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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 DISPOSAL OF JIANGXI JINGXING INTEREST

DISPOSAL OF JIANGXI JINGXING INTEREST

Reference is made to the announcement of the Company dated 18 December 2020 in relation to the possible disposal of Jiangxi Jingxing Interest.

The Publication Period of the Listing-for-Sale ended on 15 January 2021. As notified by GUAEX, Guangzhou Jingxing was assessed as the successful bidder. Accordingly, on 4 February 2021, Jiangxi Xingfa and Guangzhou Jingxing entered into the Equity Transfer Agreement in relation to the Disposal. The Transfer Price is fixed at RMB10 million (equivalent to HK\$12 million).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement and immediately before completion of the Disposal, Jiangxi Jingxing is owned as to 80% by the Group and 20% by Guangzhou Jingxing. Guangzhou Jingxing is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Guangzhou Jingxing is a connected person of the Company.

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

Reference is made to the announcement of the Company dated 18 December 2020 in relation to the possible disposal of Jiangxi Jingxing Interest (“**First Announcement**”).

The Publication Period of the Listing-for-Sale ended on 15 January 2021. As notified by GUAEX, Guangzhou Jingxing was assessed as the successful bidder. Accordingly, on 4 February 2021, Jiangxi Xingfa and Guangzhou Jingxing entered into the Equity Transfer Agreement in relation to the Disposal.

THE EQUITY TRANSFER AGREEMENT

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

Date:

4 February 2021

Parties:

Vendor: Jiangxi Xingfa

Purchaser: Guangzhou Jingxing

Subject matter:

Subject to the terms and conditions of the Equity Transfer Agreement, Jiangxi Xingfa agrees to transfer and Guangzhou Jingxing agrees to acquire the Jiangxi Jingxing Interest, representing 80% of the entire equity interest of Jiangxi Jingxing.

Consideration:

As Guangzhou Jingxing was the only one eligible bidder and the bid price it offered is the Minimum Consideration, the Transfer Price is fixed at the Minimum Consideration.

The Minimum Consideration is RMB10 million (equivalent to HK\$12 million), which is determined with reference to the proportion of Jiangxi Jingxing 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 Jiangxi Jingxing was RMB12.5 million (equivalent to HK\$15 million) as at 31 December 2019.

The Transfer Price shall be paid in cash according to the following arrangement:

- (i) 50% of the Transfer Price (including the earnest money applied towards the Transfer Price) shall be paid by Guangzhou Jingxing into the designated account of GUAEX within 5 Business Days after the effective date of the Equity Transfer Agreement; and
- (ii) the remainder of the Transfer Price shall be paid by Guangzhou Jingxing into the designated account of GUAEX within 5 Business Days from the date (“**Business Registration Completion Date**”) of completion of the requisite business registration for the Disposal (“**Business Registration**”) and in any event within 1 year from the effective date of the Equity Transfer Agreement.

Guangzhou Jingxing shall be liable to pay interest calculated at the loan prime rate of the same period as promulgated by the National Interbank Funding Center of the PRC on any late payment of the Transfer Price.

Completion:

GUAEX shall issue a certificate of transaction (交易憑證) within 3 Business Days of receipt of the first instalment of the Transfer Price, full payment of the service fees payable by each of Guangzhou Jingxing and Jiangxi Xingfa, and upon the written notification of Jiangxi Xingfa.

Completion shall take place at the completion of the Business Registration by Guangzhou Jingxing within a time limit of 1 month.

Other major conditions:

- (i) Any profit or loss incurred by Jiangxi Jingxing from the Valuation Reference Date to the Business Registration Completion Date shall be borne by the shareholders of Jiangxi Jingxing after the completion of the Business Registration in accordance with their then respective shareholdings;
- (ii) The economic and legal obligations of Jiangxi Jingxing as set out in the Valuation Report shall be borne by Jiangxi Jingxing before completion of the Business Registration. The economic and legal obligations arising (1) in the period from the day after the Valuation Reference Date until the Business Registration Completion Date, and (2) on the day after the Business Registration Completion Date and thereafter, shall be borne by Jiangxi Jingxing after completion of the Business Registration;

- (iii) The rights and obligations of Jiangxi Jingxing 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 Jiangxi Jingxing after completion of the Business Registration;
- (iv) The Equity Transfer Agreement and the Disposal contemplated thereunder shall become effective subject to the Company having complied with the Listing Rules and other applicable laws; and
- (v) Jiangxi Jingxing shall pay dividends to Jiangxi Xingfa in the total amount of approximately RMB27.7 million and Guangzhou Jingxing shall procure Jiangxi Jingxing to pay such dividends by instalments as follows:
 - (1) the amount of RMB10 million shall be paid within 5 Business Days from the Business Registration Completion Date;
 - (2) the amount of RMB10 million shall be paid within 1 month from the Business Registration Completion Date; and
 - (3) the remainder of the total amounts of dividends shall be paid within 2 months from the Business Registration Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the First Announcement, the Group wishes to dispose of the Jiangxi Jingxing 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 Jiangxi Jingxing Interest through Listing-for-Sale, in order to comply with relevant PRC laws and regulations concerning the disposal of State-owned assets, to achieve the highest price in the open market and to have the proceeds to fund the development of the Group's other principal businesses.

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

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

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately before completion of the Disposal, Jiangxi Jingxing is accounted for as an associate of the Group. Immediately upon completion of the Disposal, the Group will cease to hold any interest in Jiangxi Jingxing. Jiangxi Jingxing will then cease to be an associate of the Group and a connected subsidiary of the Company.

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

Based on the Transfer Price, the Disposal is expected to give rise to a book gain of approximately RMB3.5 million (equivalent to HK\$4.2 million), being the difference between the Transfer Price and the Group's share of the unaudited net asset value of Jiangxi Jingxing as at 31 December 2020, as if the Disposal was completed on 31 December 2020. The actual amount of gain on the Disposal to be recorded by the Group will depend on the net asset value of Jiangxi Jingxing on the completion date of the Disposal, which therefore may be different from the amount mentioned above.

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) Jiangxi Xingfa

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

(iii) Guangzhou Jingxing

Guangzhou Jingxing is a company established in the PRC with limited liability, and indirectly owned as to approximately 91.7% by China Lesso, a substantial Shareholder. Guangzhou Jingxing is principally engaged in the business of sale and leasing of aluminium formwork.

(iv) Jiangxi Jingxing

Jiangxi Jingxing is a company established in the PRC on 13 March 2014. As at the date of this announcement, its registered capital is RMB5 million which is held as to 80% by Jiangxi Xingfa and as to 20% by Guangzhou Jingxing. Jiangxi Jingxing is principally engaged in the business of manufacturing and sales of aluminium panels.

As at 31 December 2020, the unaudited total asset value and unaudited net asset of Jiangxi Jingxing were approximately RMB106.6 million (equivalent to HK\$127.9 million) and approximately RMB8.2 million (equivalent to HK\$9.8 million) respectively. Certain financial information of Jiangxi Jingxing as extracted from the financial statements of Jiangxi Jingxing (prepared in accordance with PRC GAAP and audited by independent auditors in the PRC) for the two years ended 31 December 2018 and 31 December 2019 is as follows:

	For the year ended 31 December 2019 <i>RMB'000</i> <i>approximately</i>	For the year ended 31 December 2018 <i>RMB'000</i> <i>approximately</i>
Net profit (before taxation)	19,904	14,921
Net profit (after taxation)	<u>15,057</u>	<u>11,181</u>

LISTING RULES IMPLICATIONS

Connected transaction

As at the date of this announcement and immediately before completion of the Disposal, Jiangxi Jingxing is owned as to 80% by the Group and 20% by Guangzhou Jingxing. Guangzhou Jingxing is a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. Therefore, Guangzhou Jingxing is a connected person of the Company.

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

Profit forecast pursuant to Rule 14.61 of the Listing Rules

Pursuant to the Valuation Report, the appraised value of the entire equity interest of Jiangxi Jingxing as at 31 December 2019 using the income approach was RMB12.5 million (equivalent to HK\$15 million) as assessed by the Valuer. Such Valuation constitutes a "profit forecast" pursuant to Rule 14.61 of the Listing Rules and is therefore subject to the following disclosure requirements as set out in Rule 14A.68(7) of the Listing Rules:

The principal assumptions on which the Valuation has been based are as follows:

(i) Basic assumptions

- (1) all assets of Jiangxi Jingxing are being transacted and are appraised in accordance with the terms of a simulated market such as conditions of transactions;
- (2) all assets of Jiangxi Jingxing are to be transacted in a competitive market with voluntary buyers and sellers in which the parties are of equal status, with sufficient time and opportunities for the parties to obtain market information, and transactions are conducted freely and rationally without any undue influence or restrictions on the parties; and
- (3) the business operation of Jiangxi Jingxing is in compliance with the laws, the period for the operation licence can be extended after the end of operation period, and each qualifications for operation can be extended. There will be no unforeseeable factors which will render Jiangxi Jingxing unable to operate continuously. The use of the assets under valuation remains unchanged and are continuously in use in the same location.

(ii) General Assumptions

- (1) there is no material change to the relevant laws, regulations and policies of the relevant industry of Jiangxi Jingxing by the State;
- (2) there is no material change to the existing relevant laws, regulations and policies and macroeconomic condition of the State after the Valuation Reference Date; there is no material change to the political, economic and social conditions of the respective regions in which the parties to the Disposal are located;
- (3) there is no material change to the interest rates, exchange rates, tax base and tax rates as well as policy-based levies;
- (4) there is no other force majeure or unforeseeable factors that may cause any material adverse impact to Jiangxi Jingxing; and
- (5) there is no event regarding any defect of the rights of Jiangxi Jingxing, or all such existing events have been disclosed.

(iii) Special Assumptions

(a) Assumptions on operation

- (1) after the realisation of the economic act, the operating projects and services of Jiangxi Jingxing remain basically unchanged, or if there is any such change, it can be foreseen and implemented;
- (2) Jiangxi Jingxing is in full compliance of all relevant laws and regulations;
- (3) there is no material change to the accounting policies and auditing methods of Jiangxi Jingxing;
- (4) the revenue and costs of Jiangxi Jingxing are incurred in a balanced way; change in prices constituting costs of operation and sales prices of services and products is basically synchronised;
- (5) the economic operation of Jiangxi Jingxing is not affected by serious shortage of supply in transport, water and electricity, and communications, or adverse impacts of violent fluctuations in costs;
- (6) the lease of the operating premises leased by Jiangxi Jingxing can be renewed upon expiry, or a venue which can satisfy the conditions of office operation can be obtained. According to the stipulations of the existing company laws, the operation period can be extended by application to departments of business administration management within the stipulated time limit before expiry. There is no reason for termination of Jiangxi Jingxing's operation as represented by the management level of Jiangxi Jingxing;
- (7) Jiangxi Jingxing does not own any core technology or patent, the research and development are undertaken by Guangzhou Jingxing; the restricting factors relating to capability of design and development, business expansion and after-sale customer services of Jiangxi Jingxing are assumed to have existed on a long-term basis;
- (8) Jiangxi Jingxing's cash inflow is average inflow and cash outflow is average outflow;
- (9) the annual financial reports of Jiangxi Jingxing can truly reflect the actual status of Jiangxi Jingxing;

- (10) the taxation and the tax rates of Jiangxi Jingxing are maintained; and
- (11) the purchase amount by Guangzhou Jingxing from Jiangxi Jingxing in 2020 will decrease by more than 50% as compared to 2019 as represented by Guangzhou Jingxing.

(b) Assumptions on assets

- (1) the purchase or acquisition of assets by Jiangxi Jingxing complied with the relevant laws and regulations of the State;
- (2) Jiangxi Jingxing continues to use the assets with its existing or planned usage, purposes, methods of use, scale and frequency;
- (3) there is no charge or litigation or seizure on the assets owned by Jiangxi Jingxing;
- (4) the assets are owned by Jiangxi Jingxing and with no encumbrances; and
- (5) other than circumstances as disclosed, there is no material technological defaults which can affect the continued use of assets owned by Jiangxi Jingxing, there is no substance in the assets which adversely affects the value of the assets, and there is no dangerous material or other adverse environmental conditions in the location of the assets which adversely affect their value.

KPMG, the reporting accountants of the Company (“**Reporting Accountants**”) confirmed that they have performed procedures on the arithmetical calculations and compilation of the discounted future estimated cash flows of Jiangxi Jingxing on which the Valuation was based, but did not report on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based. The Reporting Accountants’ work does not constitute any valuation of Jiangxi Jingxing, or an expression of an audit or review opinion of the valuation of Jiangxi Jingxing. A report from the Reporting Accountants is included in Appendix I to this announcement in compliance with Rule 14.62(2) of the Listing Rules.

The Board confirmed that it was satisfied that the discounted future estimated cash flows of Jiangxi Jingxing on which the Valuation was based has been made after due and careful enquiry. A letter from the Board is included in Appendix II to this announcement in compliance with Rule 14.62(3) of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
KPMG	Certified Public Accountants
廣東財興資產評估土地房地產估價有限公司(unofficial English translation being Guangdong Caixing Asset Evaluation and Land and Real Estate Appraisal Co., Ltd)	Qualified independent valuer in the PRC

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Reporting Accountants and the Valuer is an Independent Third Party.

As at the date of this announcement, each of the Reporting Accountants and the Valuer does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of the Reporting Accountants and the Valuer has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all reference to its name (including its qualification) in the form and context in which it appears.

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
“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 26.3% equity interest of the Company through its direct wholly-owned subsidiary

“Company”	means Xingfa Aluminium Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the directors of the Company
“Disposal”	means the Group’s disposal of the Jiangxi Jingxing Interest pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	means the equity transfer agreement dated 4 February 2021 and entered into between Jiangxi Xingfa as vendor and Guangzhou Jingxing 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
“Guangzhou Jingxing”	means 廣州景興建築科技有限公司 (unofficial English translation being Guangzhou Jingxing Construction Technology Company Limited), a company established in the PRC with limited liability, and a non-wholly owned subsidiary of China Lesso, a substantial Shareholder. As at the date of this announcement, Guangzhou Jingxing owns 20% of the equity interest of Jiangxi Jingxing
“HK\$”	means the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	means a third party independent of the Company and its connected persons

“Jiangxi Jingxing”	means 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 company established in the PRC with limited liability and owned as to 80% by Jiangxi Xingfa and as to 20% by Guangzhou Jingxing. Jiangxi Jingxing is accounted for as an associate of the Group and is a connected subsidiary of the Company as at the date of this announcement
“Jiangxi Jingxing Interest”	means the 80% equity interest held by Jiangxi Xingfa in Jiangxi Jingxing
“Jiangxi Xingfa”	means 廣東興發鋁業(江西)有限公司 (unofficial English translation being Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which owns 80% of the equity interest of Jiangxi Jingxing as at the date of this announcement
“Listing-for-Sale”	means the listing-for-sale process carried out through GUAEX for the disposal of the Jiangxi Jingxing 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 RMB10 million (equivalent to HK\$12 million), i.e. the minimum bidding price, for the Jiangxi Jingxing Interest
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	means generally accepted accounting principles in the PRC
“Publication Period”	means the period during which the Disposal was disclosed to the public on the designated online system of GUAEX by way of the Listing-for-Sale Notice

“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transfer Price”	means the consideration payable by Guangzhou Jingxing for the transfer of the Jiangxi Jingxing Interest pursuant to the Equity Transfer Agreement
“Valuation”	means the valuation of the entire equity interest of Jiangxi Jingxing conducted by the Valuer as at the Valuation Reference Date
“Valuation Reference Date”	means 31 December 2019
“Valuation Report”	means the valuation report dated 22 October 2020 issued by the Valuer in respect of the Valuation
“Valuer”	means 廣東財興資產評估土地房地產估價有限公司 (unofficial English translation being Guangdong Caixing Asset Evaluation and Land and Real Estate Appraisal Co., Ltd), a qualified independent valuer in the PRC
“%”	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

4 February 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*)
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

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE ENTIRE EQUITY INTEREST OF JIANGXI PROVINCE JINGXING ALUMINIUM PANEL MANUFACTURING CO., LTD.* (江西省景興鋁模板製造有限公司)

TO THE BOARD OF DIRECTORS OF XINGFA ALUMINIUM HOLDINGS LIMITED

We refer to the discounted future cash flows on which the business valuation (“**Valuation**”) dated 22 October 2020 prepared by Guangdong Caixing Asset Evaluation and Land and Real Estate Appraisal Co., Ltd.* (廣東財興資產評估土地房地產估價有限公司) in respect of the appraisal of the fair value of the entire equity interest of Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd. (“**Jiangxi Jingxing**”) as at 31 December 2019 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Directors’ Responsibilities

The directors of Xingfa Aluminium Holdings Limited (“**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation, and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Jiangxi Jingxing or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relate to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

* *The official name of this entity is in Chinese. The English translation of the name is for identification only.*

KPMG

Certified Public Accountants

Hong Kong

4 February 2021

APPENDIX II – LETTER FROM THE BOARD

4 February 2021

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs

Reference is made to the announcement of the Company dated 4 February 2021 (“**Announcement**”), of which this letter forms part, and the valuation report dated 22 October 2020 issued by the Valuer in relation to the Valuation. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

We, being all the Directors, noted that the Valuation has been based on the discounted future estimated income of Jiangxi Jingxing (“**Profit Forecast**”) which constitutes a profit forecast under Rule 14.61 of the Listing Rules. We have reviewed and considered the Profit Forecast including the bases and assumptions upon which the Valuation was based and reviewed and considered the Valuation for which the Valuer is responsible. We have also considered the report dated 4 February 2021 from KPMG, the Reporting Accountants, and so far as the calculations are concerned, whether the Profit Forecast has been properly complied in all material respects in accordance with the bases and assumptions adopted by the Valuer as set out in the Valuation. We have noted that the Profit Forecast in the Valuation is mathematically accurate. In compliance with Rule 14.62(3) of the Listing Rules, the Board confirm that the Profit Forecast underlying the Valuation has been made after due and careful enquiry.

Yours faithfully
For and on behalf of the Board
LIU Libin
Chairman