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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) 2021 MASTER SUPPLY AGREEMENTS AND (2) 2021 TENANCY AGREEMENTS**

#### **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcements of the Company dated 30 December 2019 and 30 September 2020 in connection with the Existing CCT Agreements. Given that the Existing CCT Agreements will expire on 31 December 2020 and the continuing connected transactions contemplated thereunder will continue on an on-going basis, on 29 December 2020,

- (i) Guangdong Xingfa, an indirect wholly-owned subsidiary of the Company, and China Lesso, a substantial Shareholder, entered into the 2021 Master Supply Agreement A;
- (ii) Guangdong Xingfa and Jiangxi Jingxing, a connected subsidiary of the Company, entered into the 2021 Master Supply Agreement B;
- (iii) Henan Xingfa, an indirect wholly-owned subsidiary of the Company, and Henan Jingxing, an indirect non-wholly owned subsidiary of China Lesso, a substantial Shareholder, entered into the 2021 Tenancy Agreement A; and
- (iv) Jiangxi Xingfa, an indirect wholly-owned subsidiary of the Company, and Jiangxi Jingxing, a connected subsidiary of the Company, entered into the 2021 Tenancy Agreement B.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **(1) 2021 Master Supply Agreement A**

As at the date of this announcement, China Lesso through its direct wholly-owned subsidiary holds approximately 26.28% 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 2021 Master Supply Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Master Supply Agreement A is less than 5%, the continuing connected transactions under the 2021 Master Supply Agreement A are subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(2) 2021 Master Supply Agreement B**

As at the date of this announcement, China Lesso indirectly owns 20% of Jiangxi Jingxing and therefore, Jiangxi Jingxing is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the 2021 Master Supply Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Master Supply Agreement B is less than 5%, the continuing connected transactions under the 2021 Master Supply Agreement B are subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(3) 2021 Tenancy Agreement A**

As at the date of this announcement, Henan Jingxing is an indirect non-wholly owned subsidiary of China Lesso, a substantial Shareholder and therefore is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2021 Tenancy Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Tenancy Agreement A exceeds 0.1% but is less than 5%, the continuing connected transactions under the 2021 Tenancy Agreement A are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

**(4) 2021 Tenancy Agreement B**

As at the date of this announcement, China Lesso indirectly owns 20% of Jiangxi Jingxing and therefore, Jiangxi Jingxing is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the 2021 Tenancy Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Tenancy Agreement B exceeds 0.1% but is less than 5%, the continuing connected transactions under the 2021 Tenancy Agreement B are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcements of the Company dated 30 December 2019 and 30 September 2020 in connection with the Existing CCT Agreements. Given that the Existing CCT Agreements will expire on 31 December 2020 and the continuing connected transactions contemplated thereunder will continue on an on-going basis, on 29 December 2020, the 2021 Master Supply Agreement A, the 2021 Master Supply Agreement B, the 2021 Tenancy Agreement A and the 2021 Tenancy Agreement B were entered into by the respective parties thereto. Details of each of the 2021 Master Supply Agreement A, the 2021 Master Supply Agreement B, the 2021 Tenancy Agreement A and the 2021 Tenancy Agreement B are set out below.

## **2021 MASTER SUPPLY AGREEMENT A**

**Date** : 29 December 2020

## **Parties**

**Supplier(s)** : Guangdong Xingfa, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, and its subsidiaries from time to time and for the avoidance of doubt, for the purpose of the transactions contemplated under the 2021 Master Supply Agreement A, includes Jiangxi Jingxing.

**Purchaser(s)** : China Lesso, its subsidiaries and/or any company in the equity 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.

China Lesso is a company incorporated in the Cayman Islands with limited liability and is interested in approximately 26.28% of the equity interest of the Company through its direct wholly-owned subsidiary as at the date of this announcement. Accordingly, China Lesso is a substantial Shareholder and a connected person of the Company under the Listing Rules. The principal business activities of China Lesso are the manufacture and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services.

## **Duration**

The 2021 Master Supply Agreement A is for a term of one year from 1 January 2021 to 31 December 2021 (both dates inclusive).

## **Subject matter**

Pursuant to the 2021 Master Supply Agreement A, 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 members. The aluminium profiles and/or panels to be purchased by China Lesso Group members will be further processed into building materials, interior decoration products and renovation and installation materials and sold to their customers. There is no minimum supply amount under the 2021 Master Supply Agreement A 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 2021 Master Supply Agreement A, 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 required aluminium profiles and/or panels. 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 2021 Master Supply Agreement A.

## **Internal Controls**

The Group will undertake the following internal control measures to monitor the pricing and terms of the transactions contemplated under the 2021 Master Supply Agreement A and 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 Annual Cap is 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 regular 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 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 2021 Master Supply Agreement A, 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 2021 Master Supply Agreement A are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group 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 2021 Master Supply Agreement A and the Annual Cap of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

## **Historical figures**

Since July 2019, Guangzhou Jingxing became a non-wholly owned subsidiary of China Lesso Group and therefore, became a member of China Lesso Group.

Guangdong Xingfa Group did not have sale transaction with China Lesso Group (excluding the Guangzhou Jingxing Group) for the year ended 31 December 2018. For the year ended 31 December 2018, Guangdong Xingfa Group's sale of aluminium profiles and/or panels to Guangzhou Jingxing Group amounted to approximately RMB204.5 million. Whereas for the year ended 31 December 2019, Guangdong Xingfa Group's sale of aluminium profiles and/or panels to China Lesso Group (including Guangzhou Jingxing Group) amounted to approximately RMB182.3 million.

For the nine months ended 30 September 2020, Guangdong Xingfa Group's sale of aluminium profiles and/or panels to China Lesso Group (including Guangzhou Jingxing Group) amounted to approximately RMB110.2 million.

### **Annual Cap**

The Annual Cap in respect of the transactions contemplated under the 2021 Master Supply Agreement A for the Year 2021 will be RMB125.0 million (equivalent to approximately HK\$147.5 million). Such Annual Cap is estimated primarily with reference to:

- (1) the historical sales amount of aluminium profiles and/or panels sold by Guangdong Xingfa Group to China Lesso Group in year 2020;
- (2) the projected sales volume of aluminium profiles and/or panels to China Lesso Group in Year 2021;
- (3) the projected purchase price of aluminium ingots will remain stable in Year 2021; and
- (4) the processing fee for processing aluminium ingots into aluminium profiles and panels will remain stable in Year 2021,

and on the principal assumptions 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.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Annual Cap for the 2021 Master Supply Agreement A is fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## **Reasons for and benefits of the 2021 Master Supply Agreement A**

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. Jiangxi Jingxing is principally engaged in the manufacture and sale of aluminium panels. China Lesso Group is principally engaged in the manufacture and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services. The Group has from time to time supplied aluminium profiles to Guangzhou Jingxing Group and since July 2019, the Group has been supplying aluminium profiles and/or panels to China Lesso Group from time to time pursuant to the Master Supply Agreement A and 2020 Master Supply Agreement A.

The Group is one of the leading aluminium profiles manufacturers in the PRC with advanced research and development capability. China Lesso Group plans to continue to purchase aluminium profiles and/or panels from the Group in its ordinary course of business on an on-going basis. As it is in the ordinary and usual course of business of the Group to supply aluminium profiles and/or panels to China Lesso Group and the prices and terms offered by the Group to China Lesso Group will not be more favourable to China Lesso Group than those offered to independent customers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into the 2021 Master Supply Agreement A and to supply aluminium profiles and/or panels to China Lesso Group.

## **2021 MASTER SUPPLY AGREEMENT B**

**Date** : 29 December 2020

### **Parties**

**Supplier(s)** : Guangdong Xingfa, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, and its subsidiaries from time to time.

**Purchaser** : Jiangxi Jingxing, a limited liability company established in the PRC and owned as to 80% by Jiangxi Xingfa (an indirect wholly-owned subsidiary of the Company) and as to 20% by Guangzhou Jingxing (a non-wholly owned subsidiary of China Lesso). Therefore, Jiangxi Jingxing is a connected subsidiary of the Company under the Listing Rules.

The principal business of Jiangxi Jingxing is the manufacture and sale of aluminium panels.



**Duration**

The 2021 Master Supply Agreement B is for a term of one year from 1 January 2021 to 31 December 2021 (both dates inclusive).

**Subject matter**

Pursuant to the 2021 Master Supply Agreement B, Guangdong Xingfa Group members agreed to sell to Jiangxi Jingxing and Jiangxi Jingxing agreed to purchase aluminium profiles from Guangdong Xingfa Group members. The aluminium profiles to be purchased by Jiangxi Jingxing will be further processed into aluminium panels and sold to its customers. There is no minimum supply amount under the 2021 Master Supply Agreement B and Guangdong Xingfa is not contractually bound to supply, in response to a purchase order placed, to Jiangxi Jingxing any products referred to in any purchase order. The aluminium profiles to be supplied by the Guangdong Xingfa Group members to Jiangxi Jingxing will be in accordance with the specifications of Jiangxi Jingxing if accepted by the Guangdong Xingfa Group, on a case by case basis.

**Pricing and payment terms**

Pursuant to the 2021 Master Supply Agreement B, the prices, payment terms, specifications and detailed terms with respect to the aluminium profiles 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 Jiangxi Jingxing 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 at prices and terms (including the payment terms) no more favourable to Jiangxi Jingxing than prices and terms (including the payment terms) of sale of such aluminium profiles by Guangdong Xingfa Group to other independent customers.

In determining the actual transaction prices of aluminium profiles, 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 into the aluminium profiles required by Jiangxi Jingxing. When supplying each batch of aluminium profiles to Jiangxi Jingxing, Jiangxi Jingxing would need to specify the specifications of the aluminium profiles required, as the aluminium profiles required by Jiangxi Jingxing 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 required will be different from batch to batch.

As different aluminium profiles will be required by Jiangxi Jingxing from order to order, for the purpose of a master supply agreement, it would not be commercially practicable for Guangdong Xingfa to agree with Jiangxi Jingxing the specific unit price of the aluminium profiles under the 2021 Master Supply Agreement B.

### **Internal Controls**

The Group will undertake the following internal control measures to monitor the pricing and terms of the transactions contemplated under the 2021 Master Supply Agreement B and ensure that the prices and terms offered by Guangdong Xingfa Group to Jiangxi Jingxing will be no more favourable than prices and terms offered to independent customers and that the Annual Cap is 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 to Jiangxi Jingxing with the prices and terms of aluminium profiles supplied by the Group in the PRC as agreed with independent customers on a regular 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 offered by Guangdong Xingfa Group to Jiangxi Jingxing 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 2021 Master Supply Agreement B 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 2021 Master Supply Agreement B are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, and 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 2021 Master Supply Agreement B and Annual Cap of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

## **Historical Figures**

For the two years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2020, the Group's sale of aluminium profiles to Jiangxi Jingxing was approximately RMB74.4 million, RMB25.9 million and RMB15.9 million respectively.

## **Annual Cap**

The Annual Cap in respect of the transactions contemplated under the 2021 Master Supply Agreement B for the Year 2021 will be RMB30.0 million (equivalent to approximately HK\$35.4 million). Such Annual Cap is estimated primarily with reference to:

- (1) the historical sales amount of aluminium profiles sold by Guangdong Xingfa Group to Jiangxi Jingxing in year 2020;
- (2) the projected sales volume of aluminium profiles under the 2021 Master Supply Agreement B in Year 2021;
- (3) the projected purchase price of aluminium ingots will remain stable in Year 2021; and
- (4) the processing fee for processing aluminium ingots into aluminium profiles will remain stable in Year 2021,

and on the principal assumptions 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.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Annual Cap for the 2021 Master Supply Agreement B is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Reasons for and benefits of the 2021 Master Supply Agreement B**

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. Jiangxi Jingxing is principally engaged in the manufacture and sale of aluminium panels.

The Group has been supplying aluminium profiles to Jiangxi Jingxing from time to time. As it is in the ordinary and usual course of business of the Group to supply aluminium profiles to Jiangxi Jingxing and the prices and terms offered by the Group will not be more favourable to Jiangxi Jingxing than those offered to independent customers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into the 2021 Master Supply Agreement B and to supply aluminium profiles to Jiangxi Jingxing.

## 2021 TENANCY AGREEMENT A

**Date** 29 December 2020

### Parties

**Landlord** : Henan Xingfa, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company.

The principal business activities of Henan Xingfa are the manufacture and sale of aluminium profiles.

**Tenant** : Henan Jingxing, a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of China Lesso, a substantial Shareholder, and therefore a connected person of the Company under the Listing Rules.

The principal business activities of Henan Jingxing are the manufacture and sale of aluminium panels.

**Property** : 中國河南省沁陽市沁北工業集聚區 (unofficial English translation being Qinbei Industrial District, Qinyang City, Henan Province, the PRC)

**Use** : The welding, assembling, recycling and maintenance of aluminium panels which are applied as construction materials and the sale of such aluminium panels.

**Term** : A fixed term of 1 year commencing from 1 January 2021 to 31 December 2021 (both dates inclusive).

**Rent** : A monthly rent of RMB229,848 inclusive of management fee.

The monthly rent under the 2021 Tenancy Agreement A was arrived at after arm's length negotiations between the parties thereto with reference to the prevailing market rents in the same district.

## Historical figures

For the two years ended 31 December 2018 and 2019 and the nine months ending 30 September 2020, the rental amount of property leased by the Group to Henan Jingxing was approximately RMB2,200,000, RMB3,000,000 and RMB2,265,000 respectively.

## Annual Cap

The Annual Cap for the transactions contemplated under 2021 Tenancy Agreement A is set out below:

<b>For the year ending 31 December</b>	<b>Annual Cap amount (RMB)</b>
2021 (1 January 2021 to 31 December 2021)	2,758,176

The above Annual Cap is arrived at by translating the monthly rent of RMB229,848 into rent receivable by Henan Xingfa for the year ending 31 December 2021 under the 2021 Tenancy Agreement A.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Annual Cap for the 2021 Tenancy Agreement A is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Reasons for and benefits of the 2021 Tenancy Agreement A

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. Henan Xingfa is principally engaged in the manufacture and sale of aluminium profiles. Henan Jingxing is principally engaged in the manufacture and sale of aluminium panels.

In view of the stable rental income to be generated under the 2021 Tenancy Agreement A and the rent and terms under the 2021 Tenancy Agreement A will not be more favourable to Henan Jingxing than those offered to independent tenants, the Directors consider that the entering into the 2021 Tenancy Agreement A is in the interests of the Company and its Shareholders as a whole.

## 2021 TENANCY AGREEMENT B

**Date** 29 December 2020

### Parties

**Landlord** : Jiangxi Xingfa, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company.

The principal business activities of Jiangxi Xingfa are the manufacture and sale of aluminium profiles.

**Tenant** : Jiangxi Jingxing, a limited liability company established in the PRC and is owned as to 80% by Jiangxi Xingfa and as to 20% by a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Jiangxi Jingxing is accounted for as an associate of the Group and is a connected subsidiary of the Company.

The principal business activities of Jiangxi Jingxing are the manufacture and sale of aluminium panels.

**Property** : 中國江西省宜春經濟技術開發區經發大道21號 (unofficial English translation being No. 21, Jingfa Road, Yichun Economic Development Zone, Jiangxi Province, the PRC)

**Use** : The welding, assembling, recycling and maintenance of aluminium panels which are applied as construction materials and the sale of such aluminium panels.

**Term** : A fixed term of 1 year commencing from 1 January 2021 to 31 December 2021 (both dates inclusive).

**Rent** : A monthly rent of RMB303,821 inclusive of management fee.

The monthly rent under the 2021 Tenancy Agreement B was arrived at after arm's length negotiations between the parties thereto with reference to the prevailing market rents in the same area.

## Historical figures

For the two years ended 31 December 2018 and 2019 and the nine months ending 30 September 2020, the rental amount of property leased by the Group to Jiangxi Jingxing was approximately RMB2,200,000, RMB2,700,000 and RMB2,678,000 respectively.

## Annual Cap

The Annual Cap for the transactions contemplated under 2021 Tenancy Agreement B is set out below:

<b>For the year ending 31 December</b>	<b>Annual Cap amount (RMB)</b>
2021 (1 January 2021 to 31 December 2021)	3,645,852

The above Annual Cap is arrived at by translating the monthly rent of RMB303,821 into rent receivable by Jiangxi Xingfa for the year ending 31 December 2021 under the 2021 Tenancy Agreement B.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Annual Cap for the 2021 Tenancy Agreement B is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Reasons for and benefits of the 2021 Tenancy Agreement B

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. Jiangxi Xingfa is principally engaged in the manufacture and sale of aluminium profiles. Jiangxi Jingxing is principally engaged in the manufacture and sale of aluminium panels.

In view of the stable rental income to be generated under the 2021 Tenancy Agreement B and the rent and terms under the 2021 Tenancy Agreement B will not be more favourable to Jiangxi Jingxing than those offered to independent tenants, the Directors consider that the entering into the 2021 Tenancy Agreement B is in the interests of the Company and its Shareholders as a whole.



## **INTERNAL CONTROLS – 2021 TENANCY AGREEMENTS**

The Group will undertake the following internal control measures to monitor the rents and terms of the transactions contemplated under each of the 2021 Tenancy Agreement A and 2021 Tenancy Agreement B and ensure that the rents and terms offered by the Landlords to the Tenants under the 2021 Tenancy Agreements will be no more favourable than rents and terms offered to independent tenants and that the Annual Caps are not exceeded:

- (1) monitoring the prevailing market rents in the same district on a quarterly basis;
- (2) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the rents under the 2021 Tenancy Agreements to ensure that they shall be no more favourable than those offered by the Group to independent tenants;
- (3) a monthly financial report which contains information on all connected transactions carried out by the Group, including the continuing connected transactions under the 2021 Tenancy Agreements, will be submitted to the Board;
- (4) the independent non-executive Directors will review and confirm that the rents and terms under the 2021 Tenancy Agreements are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, on terms no more favourable than rents and terms offered to independent tenants on an annual basis; and
- (5) the auditors of the Company will review the rents and terms under the 2021 Tenancy Agreements and the Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

## **VIEWS OF THE DIRECTORS**

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the 2021 Master Supply Agreement A, the 2021 Master Supply Agreement B, the 2021 Tenancy Agreement A and the 2021 Tenancy Agreement B are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (including the independent non-executive Directors) also confirm that the Annual Caps set out above are fair and reasonable and in the interests of the Shareholders taken as a whole.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (a) in respect of the 2021 Master Supply Agreements, 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 an interest in the 2021 Master Supply Agreement A, the 2021 Master Supply Agreement B, the 2021 Tenancy Agreement A and the 2021 Tenancy Agreement B, each of Mr. LUO Jianfeng and Mr. ZUO Manlun had abstained from voting in the resolutions of the Board to approve each of the 2021 Master Supply Agreement A, the 2021 Master Supply Agreement B, 2021 Tenancy Agreement A and 2021 Tenancy Agreement B and their respective Annual Cap.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **2021 Master Supply Agreement A**

As at the date of this announcement, China Lesso through its direct wholly-owned subsidiary holds approximately 26.28% 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 2021 Master Supply Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Master Supply Agreement A is less than 5%, the continuing connected transactions under the 2021 Master Supply Agreement A are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **2021 Master Supply Agreement B**

As at the date of this announcement, China Lesso indirectly owns 20% of Jiangxi Jingxing and therefore, Jiangxi Jingxing is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the 2021 Master Supply Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Master Supply Agreement B is less than 5%, the continuing connected transactions under the 2021 Master Supply Agreement B are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **2021 Tenancy Agreement A**

As at the date of this announcement, Henan Jingxing is an indirect non-wholly owned subsidiary of China Lesso, a substantial Shareholder and therefore is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2021 Tenancy Agreement A constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

During the Relevant Period, Henan Xingfa has leased Property A to Henan Jingxing in an aggregate rental amount of approximately RMB3,021,000.

As the highest applicable percentage ratio relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Tenancy Agreement A exceeds 0.1 % but is less than 5%, the continuing connected transactions under the 2021 Tenancy Agreement A are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **2021 Tenancy Agreement B**

As at the date of this announcement, China Lesso indirectly owns 20% of Jiangxi Jingxing and therefore, Jiangxi Jingxing is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the 2021 Tenancy Agreement B constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

During the Relevant Period, Jiangxi Xingfa has leased Property B to Jiangxi Jingxing in an aggregate rental amount of approximately RMB3,646,000.

As the highest applicable percentage ratio relating to the Annual Cap for the continuing connected transactions contemplated under the 2021 Tenancy Agreement B exceeds 0.1 % but is less than 5%, the continuing connected transactions under the 2021 Tenancy Agreement B are subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“2020 Master Supply Agreement A”	the master supply agreement dated 30 December 2019 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 2020 to 31 December 2020 (both dates inclusive)
“2020 Master Supply Agreement B”	the master supply agreement dated 30 December 2019 and entered into between Guangdong Xingfa and Jiangxi Jingxing, in relation to the supply of aluminium profiles from Guangdong Xingfa to Jiangxi Jingxing for a term of one year from 1 January 2020 to 31 December 2020 (both dates inclusive)
“2021 Master Supply Agreement A”	the master supply agreement dated 29 December 2020 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 2021 to 31 December 2021 (both dates inclusive)
“2021 Master Supply Agreement B”	the master supply agreement dated 29 December 2020 and entered into between Guangdong Xingfa and Jiangxi Jingxing, in relation to the supply of aluminium profiles from Guangdong Xingfa to Jiangxi Jingxing for a term of one year from 1 January 2021 to 31 December 2021 (both dates inclusive)
“2021 Master Supply Agreements”	collectively, the 2021 Master Supply Agreement A and the 2021 Master Supply Agreement B
“2021 Tenancy Agreement A”	the tenancy agreement dated 29 December 2020 and entered into between Henan Xingfa, as landlord, and Henan Jingxing, as tenant, in respect of the leasing of Property A for a term of one year from 1 January 2021 to 31 December 2021 (both dates inclusive)

“2021 Tenancy Agreement B”	the tenancy agreement dated 29 December 2020 and entered into between Jiangxi Xingfa, as landlord, and Jiangxi Jingxing, as tenant, in respect of the leasing of Property B for a term of one year from 1 January 2021 to 31 December 2021 (both dates inclusive)
“2021 Tenancy Agreements”	collectively, the 2021 Tenancy Agreement A and the 2021 Tenancy Agreement B
“Annual Cap(s)”	the maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under (1) the 2021 Master Supply Agreement A; (2) the 2021 Master Supply Agreement B; (3) the 2021 Tenancy Agreement A; and (4) the 2021 Tenancy Agreement B (as the case may be)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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. As at the date of this announcement, China Lesso is interested in approximately 26.28% equity interest of the Company through its direct wholly-owned subsidiary
“China Lesso Group”	China Lesso, its subsidiaries and/or any company in the equity 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
“Existing CCT Agreements”	collectively, the 2020 Master Supply Agreement A, 2020 Master Supply Agreement B, Tenancy Agreement A and the Tenancy Agreement B
“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 wholly foreign owned enterprise 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
“Guangzhou Jingxing”	廣州景興建築科技有限公司 (unofficial English translation being Guangzhou Jingxing Construction Technology Company Limited), a company incorporated in the PRC with limited liability and a 20% shareholder of Jiangxi Jingxing
“Guangzhou Jingxing Group”	Guangzhou Jingxing and its subsidiaries
“Henan Jingxing”	河南省景興鋁模板製造有限公司 (unofficial English translation being Henan Province Jingxing Aluminium Panel Manufacturing Co., Ltd.), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of China Lesso
“Henan Xingfa”	廣東興發鋁業(河南)有限公司 (unofficial English translation being Guangdong Xingfa Aluminium (Henan) Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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 owned as to 80% by Jiangxi Xingfa and as to 20% by a non-wholly owned subsidiary of China Lesso. Jiangxi Jingxing is accounted for as an associate of the Group and is a connected subsidiary of the Company
“Jiangxi Xingfa”	廣東興發鋁業(江西)有限公司 (unofficial English translation being Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Landlords”	collectively, Henan Xingfa and Jiangxi Xingfa
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement A”	the master supply agreement dated 12 July 2019 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 from 9 July 2019 to 31 December 2019 (both dates inclusive)
“Master Supply Agreement B”	the master supply agreement dated 12 July 2019 and entered into between Guangdong Xingfa and Jiangxi Jingxing, in relation to the supply of aluminium profiles from Guangdong Xingfa to Jiangxi Jingxing for a term from 9 July 2019 to 31 December 2019 (both dates inclusive)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property A”	中國河南省沁陽市沁北工業集聚區 (unofficial English translation being Qinbei Industrial District, Qinyang City, Henan Province, the PRC)



“Property B”	中國江西省宜春經濟技術開發區經發大道21號 (unofficial English translation being No. 21, Jingfa Road, Yichun Economic Development Zone, Jiangxi Province, the PRC)
“Relevant Period”	a period of nine months from 1 January 2020 to 30 September 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares 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
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“Tenancy Agreement A”	the tenancy agreement dated 30 September 2020 and entered into between Henan Xingfa, as landlord, and Henan Jingxing, as tenant, in respect of the leasing of Property A for a term from 1 October 2020 to 31 December 2020 (both dates inclusive)
“Tenancy Agreement B”	the tenancy agreement dated 30 September 2020 and entered into between Jiangxi Xingfa, as landlord, and Jiangxi Jingxing, as tenant, in respect of the leasing of Property B for a term from 1 October 2020 to 31 December 2020 (both dates inclusive)
“Tenants”	collectively, Henan Jingxing and Jiangxi Jingxing
“Year 2021”	a period of one year from 1 January 2021 to 31 December 2021
“%”	per cent.

*For the purpose of illustration only, the amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1:HK\$1.18. 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.*

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

29 December 2020

*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*)  
Ms. ZHANG Li (*Chief Financial Officer*)  
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. LIANG Shibin