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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)

POSSIBLE DISPOSAL OF THE XINGFA ENVIRONMENTAL INTEREST

POSSIBLE DISPOSAL OF XINGFA ENVIRONMENTAL INTEREST

The Board announces that the Company intends to dispose of the Xingfa Environmental Interest, through its wholly-owned subsidiary, Guangdong Xingfa, by way of a listing-for-sale through GUAEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets. The Listing-for-Sale process commences on 28 November 2023.

The Minimum Consideration, i.e. the minimum bidding price for the Xingfa Environmental Interest, is RMB15 million (equivalent to HK\$16.35 million). The final consideration for the Xingfa Environmental Interest will depend on the final bid price offered by the Qualified Transferee, but will in any event be no less than the Minimum Consideration.

Xingfa Environmental is accounted for as an associated company of the Group as at the date of this announcement.

POSSIBLE CONNECTED TRANSACTION

As at the date of this announcement, Xingfa Environmental is indirectly owned as to 40% by the Group through its wholly-owned subsidiary, Guangdong Xingfa, and 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.

It is expected that the Disposal, if materialises, will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. However, Yongbao Environmental has indicated to the Group its interest in purchasing the Xingfa Environmental Interest. In the event that Yongbao Environmental is the final buyer identified after completion of the Listing-for-Sale process (i.e. the Qualified Transferee), the Disposal will constitute a connected transaction for the Company under the Listing Rules and it is expected that the Disposal will be subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the Qualified Transferee; and (iii) the entering into of the Equity Transfer Agreement, will be made by the Company as soon as practicable after the expiry of the Publication Period in accordance with the relevant requirements of the Listing Rules.

BACKGROUND OF THE DISPOSAL

The Company intends to dispose of the Xingfa Environmental Interest, through its wholly-owned subsidiary, Guangdong Xingfa, by way of a listing-for-sale through GUAEX which is an approved equity exchange in accordance with the relevant PRC laws and regulations concerning the disposal of State-owned assets.

The Listing-for-Sale process commences on 28 November 2023 and the Listing-for-Sale Notice setting out, among others, the minimum bidding price and the major terms of the Disposal is published on the website of GUAEX.

THE LISTING-FOR-SALE

Major terms of the Listing-for-Sale

(a) Procedures of the Listing-for-Sale

The initial Publication Period will be open for 20 Business Days from the date of the Listing-for-Sale Notice. During the Publication Period, interested bidders may offer their bid price (subject to the Minimum Consideration as the minimum bidding price) through the designated online system of GUAEX and pay earnest money in the amount of RMB4.5 million (equivalent to approximately HK\$4.9 million) (“**Earnest Money**”) to GUAEX.

If GUAEX does not receive any application during the initial Publication Period, the Publication Period will be extended for another 5 Business Days. The terms as set out in the Listing-for-Sale Notice shall remain unchanged.

Given that the other shareholder of Xingfa Environmental (i.e. Yongbao Environmental) has the pre-emptive right in relation to the Xingfa Environmental Interest, if the bidder who offered the highest effective bid price during the Publication Period is not Yongbao Environmental, Yongbao Environmental shall have the pre-emptive right to purchase the Xingfa Environmental Interest at the bid price offered by such bidder.

If Yongbao Environmental does not exercise its pre-emptive right, the bidder who offered the highest effective bid price during the Publication Period will be the successful bidder and become the final buyer of the Xingfa Environmental Interest (i.e. the Qualified Transferee).

If Yongbao Environmental is the bidder who offered the highest effective bid price during the Publication Period or if Yongbao Environmental exercises its pre-emptive right, Yongbao Environmental will become the final buyer of the Xingfa Environmental Interest (i.e. the Qualified Transferee).

After determination of the Qualified Transferee, the parties shall then enter into the Equity Transfer Agreement. The Earnest Money from the Qualified Transferee will be applied towards the consideration for the transfer of Xingfa Environmental Interest under the Equity Transfer Agreement.

(b) Consideration

The Minimum Consideration is RMB15 million (equivalent to approximately HK\$16.35 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\$39.8 million) as at the Valuation Reference Date.

The final consideration for the Xingfa Environmental Interest will depend on the final bid price offered by the Qualified Transferee, but will in any event be no less than the Minimum Consideration.

The consideration for the transfer of Xingfa Environmental Interest shall be paid in cash by the Qualified Transferee into the designated account of GUAEX within 5 Business Days after the signing and effective date of the Equity Transfer Agreement.

(c) Other major conditions

- (i) Any profit or loss incurred by Xingfa Environmental from the Valuation Reference Date to the Business Registration Completion Date (both dates inclusive) 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 shareholder's loan owed by Xingfa Environmental to Guangdong Xingfa shall be repayable within 15 days from the Business Registration Completion Date.

INFORMATION ON THE GROUP AND XINGFA ENVIRONMENTAL

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

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.

Xingfa Environmental is a company established in the PRC. As at the date of this announcement, its registered capital is RMB30 million which is held as to 40% by Guangdong Xingfa and as to 60% by Yongbao Environmental, a company incorporated in the PRC and a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Xingfa Environmental is principally engaged in (i) the processing of solid waste and pollutants; and (ii) the business of research and development of various environmental protection and hazardous waste processing equipment.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group wishes to dispose of the Xingfa Environmental Interest to facilitate the strategic restructuring of the structure 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 (subject to the pre-emptive right of Yongbao Environmental in relation to the Xingfa Environmental Interest) and to have the proceeds to fund the development of the Group's other principal businesses.

In view of the above, the Directors are of the opinion that the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POSSIBLE CONNECTED TRANSACTION

As at the date of this announcement, Xingfa Environmental is indirectly owned as to 40% by the Group through its wholly-owned subsidiary, Guangdong Xingfa, and 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.

It is expected that the Disposal, if materialises, will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. However, Yongbao Environmental has indicated to the Group its interest in purchasing the Xingfa Environmental Interest. In the event that Yongbao Environmental is the final buyer identified after completion of the Listing-for-Sale process (i.e. the Qualified Transferee), the Disposal will constitute a connected transaction for the Company under the Listing Rules and it is expected that the Disposal will be subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing, among other things, (i) the result of the Listing-for-Sale; (ii) the final bid price offered by the Qualified Transferee; and (iii) the entering into of the Equity Transfer Agreement, will be made by the Company as soon as practicable after the expiry of the Publication Period in accordance with the relevant requirements 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
“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
“Directors”	means the directors of the Company
“Disposal”	means the proposed disposal of the Xingfa Environmental Interest through Listing-for-Sale
“Equity Transfer Agreement”	means the equity transfer agreement to be entered into between Guangdong Xingfa as vendor and the Qualified Transferee 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 which owns 40% of the equity interest of Xingfa Environmental as at the date of this announcement
“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
“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\$16.35 million), i.e. the minimum bidding price, for the Disposal
“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
“Publication Period”	means the period during which the Disposal is disclosed to the public on the designated online system of GUAEX by way of the Listing-for-Sale Notice
“Qualified Transferee”	means the successful qualified bidder as determined from the process of Listing-for-Sale and notified by GUAEX in relation to the Disposal

“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
“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 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 to HK\$1.09. 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

28 November 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