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XINGFA ALUMINIUM HOLDINGS LIMITED

興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 98)

CONNECTED TRANSACTION CAPITAL INJECTION OF XINGFA ENVIRONMENTAL

CAPITAL INJECTION OF XINGFA ENVIRONMENTAL

The Board is pleased to announce that on 6 September 2021, Guangdong Xingfa (an indirect wholly-owned subsidiary of the Company), Xingfa Environmental and Yongbao Environmental entered into the Capital Injection Agreement, pursuant to which Yongbao Environmental has agreed to inject capital of RMB18 million (equivalent to HK\$21.6 million) to Xingfa Environmental for the subscription of 60% of the enlarged equity interest in Xingfa Environmental as additional registered capital of Xingfa Environmental. As at the date of this announcement, Xingfa Environmental is wholly-owned by Guangdong Xingfa. Upon completion of the Capital Injection, Yongbao Environmental and Guangdong Xingfa will hold 60% and 40% of the equity interest in Xingfa Environmental respectively, whereby Xingfa Environmental will cease to be a subsidiary of the Company and will be accounted for as an associate of the Group.

LISTING RULES IMPLICATIONS

The Capital Injection contemplated under the Capital Injection Agreement constitutes a deemed disposal of 60% of the Group's equity interest in Xingfa Environmental pursuant to Rule 14.29 of the Listing Rules.

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. Therefore, Yongbao Environmental is a connected person of the Company and the Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection are less than 5%, the Capital Injection 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.

The Board is pleased to announce that on 6 September 2021, Guangdong Xingfa (an indirect wholly-owned subsidiary of the Company), Xingfa Environmental and Yongbao Environmental entered into the Capital Injection Agreement, the principal terms of which are set out below.

THE CAPITAL INJECTION AGREEMENT

Date: 6 September 2021

Parties:

- (a) Guangdong Xingfa;
- (b) Xingfa Environmental; and
- (c) Yongbao Environmental

Capital Injection: Yongbao Environmental has agreed to inject capital to Xingfa Environmental and subscribe for 60% of the enlarged equity interest in Xingfa Environmental at the Investment Amount of RMB18 million (equivalent to HK\$21.6 million) as additional registered capital of Xingfa Environmental.

Yongbao Environmental has paid RMB5 million as security money (“**Security Money**”) to GUAEX in the Listing-for-Capital Injection process. GUAEX will pay such amount to Xingfa Environmental directly. The Investment Amount (net of the Security Money) shall be paid by Yongbao Environment in cash into the designated account of GUAEX within 30 days from the date of signing of the Capital Injection Agreement.

The Investment Amount is the same as the minimum bid amount as set out in the Listing-for-Capital Injection Notice. The minimum bid amount, which is RMB18 million (equivalent to HK\$21.6 million), was determined with reference to value of Xingfa Environment as at the Valuation Reference Date pursuant to the Valuation conducted by the Valuer using the asset approach. The appraised value of the entire equity interest of Xingfa Environment was approximately RMB9.77 million as at the Valuation Reference Date.

Completion:

GUAEX shall issue a certificate of transaction (交易憑證) within 3 Business Days of receipt of the full Investment Amount and full payment of the service fees payable by each of Yongbao Environmental and Xingfa Environmental.

Completion shall take place upon the completion of the business registration (“**Business Registration**”) by Xingfa Environmental for the Capital Injection (“**Business Registration Completion Date**”).

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;
- (ii) The rights and obligations of Xingfa Environmental in relation to (1) any debts as set out in the Valuation Report, (2) any new debts arising in the period from the day after the Valuation Reference Date until the Business Registration Completion Date, and (3) any new debts arising on the day after the Business Registration Completion Date and thereafter, shall be borne by Xingfa Environmental after completion of the Business Registration; and
- (iii) The economic and legal obligations of Xingfa Environmental (1) as set out in the Valuation Report, (2) arising in the period from the day after the Valuation Reference Date until the Business Registration Completion Date, and (3) on the day after the Business Registration Completion Date and thereafter, shall be borne by Xingfa Environmental after completion of the Business Registration.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Group wishes to introduce new investor for Xingfa Environmental which operates in the field of comprehensive utilization of environmental protection resources, with advanced research and development capabilities, technical resources, and professional teams. Through the Listing-for-Capital Injection process in accordance with relevant PRC laws and regulations concerning the disposal of State-owned assets, the Group is able to identify the suitable investor and to achieve the highest price in the open market. Yongbao Environmental is the only interested investor participated in the Listing-for-Capital Injection process and the Group is satisfied with the experiences and other credentials of Yongbao Environmental.

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Capital Injection 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 Capital Injection 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 an interest in the Capital Injection, each of Mr. LUO Jianfeng and Mr. ZUO Manlun had abstained from voting on the resolutions of the Board to approve the Capital Injection Agreement and the Capital Injection.

FINANCIAL EFFECTS OF THE CAPITAL INJECTION

Immediately before completion of the Capital Injection, Xingfa Environmental is a wholly-owned subsidiary of the Group. Immediately upon completion of the Capital Injection, the Group will hold 40% equity interest in Xingfa Environmental and Xingfa Environmental will cease to be a subsidiary of the Company and will be accounted for as an associate of the Group.

The proceeds from the Capital Injection are intended to be used as general working capital of Xingfa Environmental.

Based on the Investment Amount, the Capital Injection is expected to give rise a book gain of approximately RMB12.2 million (equivalent to HK\$14.6 million), being the difference between the Investment Amount and the Group's share of the audited net asset value of Xingfa Environmental as at 31 December 2020, as if the Capital Injection was completed on 31 December 2020. The actual amount of gain on the Capital Injection to be recorded by the Group will depend on the net asset value of Xingfa Environmental on the completion date of the Capital Injection, which therefore may be different from the amount mentioned above.

FINANCIAL INFORMATION ON XINGFA ENVIRONMENTAL

The financial information of Xingfa Environmental for the financial years ended 31 December 2019 and 2020 based on its audited financial statements (prepared in accordance with the PRC Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC) are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>approximately</i>	<i>approximately</i>
Loss before taxation	946	1,585
Net loss after taxation	<u>711</u>	<u>1,189</u>
	As at 31 December 2020	As at 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>approximately</i>	<i>approximately</i>
Non-current assets	2,216	554
Current assets	7,594	320
Current liabilities	181	34
Net current assets	7,413	286
Total assets	9,810	874
Net assets	<u>9,629</u>	<u>839</u>

INFORMATION ON THE PARTIES

(i) The Group

The Group is principally engaged in (i) the manufacture and sale of aluminium profiles which are applied as construction and industrial materials; and (ii) property development.

(ii) Guangdong Xingfa

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

(iii) Yongbao Environmental

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) Xingfa Environmental

Xingfa Environmental is a company established in the PRC on 30 August 2018. As at the date of this announcement, its paid-up registered capital is RMB12 million (equivalent to HK\$14.4 million) which is wholly-owned by Guangdong Xingfa. Xingfa Environmental is principally engaged in the business of research and development of various environmental equipment and waste processing.

LISTING RULES IMPLICATIONS

The Capital Injection contemplated under the Capital Injection Agreement constitutes a deemed disposal of 60% of the Group's equity interest in Xingfa Environmental pursuant to Rule 14.29 of the Listing Rules.

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. Therefore, Yongbao Environmental is a connected person of the Company and the Capital Injection constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection are less than 5%, the Capital Injection 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
“Capital Injection”	means the subscription of new registered capital of Xingfa Environmental
“Capital Injection Agreement”	means the capital injection agreement dated 6 September 2021 and entered into among Guangdong Xingfa, Xingfa Environmental and Yougao Environmental in relation to the Capital Injection
“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 26.2% 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
“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 which owns 100% of the equity interest of Xingfa Environmental as at the date of this announcement
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Investment Amount”	means the consideration payable by Yongbao Environmental for the subscription of 60% of the enlarged equity interest in Xingfa Environmental pursuant to the Capital Injection Agreement
“Listing-for-Capital Injection”	means the listing-for-capital injection process carried out through GUAEX in relation to the Capital Injection
“Listing-for-Capital Injection Notice”	means the notice in respect of the Listing-for-Capital Injection
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“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 31 December 2020
“Valuation Report”	means the valuation report dated 5 June 2021 issued by the Valuer in respect of the Valuation
“Valuer”	means 中鋒資產評估（廣東）有限責任公司 (unofficial English translation being Zhongfeng Asset Appraisal (Guangdong) Co., Ltd), 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 and wholly-owned by Guangdong Xingfa as at the date of this announcement

“Yongbao Environmental” means 江蘇永葆環保科技有限公司 (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\$1.2. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

6 September 2021

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

Executive Directors:

Mr. LIU Libin (Chairman)
Mr. LIAO Yuqing (Chief Executive Officer)
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