

24 April 2017

*To: The Shareholders*

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF XINGFA ALUMINIUM HOLDINGS LIMITED  
BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW)**

**INTRODUCTION**

On 22 September 2016, the Joint Offerors requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange, subject to, among others, satisfaction of the Pre-Condition. The Joint Offerors and the Company jointly announced that the Pre-Condition had been satisfied on 21 March 2017.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notice of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from Octal Capital Limited, being the Independent Financial Adviser, set out in Part VI of this Scheme Document, the Explanatory Memorandum set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix IV to this Scheme Document.

## **TERMS OF THE PROPOSAL**

### **The Scheme**

Subject to the fulfilment or waiver (as applicable) of the Conditions as described in the Explanatory Memorandum, the Proposal will be implemented by way of the Scheme, pursuant to which the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Joint Offerors the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The number of new Shares to be received by each of the Joint Offerors will be proportional to each of their respective percentage shareholdings in the Company upon the cancellation of the Scheme Shares without involving any fraction of a Share. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors. Upon the Scheme having become effective, the Joint Offerors, namely Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying, will hold approximately 41.34%, 18.83%, 17.09%, 15.89%, 6.28% and 0.57% of the issued share capital of the Company, respectively.

The Scheme will provide that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK\$3.70 in cash for each Scheme Share. The total consideration of approximately HK\$424.57 million payable for the Scheme Shares will be payable by the Joint Offerors.

Assuming that the Scheme becomes effective on Thursday, 1 June 2017, cheques for cash entitlements under the Scheme are expected to be dispatched to the Scheme Shareholders by ordinary mail at their own risk on or before Monday, 12 June 2017.

**The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.**

### **Comparison of value and financial effects**

#### ***Cancellation Price***

The Cancellation Price of HK\$3.70 per Scheme Share represents:

- a premium of approximately 24.58% over the closing price of HK\$2.97 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 35.17% over the average closing price of approximately HK\$2.74 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 37.66% over the average closing price of approximately HK\$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.76% over the average closing price of approximately HK\$2.67 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 37.65% over the average closing price of approximately HK\$2.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 3.64% over the closing price of HK\$3.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 18.04% over the consolidated net asset value per Share of approximately HK\$4.51 as of 31 December 2016<sup>(1)</sup>.

<sup>(1)</sup> Any amount denominated in RMB was translated into HK\$ at the rate of HK\$1 = RMB0.89451 (being the RMB central parity rate by the People's Bank of China as at 30 December 2016).

The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years. The Cancellation Price will not include any dividends which may be declared by the Company prior to the Effective Date. The Company does not expect to declare any dividend on or before the Effective Date.

## **Financial Resources**

Each of Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing will finance its/his proportion of the cash required for the Proposal from its/his respective internal financial resources. In light of the interests payable arising from the prolonged period from the Announcement Date and the Effective Date, the unconditional loan previously granted by Guangxin Aluminium to Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the purpose of financing the cash required by Mr. LUO Su, Mr. LUO Riming and Mr. LIAO Yuqing for the Proposal has been fully repaid and the relevant loan agreements have been terminated.

Mr. LAW Yung Koon and Ms. LAM Yuk Ying will finance each of their proportion of the cash required for the Proposal from an unconditional loan provided by Mr. LUO Su, which loan has been fully drawn down.

CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging their respective obligations in respect of the full implementation of the Proposal.

## **Dividends**

The Company does not expect to declare any dividend on or before the Effective Date.

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

The Company plans to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles; (ii) through exploration of electronic commerce business, expanding the retail and selling channels and focusing on the long-term development of the aluminium profiles business, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

Since its listing in March 2008, the Company's share price performance has not been satisfactory, and it has not made full use of its listed status to raise funds for driving its business growth. As a leading aluminium profiles manufacturer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Proposal could eliminate this adverse impact.

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 0.34 million Shares per day, representing only approximately 0.08% of the issued Shares as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has adverse impact on the Company's shares price occurs.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

#### **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee, which comprises all independent non-executive directors of the Company, namely Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy and Mr. LIANG Shibin, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting. Although Mr. CHEN Shengguang is a non-executive director of the Company, as Mr. CHEN Shengguang is a director designated by Guangxin Holdings in the Board, he is regarded as being interested in the Proposal and therefore is not made a member of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out in Part V of this Scheme Document.

## **INDEPENDENT FINANCIAL ADVISER**

Octal Capital Limited has been appointed as the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal and the Scheme.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

## **INFORMATION ON THE COMPANY**

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 31 March 2008. The Group is principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials.

## **INFORMATION ON THE JOINT OFFERORS**

**Guangxin Aluminium** is a company incorporated in Hong Kong, which is directly and wholly owned by Guangxin Holdings, which is in turn wholly owned by the Guangdong SASAC, the ultimate largest shareholder of the Company. The principal activity of Guangxin Aluminium is investment holding.

**Mr. LUO Su** is the honorable chairman of the Board and an executive director of the Company. He is responsible for the overall management of the Group. He is the father-in-law of Mr. LIAO Yuqing, one of the Joint Offerors.

**Mr. LUO Riming** is an executive director and chief executive officer of the Company. He is responsible for the procurement and utilization of equipment and infrastructure for the business of the Group.

**Mr. LIAO Yuqing** is an executive director of the Company. He is also the general manager of the Group. He is the son-in-law of Mr. LUO Su, one of the Joint Offerors.

**Mr. LAW Yung Koon** is an executive director of the Company. He is responsible for the sales and marketing of the Group's products in overseas market.

**Ms. LAM Yuk Ying** is the spouse of Mr. LAW Yung Koon. She does not hold any positions in the Group.

Please see "12. Information on the Joint Offerors" in the Explanatory Memorandum for further details.

## **INFORMATION ON THE JOINT OFFERORS CONCERT PARTY**

**Mr. WONG Siu Ki** is the chief investment officer of the Group and the alternative director to Mr. LIU Libin, the chairman and executive director of the Company. Mr. WONG Siu Ki is presumed to be acting in concert with the Joint Offerors, which include certain directors of the Company, under class (6) of the definition of “acting in concert” in the Takeovers Code, as he serves as a director of the Company which is now subject to an offer.

## **INTENTIONS OF THE JOINT OFFERORS AND THE COMPANY**

Your attention is drawn to the section headed “14. Intentions of the Joint Offerors and the Company” in the Explanatory Memorandum. The Board (excluding directors who are Joint Offerors) has considered the Joint Offerors’ intentions as set out in the Explanatory Memorandum and is of the view that there will be no material change to the existing businesses of the Group and the employees of the Group.

## **WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange in due course. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

## **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

**Shareholders and potential investors should exercise caution when dealing in the Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **COURT MEETING AND EGM**

### **Court Meeting**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

Scheme Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, Scheme Shareholders, present and voting either in person or by proxy, will be entitled to vote their Scheme Shares in favour of the Scheme or against it.

The Scheme is conditional upon, amongst other things, approval by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting. In addition, (i) the Scheme must be approved (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders.

In accordance with the Companies Law, the “75% in value” requirement as described above will be met if the total value of Scheme Shares being voted by the Scheme Shareholders in favour of the Scheme is at least 75% of the total value of the Scheme Shares voted by the Scheme Shareholders at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement as described above will be met if the number of Scheme Shareholders voting in favour of the Scheme exceeds the number of Scheme Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of Scheme Shareholders, present and voting in person or by proxy, will be counted. For the purpose of the Takeovers Code, only the number of Scheme Shares from Independent Shareholders being so voted will count towards the “75% in value” requirement.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 11:30 a.m. (Hong Kong time) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.



## EGM

The EGM will be held immediately following the Court Meeting.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the EGM with respect to (i) the special resolution by Shareholders to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution by Shareholders to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors.

The special resolution described under (i) in the paragraph above will be passed if not less than three-fourths of the votes cast by Shareholders, present and voting in person or by proxy, at the EGM are in favour of the special resolution. The ordinary resolution described under (ii) in the paragraph above will be passed if more votes are cast in favour of the ordinary resolution than against it by the Shareholders, present and voting either in person or by proxy, at the EGM.

At the EGM, a poll will be taken and each Shareholder or Independent Shareholder (as the case may be) present and voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the special resolution and/or the ordinary resolutions. Alternatively, such Shareholder or Independent Shareholder (as the case may be) may vote some of their Shares in favour of the special resolution and/or the ordinary resolutions and any of the balance of their Shares against the special resolution and/or the ordinary resolutions (and vice versa).

Each of Guangxin Aluminium, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix VI of this Scheme Document. The EGM will be held at 12:00 p.m. (Hong Kong time) (or so soon thereafter as the Court Meeting convened on the same day and place shall have been concluded or adjourned) on Wednesday, 17 May 2017 at Function Room, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Thursday, 1 June 2017. Further announcements will be made giving details of the results of the Court Meeting and EGM and, if all the resolutions are passed at those meetings, the result of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of Shares on the Stock Exchange.

Your attention is drawn to “20. Court Meeting and Extraordinary General Meeting” in the Explanatory Memorandum.

#### **OVERSEAS SHAREHOLDERS**

Your attention is drawn to the section headed “17. Overseas Shareholders” in the Explanatory Memorandum.

#### **ACTIONS TO BE TAKEN**

Your attention is drawn to “Part II – Actions to be taken” of this Scheme Document and the section headed “23. Summary of actions to be taken” in the Explanatory Memorandum.

#### **RECOMMENDATION**

The directors of the Company (excluding directors who are Joint Offerors and members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

#### **REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “18. Registration and Payment” in the Explanatory Memorandum.

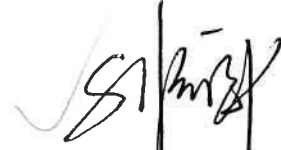
#### **TAXATION AND INDEPENDENT ADVICE**

Your attention is drawn to the section headed “19. Taxation” in the Explanatory Memorandum.

It is emphasized that none of the Joint Offerors, the Company and CICC nor any of their respective directors or associates or any other person involved in the Scheme accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

#### **FURTHER INFORMATION**

You are urged to read carefully the letters from the Independent Board Committee and from Octal Capital Limited, the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Memorandum as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the Scheme as set out in Appendix IV to this Scheme Document, the notice of Court Meeting as set out in Appendix V to this Scheme Document and the notice of EGM as set out in Appendix VI to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with copies of this Scheme Document sent to Registered Owners of Shares.



Yours faithfully  
For and on behalf of the Board of  
**Xingfa Aluminium Holdings Limited**  
**LIU Libin**  
*Chairman*