for November and December 2023. No material derivation in calculation was found. In order to further assess the fairness and reasonableness of the Proposed New Annual Caps, we sample checked 10 contracts entered between the Guangdong Xingfa Group and the China Lesso Group for the ten months ended 31 October 2023 and noted that the transaction details matched with the contract lists details. Also, we have reviewed 10 samples of new sales contracts in related to the sales orders entered and to be entered between the Guangdong Xingfa Group and the China Lesso Group for November and December 2023 and acknowledged

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that new sales contracts were signed between the Guangdong Xingfa Group and the China Lesso Group in October 2023 on top of the previous contracts with long stop date dated 31 December 2024 due to the increase in demand of the building material and interior decoration products as compared to the original plans of the China Lesso Group and it supports the increase in demand of the China Lesso Group for the two years ending 31 December 2024. Moreover, as advised by the Management, the current contracts will be renewed with similar terms once expired. Therefore, the sales between the Guangdong Xingfa Group and the China Lesso Group for the two years ending 31 December 2025 are expected to be maintained at a higher level to that of year 2023 assuming the Guangdong Xingfa Group and the China Lesso Group can execute their respective business plans and continue to expand.

In view of (i) the long business relationship between the Guangdong Xingfa Group and the China Lesso Group; (ii) new sales contracts were signed in October 2023 and approximately RMB85.8 million sales will be executed in November and December 2023; and (iii) approximately RMB150 million sales was recorded between the Guangdong Xingfa Group and the China Lesso Group as at the Latest Practicable Date which contributed approximately 97.6% of the Existing 2023 Annual Cap, it is considered that there will not be a material derivation between the project sales between the Guangdong Xingfa Group and the China Lesso Group for the year ending 31 December 2023 with the Proposed New 2023 Annual Caps assuming the Guangdong Xingfa Group and the China Lesso Group can execute their respective business plans.

As mentioned by the Management, the demand of aluminium profiles and/or panels will increase gradually due to the recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic. The proposed annual caps for the year ending 31 December 2024 and year ending 31 December 2025 will be amounted to approximately RMB350 million and RMB400 million respectively and the corresponding expected annual growth rate would be approximately 16.7% and 14.3% respectively. Having considered (i) the significant percentage increase in the actual transaction amounts with China Lesso Group from Year 2021 to Year 2022 and from Year 2022 to the six months ended 30 June 2023 of approximately 30.1% and 55.1% respectively; (ii) there will be an increase in demand of the different types of aluminium profiles and/or panels including but not limited to the scrap aluminium in the coming years as advised by the Management; and (iii) the one-off or occasional projects which were delayed by COVID-19 pandemic will resume for the two years ending 31 December 2025, it is considered that such growth rates are reasonable.

In view of (i) the recovery of market demand for aluminium profiles and/or panels from the COVID-19 pandemic; (ii) the significant increase in sales between the Guangdong Xingfa Group and the China Lesso Group from Year 2021 to Year 2023; (iii) the long business relationship between the Guangdong Xingfa Group and the China Lesso Group; (iv) the historical sales between the Guangdong Xingfa Group and the China Lesso Group nearly reaches the limit proposed by the Existing 2023 Annual Caps and it

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is necessary to renew the Existing 2023 Annual Caps in order to cope with the business needs of the Guangdong Xingfa Group; and (v) the expected increase in proposed annual caps and the corresponding growth rates of Year 2024 and Year 2025 are justifiable, we are of the view that the Proposed New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

INTERNAL CONTROL MEASURES

In order to ensure that the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement are conducted in accordance with their framework agreement and in strict compliance with the relevant pricing policies, the relevant management personnel from the sales department of the Group will undertake the following internal control measures (item (1) to item (4)) to monitor the pricing and terms of the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and to 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 Proposal New Annual Caps are 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 of aluminium profiles and/or panels 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 monthly 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 and/or panels 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 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement, 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 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement are in the Group's ordinary and usual course of business and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, on terms no more favourable than prices and terms offered to independent customers on an annual basis; and

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- (6) the auditors of the Company will review the pricing and terms of the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

Where the Proposed New Annual Caps in preceding paragraphs are exceeded, the agreement is renewed, or material changes take place, the Company will be required to comply with the reporting, announcement, and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.47 of the Listing Rules.

The Board considers that such internal control procedures on pricing can effectively ensure that the pricing and terms of the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement are conducted on normal commercial terms and on terms no less favourable than those terms for similar service by the Group to independent third parties, and in accordance with the pricing policies of the Group.

We have further reviewed the internal control manual regarding the continuing connected transactions and as advised by the Management, we noted that (i) the relevant management personnel from the sales departments of the Group will supervise and monitor the connected transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement on a monthly basis to ensure the relevant transactions are conducted on normal commercial terms, in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and 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; (ii) independent non-executive Directors will review the pricing and terms of the connected transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement annually and confirm that the relevant transactions have been conducted in the ordinary and usual course of business of the Group, on terms no more favourable than prices and terms offered to independent customers, and in accordance with the agreements governing them on terms that are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) auditor of the Company will review the pricing and terms of the transactions contemplated under the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules annually.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

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OPINION AND RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps are (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the 2023 Lesso Master Supply Agreement as amended and supplemented by the Supplemental Agreement and the Proposed New Annual Caps at the EGM.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Jason Wong
Director

Mr. Jason Wong is currently a responsible officer of Euto Capital Partners Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Wong has over 9 years of experience in the corporate finance industry, and has participated in the provision of financial advisory and independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered into the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Long positions

Name of Directors	Capacity	No. of ordinary Shares	Total number of ordinary Shares	Percentage of shareholding as at the Latest Practicable Date <i>(approximate)</i>
LIAO Yuqing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	48,200,100	48,200,100	11.46%
LAW Yung Koon	Beneficial owner Interest of spouse	19,432,000 1,719,000	19,432,000 1,719,000	4.62% 0.41%
WANG Zhihua	Beneficial owner	128,000	128,000	0.03%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial shareholders' or others' interests

As at the Latest Practicable Date, so far as was known to any Director, the following parties (other than the Directors and chief executive of the Company) had interests or short positions in the Shares, underlying Shares or debenture of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Company.

Name	Capacity	Total number of ordinary Shares	Percentage of shareholding as at the Latest Practicable Date <i>(approximate)</i>
GuangXin (Hong Kong) Investment Limited	Beneficial owner	132,382,000	31.47%
Guangdong Guangxin Holdings Group Ltd.*	Interest of controlled corporation	132,382,000	31.47%
State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*	Interest of controlled corporation	132,382,000 <i>(Note 1)</i>	31.47%
Lesso Group Holdings Limited	Beneficial owner	109,842,900	26.11%

Name	Capacity	Total number of ordinary Shares	Percentage of shareholding as at the Latest Practicable Date <i>(approximate)</i>
China Lesso Group Holdings Limited	Interest of controlled corporation	109,842,900	26.11%
New Fortune Star Limited	Interest of controlled corporation	109,842,900	26.11%
Xi Xi Development Limited	Interest of controlled corporation	109,842,900	26.11%
UBS Trustees (B.V.I.) Limited	Interest of controlled corporation	109,842,900 <i>(Note 2)</i>	26.11%
WONG Luen Hei	Founder of a discretionary trust who can influence how the trustee exercises his discretion	109,842,900 <i>(Note 2)</i>	26.11%
Sure Keen Limited	Beneficial owner	48,200,100	11.46%
Glorious Joy Limited	Interest of controlled corporation	48,200,100	11.46%
TMF (Cayman) Limited	Trustee	48,200,100 <i>(Note 3)</i>	11.46%

Notes:

1. These Shares were held by GuangXin (Hong Kong) Investment Limited, which was directly wholly-owned by Guangdong Guangxin Holdings Group Ltd.* and ultimately owned by the State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*.
2. These Shares were held by Lesso Group Holdings Limited, which was directly wholly-owned by China Lesso Group Holdings Limited. China Lesso Group Holdings Limited was owned as to 68.54% by New Fortune Star Limited, which was wholly-owned by Xi Xi Development Limited and ultimately wholly-owned by UBS Trustees (B.V.I.) Limited, as trustee of a discretionary trust, the settlor of which was Mr. Wong Luen Hei.

3. These Shares were held by Sure Keen Limited, which was directly wholly-owned by Glorious Joy Limited and ultimately wholly-owned by TMF (Cayman) Limited, as trustee of a discretionary trust, the settlor of which was Mr. LIAO Yuqing, an executive Director.
4. As at the Latest Practicable Date, (i) Mr. Luo Jianfeng, an executive Director, was an executive director of China Lesso; and (ii) Mr. Zuo Manlun, a non-executive Director, was the chief executive officer of China Lesso and was interested in 5,542,000 shares in China Lesso.

3. COMPETING INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors none of the Directors or any of their respective close associates had interests in businesses, other than being a Director and their respective close associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors and their respective close associates were controlling shareholders of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, so far as was known to the Directors:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given an opinion or advice which is included in this circular:

Name	Qualification
Euto Capital Partners	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Euto Capital Partners did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Euto Capital Partners did not have any interest, direct or indirect, in any assets which had been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

Euto Capital Partners has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.xingfa.com for 14 days from the date of this circular:

- (a) the 2023 Lesso Master Supply Agreement; and
- (b) the Supplemental Agreement.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistency.



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 (“**Meeting**”) of Xingfa Aluminium Holdings Limited (“**Company**”) will be held at 2:00 p.m. (Hong Kong time) on Thursday, 14 December 2023 at No. 5, Zone D, Central Science and Technology Industrial Park, Sanshui District, Foshan City, Guangdong Province, the People’s Republic of China to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

1. “**THAT:**

- (a) the proposed revised estimated maximum aggregate annual transaction value in respect of the continuing connected transactions contemplated under the master supply agreement dated 30 December 2022 and entered into between 廣東興發鋁業有限公司 (Guangdong Xingfa Aluminium Co., Ltd.*) and China Lesso Group Holdings Limited (“**2023 Lesso Master Supply Agreement**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) for the year ending 31 December 2023 as set out in the circular to the shareholders of the Company dated 28 November 2023 (“**Circular**”) be and is hereby approved; and
- (b) the directors of the Company (“**Directors**”) acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the proposed revised estimated maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement for the year ending 31 December 2023.”

NOTICE OF EGM

2. “**THAT:**

- (a) the supplemental agreement dated 27 October 2023 entered into between 廣東興發鋁業有限公司 (Guangdong Xingfa Aluminium Co., Ltd.*) and China Lesso Group Holdings Limited to amend and supplement the 2023 Lesso Master Supply Agreement (“**Supplemental Agreement**”) (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and the continuing connected transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the proposed estimated maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the 2023 Lesso Master Supply Agreement (as amended and supplemented by the Supplemental Agreement) for the two years ending 31 December 2024 and 31 December 2025 as set out in the Circular be and are hereby approved; and
- (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the Supplemental Agreement and the continuing connected transactions contemplated thereunder.”

On behalf of the Board
Xingfa Aluminium Holdings Limited
WANG Li
Chairman

28 November 2023

* *For identification purpose only*

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

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person (who must be an individual) as his/her/its proxy to attend and vote instead of him/her/it and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy needs not be a member of the Company. A member (whether or not a recognised clearing house) may appoint any number of proxies to attend in his/her/its stead at the Meeting.
2. In the case of joint holders of shares of the Company (“Shares”), any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares, or his/her/its proxy, shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer, attorney or other person duly authorised to sign the same, and must be deposited with the branch share registrar and transfer office of the Company (“**Branch Registrar**”) in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) by 2:00 p.m. (Hong Kong time) on Tuesday, 12 December 2023 or not later than 48 hours before the time fixed for holding the adjourned meeting (if any). Completion and return of the form of proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy previously submitted shall be deemed to be revoked.
4. In order to determine the right to attend the Meeting, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Thursday, 14 December 2023 (both days inclusive), during which period no transfer of the Shares will be effected. In order to be qualified for the attendance of the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 11 December 2023.
5. The resolutions will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this notice, the Board comprised Mr. WANG Li, Mr. LIAO Yuqing, Mr. WANG Lei, Mr. LAW Yung Koon, Mr. WANG Zhihua, Mr. LUO Jianfeng, as executive Directors; Mr. ZUO Manlun and Ms. XIE Jingyun as non-executive Directors; and Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung, Andy and Mr. WEN Xianjun as independent non-executive Directors.