

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XINGFA ALUMINIUM HOLDINGS LIMITED

興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 98)

CONNECTED TRANSACTION DISPOSAL OF XINGFA ENVIRONMENTAL INTEREST

DISPOSAL OF XINGFA ENVIRONMENTAL INTEREST

Reference is made to the announcement of the Company dated 28 November 2023 in relation to the possible disposal of Xingfa Environmental Interest.

The Publication Period of the Listing-for-Sale ended on 25 December 2023. As notified by GUAEX, Yongbao Environmental was assessed as the successful bidder. Accordingly, on 29 December 2023, Xingfa Environmental and Yongbao Environmental entered into the Equity Transfer Agreement in relation to the Disposal. The Transfer Price is fixed at RMB15 million (equivalent to approximately HK\$16.5 million).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement and immediately before completion of the Disposal, Xingfa Environmental is indirectly owned as to 40% by the Group through its wholly-owned subsidiary, Guangdong Xingfa, and as to 60% by Yongbao Environmental. Yongbao Environmental is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Yongbao Environmental is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 28 November 2023 in relation to the possible disposal of Xingfa Environmental Interest (“**First Announcement**”).

The Publication Period of the Listing-for-Sale ended on 25 December 2023. As notified by GUAEX, Yongbao Environmental was assessed as the successful bidder. Accordingly, on 29 December 2023, Guangdong Xingfa and Yongbao Environmental entered into the Equity Transfer Agreement in relation to the Disposal.

THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are summarised below:

Date:

29 December 2023

Parties:

Vendor: Guangdong Xingfa

Purchaser: Yongbao Environmental

Subject matter:

Subject to the terms and conditions of the Equity Transfer Agreement, Guangdong Xingfa agrees to transfer and Yongbao Environmental agrees to acquire the Xingfa Environmental Interest, representing 40% of the entire equity interest of Xingfa Environmental.

Consideration:

As Yongbao Environmental is the only eligible bidder and the bid price it offered is the Minimum Consideration, the Transfer Price is fixed at the Minimum Consideration.

The Minimum Consideration is RMB15 million (equivalent to approximately HK\$16.5 million), which is determined with reference to the proportion of Xingfa Environmental Interest in the Valuation conducted by the Valuer using the income approach. Based on such Valuation, the appraised value of the entire equity interest of Xingfa Environmental was approximately RMB36.5 million (equivalent to approximately HK\$40.2 million) as at the Valuation Reference Date.

The Transfer Price (less the Earnest Money) shall be paid in cash by Yongbao Environmental into the designated account of GUAEX within 5 Business Days after the signing and effective date of the Equity Transfer Agreement. GUAEX shall then deposit the Transfer Price to the designated account of Guangdong Xingfa within 3 Business Days after the receipt of such Transfer Price from Yongbao Environmental and the full payment of the service fees payable by each of Yongbao Environmental and Guangdong Xingfa.

The Directors consider that the valuation method adopted in the Valuation is appropriate, and fair and reasonable as it can objectively reflect the intrinsic value and the business potential of Xingfa Environmental when compared with other valuation methods.

Completion:

GUAEX shall issue a certificate of transaction (交易憑證) (“**Certificate of Transaction**”) within 3 Business Days upon receipt of the Transfer Price, full payment of the service fees payable by each of Yongbao Environmental and Guangdong Xingfa, and the written confirmation setting out the amount of additional interest receivable under the shareholder’s loan by Guangdong Xingfa.

Completion shall take place at the completion of the Business Registration by Yongbao Environmental within 30 days upon the receipt of Certificate of Transaction.

Other major conditions:

- (i) Any profit or loss incurred by Xingfa Environmental from the Valuation Reference Date to the Business Registration Completion Date shall be borne by the shareholders of Xingfa Environmental after the completion of the Business Registration in accordance with their then respective shareholdings; and
- (ii) The shareholder’s loan owed by Xingfa Environmental to Guangdong Xingfa shall be repayable within 15 days from the Business Registration Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the First Announcement, the Group wishes to dispose of the Xingfa Environmental Interest to facilitate the strategic restructuring of the Group. The Board is of the view that it is desirable for the Group to dispose of the Xingfa Environmental Interest through Listing-for-Sale, in order to comply with relevant PRC laws and regulations concerning the disposal of State-owned assets, to achieve the highest price in the open market and to have the proceeds to fund the development of the Group’s other principal businesses.

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole although the Disposal is not in the ordinary and usual course of business of the Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. LUO Jianfeng, an executive Director nominated by China Lesso and an executive director of China Lesso and 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 Disposal, each of Mr. LUO Jianfeng and Mr. ZUO Manlun had abstained from voting in the resolutions of the Board to approve the Equity Transfer Agreement and the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately before completion of the Disposal, Xingfa Environmental is accounted for as an associate of the Group. Immediately upon completion of the Disposal, the Group will cease to hold any interest in Xingfa Environmental. Xingfa Environmental will then cease to be an associate of the Group.

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

Based on the Transfer Price, the Disposal is expected to give rise to a book gain of approximately RMB14.6 million (equivalent to HK\$16.1 million), being the difference between the Transfer Price and the Group's share of the audited consolidated net asset value of Xingfa Environmental as at 30 June 2023, as if the Disposal was completed on 30 June 2023. The actual amount of gain on the Disposal to be recorded by the Group will depend on the net asset value of Xingfa Environmental on the completion date of the Disposal, which therefore may be different from the amount mentioned above.

FINANCIAL INFORMATION ON XINGFA ENVIRONMENTAL

As at 30 June 2023, the audited consolidated total asset value and audited consolidated net asset of Xingfa Environmental were approximately RMB152.4 million (equivalent to HK\$167.6 million) and approximately RMB0.3 million (equivalent to HK\$0.3 million) respectively. Certain financial information of Xingfa Environmental as extracted from the

financial statements of Xingfa Environmental (prepared in accordance with PRC GAAP and audited by independent auditors in the PRC) for the two years ended 31 December 2021 and 31 December 2022 is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>approximately</i>	<i>approximately</i>
Net loss (before and after tax)	<u>13,674</u>	<u>3,956</u>

INFORMATION ON THE PARTIES

(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) Yongbao Environmental

To the best of the Directors' knowledge information and belief having made all reasonable enquiries, as at the date of this announcement, Yongbao Environmental is a company established in the PRC with limited liability, and indirectly owned as to approximately 59.5% by China Lesso, a substantial Shareholder. Yongbao Environmental is principally engaged in the business of hazardous waste processing.

(iv) China Lesso

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

The principal business activity of China Lesso is investment holding. The principal business activities of 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, financial services and property rental and other related services.

(v) Xingfa Environmental

Xingfa Environmental is a company established in the PRC. As at the date of this announcement, its registered capital is RMB30 million (equivalent to HK\$33 million) which is indirectly owned as to 40% by Guangdong Xingfa and as to 60% by Yongbao Environmental. Xingfa Environmental is principally engaged in the business of research and development of various environmental protection and hazardous waste processing equipment.

By virtue of the aforesaid relationships between the Company and the parties, each of Yongbao Environmental and China Lesso is a connected person of the Company under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement and immediately before completion of the Disposal, Xingfa Environmental is indirectly owned as to 40% by the Group through its wholly-owned subsidiary, Guangdong Xingfa, and as to 60% by Yongbao Environmental. Yongbao Environmental is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Yongbao Environmental is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	means the board of Directors
“Business Day(s)”	means any day on which licensed banks in the PRC are open for business
“Business Registration Completion Date”	the date of completion of the requisite business registration for the transfer of Xingfa Environmental Interest pursuant to the Equity Transfer Agreement
“China Lesso”	means China Lesso Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. As at the date of this announcement, China Lesso is interested in approximately 26.11% equity interest of the Company through its direct wholly-owned subsidiary
“Company”	means Xingfa Aluminium Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the directors of the Company
“Disposal”	means the Group’s disposal of the Xingfa Environmental Interest pursuant to the Equity Transfer Agreement
“Earnest Money”	the earnest money in the amount of RMB4.5 million paid by Yongbao Environmental as an interested bidder to GUAEX during the Publication Period
“Equity Transfer Agreement”	means the equity transfer agreement dated 29 December 2023 and entered into between Guangdong Xingfa as vendor and Yongbao Environmental as purchaser in relation to the Disposal

“Group”	means the Company and its subsidiaries from time to time
“GUAEX”	means 廣東聯合產權交易中心 (Guangdong United Assets and Equity Exchange), an institution authorised by Guangdong Municipal Government to transact assets and equity of State-owned enterprises under the central government of the PRC
“Guangdong Xingfa”	means 廣東興發鋁業有限公司 (unofficial English translation being Guangdong Xingfa Aluminium Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	means a third party independent of the Company and its connected persons
“Listing-for-Sale”	means the listing-for-sale process carried out through GUAEX for the disposal of the Xingfa Environmental Interest
“Listing-for-Sale Notice”	means the notice (產權轉讓公告) in respect of the Listing-for-Sale
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Consideration”	means the minimum consideration of RMB15 million (equivalent to HK\$16.5 million), i.e. the minimum bidding price, for the transfer of Xingfa Environmental Interest
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“PRC GAAP”	means generally accepted accounting principles in the PRC
“Publication Period”	means the period during which the Disposal was disclosed to the public on the designated online system of GUAEX by way of the Listing-for-Sale Notice
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transfer Price”	means the consideration payable by Yongbao Environmental for the transfer of the Xingfa Environmental Interest pursuant to the Equity Transfer Agreement
“Valuation”	means the valuation of the entire equity interest of Xingfa Environmental conducted by the Valuer as at the Valuation Reference Date
“Valuation Reference Date”	means 30 June 2023
“Valuation Report”	means the valuation report dated 23 October 2023 issued by the Valuer in respect of the Valuation
“Valuer”	means Guangdong Union Trust Evaluation Co., Ltd. (廣東聯信資產評估土地房地產估價有限公司), a qualified independent valuer in the PRC
“Xingfa Environmental”	means 廣東興發環境科技有限公司 (unofficial English translation being Guangdong Xingfa Environmental Technology Co., Ltd.), a company established in the PRC with limited liability
“Xingfa Environmental Interest”	means the 40% equity interest held by Guangdong Xingfa in Xingfa Environmental

“Yongbao Environmental” means 江蘇永葆環保科技股份有限公司 (unofficial English translation being Jiangsu Yongbao Environmental Technology Co., Ltd.), a company established in the PRC with limited liability and indirectly owned as to approximately 59.5% by China Lesso, a substantial Shareholder

“%” means per cent

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.0 to HK\$1.1. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

29 December 2023

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

Executive Directors: Mr. WANG Li (*Chairman*)
Mr. LIAO Yuqing (*Chief Executive Officer*)
Mr. WANG Lei
Mr. LAW Yung Koon
Mr. WANG Zhihua
Mr. LUO Jianfeng

Non-executive Directors: Mr. ZUO Manlun
Ms. XIE Jingyun

Independent non-executive Directors: Mr. CHEN Mo
Mr. HO Kwan Yiu
Mr. LAM Ying Hung, Andy
Mr. WEN Xianjun