
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Xingfa Aluminium Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.



Guangxin Aluminium (HK) Limited
香港廣新鋁業有限公司
(Incorporated in Hong Kong with limited liability)

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)

**COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO
CONDITIONAL MANDATORY CASH OFFERS BY
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF
GUANGXIN ALUMINIUM (HK) LIMITED
FOR ALL THE ISSUED SHARES IN
XINGFA ALUMINIUM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
GUANGXIN ALUMINIUM (HK) LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF
ALL THE OUTSTANDING SHARE OPTIONS OF
XINGFA ALUMINIUM HOLDINGS LIMITED**

Financial adviser to the Offeror



Financial adviser to the Company

BALLAS
CAPITAL

Independent financial adviser to the Independent Board Committee



Halcyon Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Huatai containing, among other things, details of the terms of the Offers is set out on pages 8 to 20 of this Composite Document. A letter from the Board is set out on pages 21 to 27 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in relation to the Offers is set out on pages 28 to 29 of this Composite Document. A letter from Halcyon Capital Limited containing its advice on the Offers to the Independent Board Committee and the Independent Shareholders and the Optionholders is set out on pages 30 to 58 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptance of the Offers should be received by the Registrar no later than 4 p.m. on 23 April 2019 or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce through the website of the Stock Exchange, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the section headed "Important Notice" on page V of this Composite Document and the paragraph headed "Important Note to Overseas Shareholders and overseas Optionholders" in the "Letter from Huatai" on page 18 of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders and overseas Optionholders are advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.xingfa.com/> as long as the Offers remain open.

2 April 2019

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate.

(Hong Kong time)

2019

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance (<i>Note 1</i>)	Tuesday, 2 April
Offers open for acceptance	Tuesday, 2 April
Latest time and date for acceptance of the Offers on the first Closing Date (<i>Note 2</i>)	by 4:00 p.m. on Tuesday, 23 April
First Closing Date of the Offers (<i>Note 2</i>)	Tuesday, 23 April
Announcement of the results of the Offers as at the first Closing Date or as to whether the Offers have been revised or extended on the website of the Stock Exchange (<i>Note 2</i>)	no later than 7:00 p.m. on Tuesday, 23 April
Latest date of posting of remittance for the amounts due under the Offers in respect of valid acceptances received on or before the latest time for acceptance of the Offers on the first Closing Date assuming the Offers become or are declared unconditional on the first Closing Date (<i>Notes 3 and 4</i>)	Friday, 3 May
Latest time and date for the Offers remaining open for acceptance on the final Closing Date assuming the Offers become or are declared unconditional on the first Closing Date (<i>Note 5</i>)	by 4:00 p.m. on Tuesday, 7 May

EXPECTED TIMETABLE

(Hong Kong time)

2019

Final Closing Date of the Offers (assuming the Offers become
or are declared unconditional on the first Closing Date) (*Note 5*) Tuesday, 7 May

Announcement of the results of the Offers as at the
final Closing Date to be posted on the website of the
Stock Exchange no later than 7:00 p.m.
on Tuesday, 7 May

Latest date of posting of remittance for the amount due
under the Offers in respect of valid acceptances received
on or before the latest time for acceptance of the Offers
on the final Closing Date assuming the Offers
become or are declared unconditional on the
first Closing Date (*Notes 3 and 4*) Friday, 17 May

Latest time and date by which the Offers can become
or be declared unconditional as to acceptance (*Note 6*) by 7:00 p.m.
on Saturday, 1 June

Notes:

1. The Offers, which are conditional, are made on the date of posting of this Composite Document, and may be accepted on and from that date until the Closing Date.

2. The latest time for acceptance of the Offers is 4:00 p.m. on Tuesday, 23 April 2019, being 21 days from the date of posting of this Composite Document, unless the Offeror extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Tuesday, 23 April 2019 as to whether the Offers have been revised, extended or expired and, in relation to any revision or extension of the Offers, to state either the next closing date or that the Offers will remain open until further notice. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.

EXPECTED TIMETABLE

3. Subject to the Offers becoming unconditional, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Shares and the Share Options under the Offers will be posted to the accepting Shareholders and Optionholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offers complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code and (ii) the date on which the Offers become or are declared unconditional in all respects.

An acceptor shall be entitled to withdraw his acceptance after 21 days from the first Closing Date, if the Offers have not by then become unconditional as to acceptances, except in the circumstances as set out in the paragraph headed "7. Right of Withdrawal" in Appendix I to this Composite Document. This entitlement to withdraw shall be exercisable until such time as the Offers become or are declared unconditional as to acceptances.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day;
 - b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..
5. In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respects, the Offers should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offers are closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement in relation to any extension of the Offers, which will state the next Closing Date or, if the Offers have become or are at that time unconditional, that the Offers will remain open until further notice.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on Saturday, 1 June 2019, being the 60th day after the day this Composite Document is posted. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse on Saturday, 1 June 2019 unless extended with the consent of the Executive and in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for the acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Shareholders and the Optionholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All times and dates in this Composite Document and the Form(s) of Acceptance shall refer to Hong Kong times and dates.

IMPORTANT NOTICE

NOTICE TO HOLDERS OUTSIDE HONG KONG

The Offers made to the Independent Shareholders and the Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any Overseas Shareholders and overseas Optionholders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Please refer to the section headed “Important Note to Overseas Shareholders and Overseas Optionholders” of the “Letter from Huatai” in this Composite Document for further information.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Ballas”	Ballas Capital Limited, being the financial adviser to the Company, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	23 April 2019, being the first closing date of the Offers as stated in the section headed “Expected Timetable” in this Composite Document, which is 21 days after the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as extended and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“Company”	Xingfa Aluminium Holdings Limited (Stock Code: 98), an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange
“Composite Document”	this composite offer and response document jointly issued by or for and on behalf of (as the case may be) the Offeror and the Company to all Independent Shareholders and Optionholders in accordance with the Takeovers Code containing, among others, details of the Offers and the acceptance and transfer forms in respect of the Offers, as may be revised or supplemented as appropriate
“Director(s)”	the director(s) of the Company

DEFINITIONS

“encumbrance”	any claim, charge (fixed or floating), mortgage, security, lien, pledge, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Facility”	a loan facility in the amount of HK\$1,800,000,000 granted by HSBC in favour of the Offeror, which is guaranteed by Guangxin Holdings and has subsequently been reduced to an amount of HK\$776,999,999.9 as mutually agreed by HSBC and the Offeror
“Facility Agreement”	the facility agreement entered into and executed on 23 January 2019 between the Offeror as borrower and HSBC as lender
“Form(s) of Acceptance”	the WHITE Form of Share Offer Acceptance and Transfer and the YELLOW Form of Option Offer Acceptance and Cancellation (as the context may require) in respect of the Offers which accompany(ies) this Composite Document
“Group”	the Company and its subsidiaries
“Guangdong SASAC”	State-owned Assets Supervision and Administration Commission under the People’s Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會)
“Guangxin Holdings”	Guangdong Guangxin Holdings Group Ltd.* (廣東省廣新控股集團有限公司), a company established in the PRC and wholly owned by Guangdong SASAC, which is the holding company of the Offeror
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited

DEFINITIONS

“Huatai”	Huatai Financial Holdings (Hong Kong) Limited, being the financial adviser to the Offeror, a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Board Committee”	the independent board committee of the Board comprising all non-executive Directors (other than Ms. XIE Jingyun), namely Mr. ZUO Manlun, Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung, Andy, and Mr. LIANG Shibin, having been established to give recommendations to the Independent Shareholders and the Optionholders regarding the terms of the Offers
“Independent Financial Adviser” or “Halcyon”	Halcyon Capital Limited, being the independent financial adviser to the Independent Board Committee in relation to the Offers, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	Shareholder(s), other than the Offeror and parties acting in concert with it
“Irrevocable Undertakings”	the irrevocable undertakings given by Lesso Group and Sure Keen, who hold 109,842,900 Shares and 48,200,100 Shares respectively as at the Latest Practicable Date, in favour of the Offeror dated 19 February 2019 and 20 February 2019, respectively, each undertaking not to accept the Offers nor to dispose of the said Shares held by them during the Offer Period
“Joint Announcement”	the joint announcement dated 13 February 2019 issued by the Company and the Offeror in respect of, among other things, the Offers
“Last Trading Day”	24 January 2019, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	29 March 2019, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein

DEFINITIONS

“Lesso Group”	Lesso Group Holdings Limited, a company incorporated in the BVI
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. LIN Yan, who is the Vice President of the Company. Mr. LIN Yan is a concert party of the Offeror because he was nominated as the Vice President of the Company by the Offeror
“Mr. Liu”	Mr. LIU Libin, who is a director of the Offeror and also an executive Director and the chairman of the Company. Mr. LIU Libin is presumed to be acting in concert with the Offeror as a director of the Offeror
“Ms. Zhang”	Ms. ZHANG Li, who is an executive Director and the Chief Financial Officer of the Company. Ms. ZHANG Li is a concert party of the Offeror because she was nominated as an executive Director and the Chief Financial Officer of the Company by the Offeror
“Offer(s)”	the Share Offer and the Option Offer
“Offer Period”	has the meaning given to it in the Takeovers Code, being the period commencing from 13 February 2019, being the date of publication of the Joint Announcement until the Closing Date or such other later date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
“Offer Share(s)”	Share(s) in respect of which the Share Offer is made, being Share(s) not already owned or agreed to be acquired by the Offeror and the parties acting in concert with it
“Offeror”	Guangxin Aluminium (HK) Limited (香港廣新鋁業有限公司), a company incorporated in Hong Kong with limited liability
“Option Offer”	the conditional mandatory cash offer being made by Huatai for and on behalf of the Offeror for the cancellation of all the outstanding Share Options in accordance with the Takeovers Code

DEFINITIONS

“Option Offer Price”	HK\$0.14 per Share Option
“Optionholder(s)”	holder(s) of the Share Options from time to time
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is (are) outside Hong Kong
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Tricor Investor Services Limited, the Company’s share registrar in Hong Kong located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 14 August 2018, being the date falling six months preceding 13 February 2019, being the date of commencement of the Offer Period, and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Offer”	the conditional mandatory cash offer being made by Huatai for and on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price in accordance with the terms described in this Composite Document
“Share Offer Price”	the price at which the Share Offer is made, being HK\$5.60 per Offer Share

DEFINITIONS

“Share Option(s)”	the share option(s) granted under the Share Option Scheme which entitle the grantees to subscribe for an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share										
“Share Option Scheme”	the share option scheme adopted by the Company on 29 December 2017, which became effective on 5 January 2018										
“Share Purchase”	the share purchases on the open market made by the Offeror on 24 January 2019 totaling 5,000 Shares, representing approximately 0.001% of the entire share capital of the Company as at the Latest Practicable Date, details of which are as follows:										
	<table><thead><tr><th style="text-align: center;">Number of Shares</th><th style="text-align: center;">Purchase price per Share</th></tr></thead><tbody><tr><td style="text-align: center;">1,000</td><td style="text-align: center;">HK\$5.52</td></tr><tr><td style="text-align: center;">2,000</td><td style="text-align: center;">HK\$5.55</td></tr><tr><td style="text-align: center;">1,000</td><td style="text-align: center;">HK\$5.56</td></tr><tr><td style="text-align: center;">1,000</td><td style="text-align: center;">HK\$5.60</td></tr></tbody></table>	Number of Shares	Purchase price per Share	1,000	HK\$5.52	2,000	HK\$5.55	1,000	HK\$5.56	1,000	HK\$5.60
Number of Shares	Purchase price per Share										
1,000	HK\$5.52										
2,000	HK\$5.55										
1,000	HK\$5.56										
1,000	HK\$5.60										
“Shareholder(s)”	holder(s) of Share(s)										
“Stock Exchange”	The Stock Exchange of Hong Kong Limited										
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules										
“Sure Keen”	Sure Keen Limited, a company incorporated in the BVI										
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong										
“ WHITE Form of Share Offer Acceptance and Transfer”	the WHITE form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document										
“ YELLOW Form of Option Offer Acceptance and Cancellation”	the YELLOW form of acceptance and cancellation of the Share Options in respect of the Option Offer accompanying this Composite Document										
“%”	per cent.										

DEFINITIONS

1. Unless otherwise indicated, all time and date references contained in this Composite Document refer to Hong Kong times and dates.
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any appendix, paragraph and any sub-paragraphs of them are references to the appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
6. Reference to one gender is a reference to all or any genders.
7. For the purpose of this Composite Document, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB0.8431: HK\$1.00. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

* *for identification purpose only*

LETTER FROM HUATAI



2 April 2019

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL
ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

INTRODUCTION

Reference is made to the Joint Announcement. On 24 January 2019, the Offeror made the Share Purchase, acquiring a total of 5,000 Shares, representing approximately 0.001% of the entire issued share capital of the Company as at the date of the Joint Announcement, on open market and with the highest purchase price being HK\$5.60 per Share.

Immediately prior to the Share Purchase, the Offeror and parties acting in concert with it were interested in 125,399,000 Shares, representing approximately 29.9998% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date. Immediately following the Share Purchase, the Offeror and parties acting in concert with it own an aggregate of 125,404,000 Shares, representing approximately 30.001% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

The Offeror is required to make the conditional mandatory cash Offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to cancel all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code.

LETTER FROM HUATAI

This letter forms part of this Composite Document and sets out, amongst other things, the details of the Offers, certain information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers and the procedures for acceptances of the Offers are set out in this letter, Appendix I to this Composite Document and the Form(s) of Acceptance.

The Independent Shareholders and the Optionholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Halcyon Capital Limited” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

THE OFFERS

Huatai is making the Offers for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to all the Optionholders for the cancellation of all the outstanding Share Options on the terms set out in this Composite Document in accordance with Rules 26.1 and 13 of the Takeovers Code respectively, on the following basis:

Principal terms of the Offers

Share Offer

For each Offer Share HK\$5.60 in cash

The Share Offer Price of HK\$5.60 per Offer Share represents the highest price per Share paid by the Offeror and parties acting in concert with it for the Shares within 6 months prior to the date of the Joint Announcement and up to and including the Latest Practicable Date. The Share Offer will be extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

As at the Latest Practicable Date, there were 418,000,000 Shares in issue, and the Offeror and parties acting in concert with it were interested in a total of 125,404,000 Shares, representing approximately 30.001% of the entire issued share capital of the Company. Further details of the terms of the Share Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying **WHITE** Form of Share Offer Acceptance and Transfer.

LETTER FROM HUATAI

Option Offer

Huatai is making the Option Offer for and on behalf of the Offeror to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Share Options in exchange for cash.

For cancellation of each Share Option HK\$0.14 in cash

As at the Latest Practicable Date, there were 4,180,000 outstanding Share Options entitling the grantees to subscribe for an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share granted under the Share Option Scheme. As at the Latest Practicable Date, save for Mr. Liu who held 229,000 Share Options, Ms. Zhang who held 192,000 Share Options, and Mr. Lin who held 138,000 Share Options, the Offeror and parties acting in concert with it did not hold any Share Options.

The price for the cancellation of each Share Option accepted under the Option Offer is the see-through price which represents the difference between the Share Offer Price per Offer Share and the exercise price of each Share Option. Since the Share Offer Price per Offer Share is HK\$5.60 and the exercise price of each Share Option granted under the Share Option Scheme is HK\$5.460 per Share, the Option Offer Price is therefore HK\$0.14 in cash for the cancellation of each outstanding Share Option under the Option Offer.

Further terms of the Option Offer and the procedures for acceptances are set out in Appendix I to this Composite Document and the accompanying **YELLOW** Form of Option Offer Acceptance and Cancellation.

Irrevocable undertakings in respect of the Offers

As disclosed in the joint announcement dated 21 February 2019 issued by the Company and the Offeror in respect of, among other things, the Irrevocable Undertakings the Offeror received from Lesso Group on 19 February 2019 and from Sure Keen on 20 February 2019 respectively. As at the Latest Practicable Date, Lesso Group held 109,842,900 Shares, representing approximately 26.28% of the entire issued share capital of the Company, and Sure Keen held 48,200,100 Shares, representing approximately 11.53% of the entire issued share capital of the Company. As at the Latest Practicable Date, Lesso Group and Sure Keen collectively held a total of 158,043,000 Shares (the “**Relevant Shares**”). Pursuant to the Irrevocable Undertakings, each of Lesso Group and Sure Keen has unconditionally and irrevocably undertaken that (i) it will not tender any of the Relevant Shares held by it for acceptance of the Share Offer; and (ii) it will not dispose any of the Relevant Shares held by it. The undertakings given under the Irrevocable Undertakings will cease to be binding on Lesso Group and Sure Keen (as applicable) upon the close or lapse of the Offers.

LETTER FROM HUATAI

Conditions of the Offers

The Share Offer is only conditional upon the Offeror having received valid acceptances of the Offer Shares which, together with the Shares owned or agreed to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should exercise caution when dealing in securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

The Share Offer Price

The Share Offer Price of HK\$5.60 represents:

- (i) a premium of approximately 2.94% over the closing price of HK\$5.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.74% over the average closing price of approximately HK\$5.30 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 7.46% over the average closing price of approximately HK\$5.21 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 9.87% over the average closing price of approximately HK\$5.10 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 7.70% over the average closing price of approximately HK\$5.20 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 4.62% to the consolidated net asset value of the Group of approximately RMB4.95 (equivalent to approximately HK\$5.87) per Share as at 31 December 2017 as derived from the audited consolidated financial statement for the year ended 31 December 2017;

LETTER FROM HUATAI

- (vii) a discount of approximately 9.71% to the unaudited consolidated net asset value of the Group of approximately RMB5.23 (equivalent to approximately HK\$6.20) per Share as at 30 June 2018;
- (viii) a discount of approximately 23.43% to the consolidated net asset value of the Group of approximately RMB5.99 (equivalent to approximately HK\$7.10 per Share as at 31 December 2018 (“**2018 NAV per Share**”), as derived from the published final results announcement of the Company for the year ended 31 December 2018;
- (ix) a discount of approximately 31.87% to the 2018 NAV per Share as adjusted by the revaluation surplus and relevant tax impacts on the property interests of the Group as at 31 January 2019 as set out in the valuation report contained in Appendix III to this Composite Document of approximately RMB6.93 (equivalent to approximately HK\$8.22); and
- (x) a premium of approximately 1.63% over the closing price of HK\$5.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Your attention is drawn to the property valuation report as set out in “Appendix III – Property Valuation Report” to this Composite Document from Jones Lang LaSalle Corporate Appraisal and Advisory Limited pursuant to Rule 11 of the Takeovers Code providing an updated valuation of the properties of the Group as at 31 January 2019.

Value of the Offers

As at the Latest Practicable Date, the Company had a total of 292,596,000 Shares being subject to the Share Offer and there were 4,180,000 outstanding Share Options entitling the grantees to subscribe for an aggregate of 4,180,000 Shares granted under the Share Option Scheme at an exercise price of HK\$5.460 per Share.

On the basis that there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date and taking into account the Relevant Shares under the Irrevocable Undertakings:

- (a) Assuming no outstanding Share Options are exercised and the Share Offer is accepted in full:
 - (i) the value of the Share Offer will be approximately HK\$1,638,537,600; and
 - (ii) the total amount to satisfy the cancellation of all the outstanding Share Options will be approximately HK\$585,200.

LETTER FROM HUATAI

Therefore, the total cash consideration payable by the Offeror under the Offers and including the Relevant Shares under the Irrevocable Undertakings would be approximately HK\$1,639,122,800.

(b) Assuming all the outstanding Share Options are exercised in full and the Share Offer is accepted in full (including all the Shares issued and allotted as a result of the exercise of the Share Options):

(i) the value of the Share Offer will be approximately HK\$1,661,945,600; and

(ii) no amount will be payable by the Offeror under the Option Offer.

Therefore, the total cash consideration payable by the Offeror under the Offers and taking into account the Relevant Shares under the Irrevocable Undertakings would be approximately HK\$1,661,945,600.

Using the higher figure from the above scenarios, the maximum total consideration to be paid by the Offeror under the Offers and taking into account the Relevant Shares under the Irrevocable Undertakings is approximately HK\$1,661,945,600.

Since Lesso Group and Sure Keen will not tender any of the Relevant Shares for acceptance of the Share Offer pursuant to the Irrevocable Undertakings:

(a) Assuming no outstanding Share Options are exercised and Share Offer is accepted in full, the total cash consideration payable by the Offeror under the Offers will decrease from approximately HK\$1,639,122,800 to approximately HK\$754,082,000.

(b) Assuming all the outstanding Share Options are exercised in full and the Share Offer is accepted in full (including all the Shares issued and allotted as a result of the exercise of the Share Options), the total cash consideration payable by the Offeror under the Offers will decrease from approximately HK\$1,661,945,600 to approximately HK\$776,904,800.

Using the higher figure from the above scenarios, the maximum total cash consideration payable by the Offeror under the Offers will decrease from approximately HK\$1,661,945,600 to approximately HK\$776,904,800.

LETTER FROM HUATAI

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$6.05 per Share on 7 March 2019, and HK\$4.77 per Share on 7 January 2019, respectively.

Financial resources available to the Offeror

Huatai, being the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable in case of full acceptances of the Offers excluding the Relevant Shares under the Irrevocable Undertakings. The Offers will be financed by the Facility provided by HSBC pursuant to the Facility Agreement. The obligations of the Offeror under the Facility will be guaranteed by Guangxin Holdings.

The Offeror confirms that the repayment of the interest on, repayment of or security for any liability (contingent or otherwise) of the Facility will not depend to any significant extent on the business of the Company.

Effects of accepting the Offers

Subject to the Share Offer becoming unconditional, provided that valid Form(s) of Acceptance and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar, the Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of despatch of this Composite Document.

Subject to the Option Offer becoming unconditional, acceptances of the Option Offer by Optionholders will result in the cancellation of those outstanding Share Options, together with all rights attaching thereto. Subject to the Option Offer becoming unconditional, Share Options in respect of which the Option Offer is not accepted will (to the extent not exercised) automatically lapse upon the close of the Offers.

Acceptances of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

LETTER FROM HUATAI

Payment

Subject to the Share Offer having become, or having been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event, within seven Business Days of (i) the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid; or (ii) the date on which the Offers become or are declared unconditional in all aspects, whichever is later.

No fractions of a cent will be payable and the amount of the consideration payable to the Shareholder and/or the Optionholder who accepts the Offers will be rounded up to the nearest cent.

Stamp Duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar).

The Offeror bears its own portion of buyer's ad valorem stamp duty at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

LETTER FROM HUATAI

INFORMATION ON THE COMPANY AND THE GROUP

Details of the information on the Company and the Group are set out in the paragraph headed “Information on the Company and the Group” in the “Letter from the Board” in this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong, which is directly and wholly owned by Guangxin Holdings, which is in turn wholly owned by Guangdong SASAC. The principal activity of the Offeror is investment holding. As at the Latest Practicable Date, save for the holding of the 125,404,000 Shares, the Offeror has not engaged in any business activities.

The board of directors of the Offeror comprises Mr. ZOU Bin, Mr. Liu and Ms. ZHAO Lan. Mr. Liu, who is also an executive Director and the chairman of the Company, holds 229,000 Share Options as at the Latest Practicable Date.

Prior attempt to privatise the Company

As stated in the announcement dated 17 May 2017 jointly issued by, among others, the Offeror and the Company, the Offeror, together with Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying as the joint offerors, attempted to privatise the Company by way of a scheme of arrangement. Such scheme was not approved by requisite shareholders at the court meeting held on 17 May 2017 and thus the privatisation did not proceed.

OFFEROR’S INTENTION IN RELATION TO THE GROUP

Maintaining the existing business and employment of the Group while further discharging the Offeror’s duties as a controlling shareholder

Immediately following the Share Purchase, the Offeror has become a controlling shareholder of the Company. Following the close of the Offers, it is the intention of the Offeror to maintain the listing status of the Company, to continue developing the Group’s existing principal business without major redeployment of the Group’s fixed assets and to continue with the employment of the Group’s employees. The Offeror and/or the Company have/has no intention, understanding, negotiation, arrangement and agreements on downsizing or disposing of the existing business of the Company.

By leveraging on the competence of state-owned capital, the Offeror, as a controlling shareholder of the Company, will assume its responsibilities to further support and promote the Group’s business operations and development in accordance with the established strategies.

LETTER FROM HUATAI

Maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange after the Closing Date. The directors of the Offeror and the Directors of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares.

Providing an opportunity for Shareholders and Optionholders to realize investment in the Company

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 265,947 Shares per day, representing only approximately 0.06% of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has adverse impact on the price of the Shares occurs.

It is the Offeror's intention to provide the Shareholders and the Optionholders an opportunity to realize their investment in the Company for cash at a reasonable price with premium without having to suffer any illiquidity discount, given the trading volume of the Shares was relatively low. The Share Offer Price of HK\$5.60 represents a premium of approximately 5.74%/7.46%/9.87%/7.70% over each of the 5/10/30/90 trading days average closing prices per Share, respectively, immediately prior to and including the Last Trading Day. The Share Offer Price also represents a premium of approximately 2.56% over the exercise price per Share of HK\$5.460 under the Share Option Scheme.

LETTER FROM HUATAI

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

IMPORTANT NOTE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Offers are made available to all Independent Shareholders and Optionholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Offers to persons who are not residents in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The availability of the Offers to persons with registered addresses in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Shareholders and/or Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

This Composite Document will be sent to all Independent Shareholders and Optionholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. It is the responsibility of the individual Overseas Shareholders or overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any regulatory, governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Overseas Shareholders or overseas Optionholders in respect of such jurisdictions). Any acceptance by any Overseas Shareholders and/or overseas Optionholders and beneficial owners of the Offer Shares and Share Options who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders and/or Optionholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

As at the Latest Practicable Date, there were 8 Shareholders with registered addresses in the PRC according to the register of members of the Company. The Offeror had been advised by Allbright Law Offices, the legal adviser as to the PRC law that this Composite Document and the accompanying Form(s) of Acceptance may be forwarded to such Overseas Shareholders and the Company will do so accordingly.

LETTER FROM HUATAI

TAX IMPLICATIONS

The Shareholders and the Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Huatai, Ballas, Halcyon, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement, and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

GENERAL

To ensure equality of treatment of all the Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Offer Shares whose investments are registered in the name of a nominee to provide instructions to his/her/its nominee of his/her/its intentions with regards to the Share Offer.

All documents and remittances will be sent to the Independent Shareholders and the Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as specified on the relevant Form of Share Offer Acceptance or, if no name or address is specified, to the Independent Shareholder or the first named Independent Shareholder (in the case of joint registered holders) at their respective addresses as shown in the register of members of the Company, and in the case of the Optionholders, to the address specified on the relevant Form of Option Offer Acceptance. None of the Offeror, its beneficial owners and parties acting in concert with any of them, the Company, Huatai, Ballas, Halcyon, the Registrar or any of their respective directors or professional advisers or the company secretary of the Company or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM HUATAI

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the recommendation of the Independent Board Committee contained in the “Letter from the Independent Board Committee”, the advice of the Independent Financial Adviser in the “Letter from Halcyon Capital Limited” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
Huatai Financial Holdings (Hong Kong) Limited
Michael Fok
Managing Director

LETTER FROM THE BOARD



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)

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

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Unit 605, 6/F, Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

2 April 2019

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF
ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

INTRODUCTION

Reference is made to the Joint Announcement pursuant to which the Offeror and the Company jointly announced on 13 February 2019 that Huatai will, for and on behalf of the Offeror, make conditional mandatory cash offers to acquire all of the Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it, and to cancel all the outstanding Share Options.

LETTER FROM THE BOARD

The purpose of this Composite Document, of which this letter forms part, is to provide you with, among other things, (i) information relating to the Group and the Offeror; (ii) further details of the Offers; (iii) a letter of recommendation from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in respect of the terms of the Offers and as to the acceptance of the Offers; and (iv) a letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting. The Independent Board Committee, comprising all non-executive Directors (other than Ms. XIE Jingyun), namely Mr. ZUO Manlun, Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung, Andy, and Mr. LIANG Shibin, has been established by the Company to advise the Independent Shareholders and the Optionholders in respect of the Offers. Ms. XIE Jingyun was nominated as a non-executive Director by the Offeror and may be deemed to have an interest in the Offers. As such, Ms. XIE Jingyun is not a member of the Independent Board Committee. Save for Ms. XIE Jingyun who may be deemed to have an interest in the Offers, the above-named non-executive Directors have no direct or indirect interests in the Offers and it is considered appropriate for them to be members of the Independent Board Committee in this regard.

As announced by the Company on 19 February 2019, Halcyon Capital Limited has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and in particular, as to whether or not the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

You are advised to read the “Letter from the Independent Board Committee”, the “Letter from Halcyon Capital Limited” and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offers.

LETTER FROM THE BOARD

CONDITIONAL MANDATORY CASH OFFERS

Introduction

The Company was informed by the Offeror on 24 January 2019 that the Offeror acquired a total of 5,000 Shares, representing approximately 0.001% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date, on open market with the highest purchase price being HK\$5.60 per Share. As a result, immediately following the Share Purchase, the Offeror holds 125,404,000 Shares, representing approximately 30.001% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

As at the Latest Practicable Date, the Company had a total of 418,000,000 Shares in issue and 4,180,000 Share Options outstanding entitling grantees to subscribe for up to an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share granted under the Share Option Scheme.

Save for the aforesaid, the Company did not have any outstanding options, warrants, derivatives and other securities that are convertible or exchangeable into the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Principal terms of the Offers

Huatai is making the Offers for and on behalf of the Offeror with the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$5.60 in cash

The Share Offer Price of HK\$5.60 per Offer Share represents the highest price per Share paid by the Offeror and parties acting in concert with it for the Shares within six months prior to the date of the Joint Announcement and up to and including the Latest Practicable Date.

The Share Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all encumbrances and together with all rights attaching to them, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

LETTER FROM THE BOARD

The Option Offer

For cancellation of each Share Option HK\$0.14 in cash

The price for the cancellation of each Share Option accepted under the Option Offer is the see-through price which represents the difference between the Share Offer Price per Offer Share and the exercise price of each Share Option. Since the Share Offer Price per Offer Share is HK\$5.60 and the exercise price of each Share Option granted under the Share Option Scheme is HK\$5.460 per Share, the Option Offer Price is therefore HK\$0.14 in cash for cancellation of each outstanding Share Option accepted under the Option Offer.

The Option Offer is extended to all the Optionholders in accordance with the Takeovers Code.

Further details of the Offers

Further details of the Offers including, among other things, its extension to the Overseas Shareholders and the overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Huatai” in this Composite Document, Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

INFORMATION ON THE COMPANY AND THE GROUP

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

Your attention is drawn to Appendix II and Appendix V to this Composite Document which contain further financial and general information of the Group as required under the Takeovers Code.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to the Share Purchase; and (ii) immediately following the Share Purchase and as at the Latest Practicable Date:

Shareholdings	Immediately prior to the Share Purchase		Immediately following the Share Purchase and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>
The Offeror and parties acting in concert with it				
The Offeror	125,399,000	29.9998%	125,404,000	30.001%
Other Shareholders				
Lesso Group (<i>Note 1</i>)	109,842,900	26.28%	109,842,900	26.28%
Sure Keen (<i>Note 2</i>)	48,200,100	11.53%	48,200,100	11.53%
Mr. LAW Yung Koon (<i>Note 3</i>)	19,050,000	4.56%	19,050,000	4.56%
Ms. LAM Yuk Ying (<i>Note 3</i>)	1,719,000	0.41%	1,719,000	0.41%
Public Shareholders	<u>113,789,000</u>	<u>27.222%</u>	<u>113,784,000</u>	<u>27.221%</u>
Total	<u><u>418,000,000</u></u>	<u><u>100%</u></u>	<u><u>418,000,000</u></u>	<u><u>100%</u></u>

Notes:

1. Lesso Group is a wholly-owned subsidiary of China Lesso Group Holdings Limited (“**China Lesso**”), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange with stock code 2128. As at the Latest Practicable Date, approximately 68.41% of the issued shares of China Lesso (or 2,122,485,000 shares of China Lesso) is held by New Fortune Star Limited, which is wholly-owned by Xi Xi Development Limited and ultimately owned by UBS Trustees (B.V.I.) Limited, as trustee of a discretionary trust (the “**Wong Trust**”), the settlor of which is Mr. Wong Luen Hei. The discretionary beneficiaries of the Wong Trust included Mr. Wong Luen Hei and his family members. Ms. Zuo Xiaoping (the spouse of Mr. Wong Luen Hei) is directly holding 2,308,000 shares of China Lesso. Therefore, both Mr. Wong Luen Hei and Ms. Zuo Xiaoping are deemed to be interested in 2,124,793,000 shares of China Lesso, representing approximately 68.49% of the issued shares of China Lesso by virtue of the SFO.
2. These Shares are held by Sure Keen, which is wholly-owned by Glorious Joy Limited and ultimately owned by TMF (Cayman) Ltd., as trustee of a discretionary trust, the settlor of which is Mr. Liao Yuqing, an executive Director.
3. Mr. LAW Yung Koon is an executive Director. Ms. LAM Yuk Ying is the spouse of Mr. LAW Yung Koon.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR AND ITS FUTURE INTENTION ON THE GROUP

Your attention is drawn to the “Letter from Huatai” in this Composite Document for the information on the Offeror and its intention regarding the Group.

The Board is aware of the Offeror’s intention in relation to the Group and is willing to render reasonable co-operation with the Offeror and continue to act in the best interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY AND PUBLIC FLOAT

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares is held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market,**

the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

The Board noted from the “Letter from Huatai” as set out in this Composite Document that the Offeror intends to maintain the listing status of the Shares on the Main Board after the Closing Date. The Board noted that the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares as soon as practicable following the Closing Date. The Company and the Offeror will issue a separate joint announcement regarding the decision of any such placing down as and when necessary.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” set out on pages 28 to 29 of this Composite Document, which contains its recommendation to the Independent Shareholders and the Optionholders in relation to the Offers; and (ii) the “Letter from Halcyon Capital Limited” set out on pages 30 to 58 of this Composite Document, which contains, among other things, its advice and recommendation to the Independent Board Committee as to whether or not the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by them in arriving at their advice and recommendation.

The Independent Shareholders and the Optionholders are urged to read these letters carefully before taking any action in respect of the Offers.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form(s) of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the Appendices to this Composite Document.

In considering what actions to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

WARNING

The Independent Shareholders, the Optionholders and potential investors should be aware that the Offers are subject to the satisfaction of the “Conditions of the Offers” as set out in the “Letter from Huatai” in this Composite Document. Accordingly, the Offers may or may not become unconditional. The Independent Shareholders, the Optionholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If the Independent Shareholders, the Optionholders and potential investors are in any doubt about their position, they should consult their professional advisers.

Yours faithfully,
By order of the Board
Xingfa Aluminium Holdings Limited
LIU Libin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

2 April 2019

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFER
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF
ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

We refer to this composite document dated 2 April 2019 (“**Composite Document**”) jointly issued by the Offeror and the Company of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in this Composite Document.

We have been appointed by the Board to constitute the Independent Board Committee to consider the terms of the Offers and to make a recommendation to the Independent Shareholders and the Optionholders as to whether or not, in our opinion, the terms of the Offers are fair and reasonable and to make recommendation as to acceptance thereof. We have declared that we are independent and have no direct or indirect interests in the Offers, and therefore are able to consider the terms of the Offers and to make recommendations to the Independent Shareholders and the Optionholders.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers and, in particular, whether or not the Offers are fair and reasonable and to make recommendations in respect of the acceptance of the Offers. Details of its advice and recommendations, together with the principal factors and reasons which it has considered before arriving at such recommendations, are set out in the “Letter from Halcyon Capital Limited” on pages 30 to 58 of this Composite Document. We also wish to draw your attention to the “Letter from Huatai” and the “Letter from the Board” as set out in this Composite Document as well as the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Having considered the terms of the Offers, taking into account the information contained in this Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from Halcyon Capital Limited”, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Offers.

However, those Independent Shareholders and Optionholders who intend to accept the Offers are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider exercising their Share Options and/or selling their Shares in the open market rather than accepting the Offers if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offers.

In any case, the Independent Shareholders and the Optionholders are strongly advised that the decision to realize or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Yours faithfully,

The Independent Board Committee of
Xingfa Aluminium Holdings Limited

Mr. ZUO Manlun

Non-executive Director

Mr. CHEN Mo
Mr. LAM Ying Hung, Andy

Mr. HO Kwan Yiu
Mr. LIANG Shibin

Independent Non-executive Directors

LETTER FROM HALCYON CAPITAL LIMITED

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee which has been prepared for the purpose of inclusion in this Composite Document.



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

2 April 2019

To: the Independent Board Committee

Dear Sirs,

**CONDITIONAL MANDATORY CASH OFFERS BY
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF GUANGXIN ALUMINIUM (HK) LIMITED
FOR ALL THE ISSUED SHARES IN
XINGFA ALUMINIUM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY
GUANGXIN ALUMINIUM (HK) LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF
ALL THE OUTSTANDING SHARE OPTIONS OF
XINGFA ALUMINIUM HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the conditional mandatory cash offer being made by Huatai on behalf of the Offeror to acquire all of the issued share capital of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all the outstanding share options of the Company. Details of the Offers are contained in the letter from Huatai (the “**Letter from Huatai**”) contained in the Composite Document dated 2 April 2019, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

LETTER FROM HALCYON CAPITAL LIMITED

The Board has established the Independent Board Committee, comprising Mr. Zuo Manlun, Mr. Chen Mo, Mr. Ho Kwan Yiu, Mr. Lam Ying Hung, Andy and Mr. Liang Shibin (being all the non-executive Directors who have no direct or indirect interest in the Offers and having excluded Ms. Xie Jingyun, being the non-executive Director who was nominated by the Offeror and may be deemed to have interest in the Offers), to advise the Independent Shareholders in respect of the Offers. We have been appointed as independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable and whether to recommend the Independent Shareholders and the Optionholders to accept the Offers.

OUR INDEPENDENCE

We are not associated with any of the Offeror or the Company or the controlling shareholder of the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. There was no business relationship between the Company, and its associated companies, and us in the past two years. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any of the Offeror or the Company or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OPINION

In formulating our recommendation, we have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Company and contained or referred to in the Composite Document. The Directors have declared in a responsibility statement set out in Appendix V to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror and parties acting in concert with it). We have assumed that the information and representations provided to us by the Directors and the management of the Company or contained or referred to in the Composite Document were true and accurate at the time they were made and as at the date of the Composite Document. Shareholders will be informed as soon as reasonably possible afterwards if we become aware of any material change to the above during the period from the date of the Composite Document and up to the close or expiry of the Offers. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. In particular, we have reviewed published information on the Group, including its annual results announcement for the year ended 31 December 2018 (“**2018 Results Announcement**”) and annual report for the year ended 31 December 2017 (“**2017 Annual Report**”); we have discussed with Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), the independent property valuer appointed by the Company, the bases and assumptions for their valuation as at 31 January 2019 of the Group’s property interests, which are contained in Appendix III to the Composite Document; we have also reviewed the trading performance of the Shares on the Stock Exchange for the past 12 months. The Directors has also confirmed that there are no other facts not

LETTER FROM HALCYON CAPITAL LIMITED

contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Offeror or any of their respective subsidiaries and associates.

We have not considered the tax implication on the Shareholders and Optionholders of their acceptances or non-acceptances of the Offers since this is particular to their own individual circumstances. In particular, the Shareholders or Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in doubt, should consult their own professional advisers.

BACKGROUND AND PRINCIPAL TERMS OF THE OFFERS

On 13 February 2019, the Offeror and the Company jointly announced that, among other things, on 24 January 2019, the Offeror acquired a total of 5,000 Shares, representing approximately 0.001% of the entire issued share capital of the Company as at the date of the Joint Announcement, on open market and with the highest purchase price being HK\$5.60 per Share. As a result, immediately following the Share Purchase, the Offeror and parties acting in concert with it owned an aggregate of 125,404,000 Shares, representing approximately 30.001% of the entire issued share capital of the Company as at the date of the Joint Announcement, such that the Offeror was required to make the conditional mandatory cash Offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to cancel all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code. As at the Latest Practicable Date, the Company had an issued share capital comprising 418,000,000 Shares in issue of which the Offeror and parties acting in concert with it held 125,404,000 Shares and 4,180,000 Share Options outstanding entitling the grantees to subscribe for an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share granted under the Share Option Scheme. The terms of the Offers are as follows:

For each Offer Share HK\$5.60 in cash

For cancellation of each Share Option HK\$0.14 in cash

Under the terms of the Offers, the Offer Shares to be acquired under the Share Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document.

LETTER FROM HALCYON CAPITAL LIMITED

Conditions

The Share Offer is only conditional upon the Offeror having received valid acceptances of the Offer Shares which, together with the Shares owned or agreed to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

Further details of the terms of the Offers are contained in the Letter from Huatai and Appendix I to the Composite Document. The Independent Shareholders and Optionholders are urged to read the relevant sections in the Composite Document in full.

The Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should exercise caution when dealing in securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM HALCYON CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons:

1. Financial performance of the Group

As stated in the 2018 Results Announcement, the Company is one of the leading aluminium profiles manufacturers in the PRC and principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials and property development. Leveraging on its advanced research and development capability and commitment to quality, the Group has established extensive and stable sales networks in the PRC and overseas for the past 35 years. A summary of the consolidated results of the Group for the year ended 31 December 2017 and 2018 are set out in Appendix II to the Composite Document. The following table sets out the financial performance of the Group for the year ended 31 December 2017 and 2018, and the six months ended 30 June 2017 and 2018 as extracted from Appendix II of the Composite Document or the interim report of the Company for the six months ended 30 June 2018 (“**2018 Interim Report**”), as the case may be:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2017	2018
	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	7,240	9,925	3,053	4,044
Gross profit	1,015	1,351	438	511
Profit attributable to equity holders of the Company	383	495	142	178

LETTER FROM HALCYON CAPITAL LIMITED

Revenue

We further extracted below the segmental revenue of the Group for the years ended 31 December 2017 and 2018, and the six months ended 30 June 2017 and 2018 from Appendix II to the Composite Document or the 2018 Interim Report, as the case may be:

	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2017	2018
	<i>(RMB'</i>	<i>(RMB'</i>	<i>(RMB'</i>	<i>(RMB'</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
Industrial aluminium profiles	1,660	2,216	706	1,073
Construction aluminium profiles	5,461	7,221	2,283	2,906
Others	<u>119</u>	<u>488</u>	<u>64</u>	<u>65</u>
Total	<u>7,240</u>	<u>9,925</u>	<u>3,053</u>	<u>4,044</u>

For the year ended 31 December 2018

The revenue and total sales volume of industrial aluminium profiles and construction aluminium profiles of the Group increased to approximately RMB9,924.5 million and 517,982 tonnes respectively for the year ended 31 December 2018 (2017: RMB7,239.7 million and 392,708 tonnes respectively). It was reported in the 2018 Results Announcement that the growth was attributable to the significant increase in sales orders during the year 2018.

The sales volume of construction aluminium profiles for the year 2018 increased by 31.3% to 381,233 tonnes (2017: 290,393 tonnes). Meanwhile, the sales volume of industrial profiles for the year 2018 also increased by 31.4% to 134,406 tonnes (2017: 102,315 tonnes).

For the six months ended 30 June 2018

The revenue and total sales volume of industrial aluminium profiles and construction aluminium profiles of the Group increased to approximately RMB4,043.8 million and 219,500 tonnes respectively for 1H18 (1H17: RMB3,053.4 million and 168,700 tonnes respectively). It was reported in the 2018 Interim Report that the growth was attributable to the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels.

LETTER FROM HALCYON CAPITAL LIMITED

The revenue of construction aluminium profiles for 1H18 increased by 27.3% to approximately RMB2,905.6 million (1H17: RMB2,283.1 million) and the sales volume of which increased by 23.8% to approximately 154,000 tonnes (1H17: approximately 124,400 tonnes). Meanwhile, the revenue of industrial aluminium profiles for 1H18 increased by 51.9% to approximately RMB1,072.8 million (1H17: RMB706.4 million) and the sales volume of which increased by 47.8% to approximately 65,500 tonnes (1H17: approximately 44,300 tonnes).

For the year ended 31 December 2017

In 2017, the revenue and total sales volume of industrial aluminium profiles and construction aluminium profiles of the Group was approximately RMB7,239.7 million and 392,708 tonnes, respectively (2016: RMB5,576.7 million and 324,645 tonnes). The increase in revenue was mainly due to the increase in sales volume and the increase in average market price of aluminium ingots. It was reported in the 2017 Annual Report that the growth in sales volume was driven by the successful execution of marketing strategies and expansion of sales channels of the Group. Sales volume of the Group increased by approximately 21% to 392,708 tonnes in 2017. In particular, sales volume for industrial aluminium profiles increased by approximately 61% year-on-year to 102,315 tonnes in 2017.

On the other hand, sales volume for construction aluminium profiles of the Group also increased by approximately 11% to 290,393 tonnes in 2017.

Gross profit

As stated in the 2018 Results Announcement, the Group has recorded an increase in gross profit of approximately 33.1% for the year ended 31 December 2018 as compared to the year ended 31 December 2017 as principally driven by the increase in revenue, while we noted that the gross profit margin of the Group recorded a slight decrease from approximately 14.0% in 2017 to approximately 13.6% in 2018 principally due to the drop in gross profit margin for the construction aluminium profiles as the Group lowered the processing fee in order to maintain the existing customers and attract new customers.

The gross profit of the Group for 1H18 increased by 16.6% year-on-year to approximately RMB511.4 million (1H17: RMB438.5 million). The overall gross profit margin for 1H18 of the Group decreased to 12.6% (1H17: 14.4%), while the sales to production ratio decreased slightly to 94.8% (1H17: 96.6%). As explained in the 2018 Interim Report, the decrease in overall gross profit margin was principally attributable to the drop in gross profit margin of construction aluminium profiles as the Group lowered the processing fee in order to maintain the existing customers and attract new customers.

LETTER FROM HALCYON CAPITAL LIMITED

Net profit

The Group recorded increase in net profit of approximately 29.4% from approximately RMB382.6 million in 2017 to approximately RMB495.2 million in 2018, which was principally attributable to (i) the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels; and (ii) the completion of sales of certain units of Xingfa Plaza, a property development project of the Group, in the second half of 2018, while the net profit margin of the Group decreased from approximately 5.3% in 2017 to approximately 5.0% in 2018 which was consistent with the decrease in gross profit margin as discussed above.

The Group recorded profit for the period of approximately RMB178.1 million in 1H18, representing a growth of 25.1% as compared to that of 1H17 (1H17: RMB142.4 million), whilst the net profit margin decreased slightly to 4.4% in 1H18 (1H17: 4.7%) principally due to the drop in gross profit margin. The Board believes that such increase in profit was primarily attributable to the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels.

Financial position

	As at 30 June 2018	As at 31 December 2018
	<i>RMB'million</i>	<i>RMB'million</i>
Total assets	7,118.1	7,108.5
Total liabilities	4,932.4	4,604.6
Net assets	2,185.7	2,503.9

LETTER FROM HALCYON CAPITAL LIMITED

According to the 2018 Results Announcement, the Company's net assets reached approximately RMB2.5 billion as at 31 December 2018, comprising total assets of approximately RMB7.1 billion and total liabilities of approximately RMB4.6 billion. The improvement in net assets as compared to 30 June 2018 was principally attributable to the profitable operation of the Group during the period. As at 31 December 2018, the total assets of the Group principally comprised property, plant and equipment of approximately RMB2.0 billion, land prepayments of approximately RMB0.4 billion, trade and other receivables of approximately RMB2.8 billion, inventories of approximately RMB1.1 billion, and pledged deposits, cash and cash equivalents of approximately RMB0.8 billion. Details of the properties interest held by the Group and their respective market value as at 31 January 2019 have been set out in the Property Valuation Report in Appendix III of the Composite Document. As at 31 December 2018, total liabilities of the Group principally comprised trade and other payables of approximately RMB2.5 billion, loans and borrowings of approximately RMB1.8 billion and contract liabilities of approximately RMB0.2 billion.

Based on the 2018 Interim Report, the Company's net assets reached approximately RMB2.2 billion as at 30 June 2018, comprising total assets of approximately RMB7.1 billion and total liabilities of approximately RMB4.9 billion. As at 30 June 2018, the total assets of the Group principally comprised property, plant and equipment of approximately RMB1.9 billion, land prepayments of approximately RMB0.4 billion, trade and other receivables of approximately RMB2.4 billion, inventories of approximately RMB1.5 billion, and pledged deposits, cash and cash equivalents of approximately RMB0.8 billion. As at 30 June 2018, total liabilities of Group principally comprised loans and borrowings of approximately RMB2.7 billion, trade and other payables of approximately RMB1.7 billion and contract liabilities of approximately RMB0.5 billion.

There was no material change in the assets and liabilities structure of the Group as at 31 December 2018 and 30 June 2018, and the growth in net assets was consistent with the net profit recorded by the Group.

LETTER FROM HALCYON CAPITAL LIMITED

Outlook

As stated in the 2018 Results Announcement, the Company expected that market competition would intensify in 2019, while the construction industry, not limited to the residential market, would maintain its growth in the future principally attribute to the political stability and sustained economic growth in China. The continuous advancement of urbanization, in particular, will support the long-term development of the construction aluminium profiles market. On the other hand, the foundation construction of the Group's precision manufacturing project in Sanshui Industrial Zone was commenced in January 2019 and plant construction will be in full swing in 2019 and is expected to be officially put into operation in 2020. The plant will produce high-end industrial aluminium profiles for lightweight transportation, high-end electronic communication equipment, radiator materials, medical apparatus and instruments and military engineering applications.

Our discussion

As illustrated in the financial reports of the Group, the Group experienced growth in revenue recently but recorded reduction in gross profit margin despite the Group has put efforts on marketing strategies and expansion of sales channels, and also recorded reduction in net profit margin. We also noted that over 95% of the revenue of the Group for each of 2017 and 2018 was derived from customers based in the PRC, which will be largely dependent on China's economic performance and local demand.

LETTER FROM HALCYON CAPITAL LIMITED

According to the January 2019 “Global Economic Prospects”, a report published by the World Bank Group on a semi-annual basis which examines global economic developments and prospects, growth in gross domestic product (“GDP”) of China is estimated to have slowed to 6.5% in 2018, supported by resilient consumption. However, industrial production and export growth have decelerated, reflecting easing global manufacturing activities. The GDP growth of China in 2019 is projected to decelerate to 6.2%, slightly below previous projections as a result of weaker exports. Meanwhile, according to the second session of the 13th National People’s Congress held in March 2019, China has also set its GDP growth target at 6% to 6.5% for 2019. According to an article of Bloomberg published on 20 October 2018, construction and manufacturing were the main drags for China’s slower-than-expected third-quarter 2018 economic growth, and growth in the construction sector slowed to 2.5% from 2017, as compared with 4% in the second-quarter 2018. Further, according to this article, the weak construction growth was in line with the continual contraction of infrastructure investment. According to the National Bureau of Statistics of China, the growth in fixed assets investment has recorded a significant slow-down from approximately 14.7% to 23.8% in 2010 to 2014 and 5.7% to 9.8% in 2015 to 2017, to just 0.7% in 2018. On the other hand, the pace of urbanization of China was expected to slow down and according to the population division of the United Nations, it is estimated that the average annual rate of change of the percentage urban of China is expected to maintain a decreasing trend from approximately 3.40% in 2000-2005 to 2.93% in 2005-2010, 2.40% in 2010-2015, 2.03% in 2015-2020 and 1.58% in 2020-2025, 1.21% in 2025-2030 and below 1% thereafter.

LETTER FROM HALCYON CAPITAL LIMITED

Meanwhile, according to an article of Reuters published on 21 December 2018, China Nonferrous Metals Industry Association¹ (“CNIA”) called a meeting among the China’s aluminium producers in response to the aluminium prices reaching almost the two-year lows amid softening demand in the PRC, being the world’s biggest market for the metal. According to CNIA, smelters in China have so far closed more than 3.2 million tonnes of capacity in 2018, and about 80 percent of such closed capacity took place in the second-half of the year amid the price slump, and the China’s aluminium producers are set to cut at least another 800,000 tonnes per year of smelting capacity in coming months. Given the major raw material of the Group is aluminium ingot, we have further obtained and analysed the historical data of China Shanghai Changjiang Aluminium spot price which serves as the reference price for aluminium ingot. According to Bloomberg, the China Shanghai Changjiang Aluminium spot price had been relatively volatile since January 2017. The spot price was about RMB12,560 per metric tonne in January 2017 and it showed a generally increasing trend thereafter and reached RMB16,630 per metric tonne in mid-September 2017. However, in November 2017, the spot price experienced a drop of approximately 12.1%, and during the year of 2018, mostly fluctuated between RMB13,500 per metric tonne to RMB15,000 per metric tonne in the first three quarters of 2018, while it showed a decreasing trend in the fourth quarter of 2018 and dropped from RMB14,800 per metric tonne at the end of August 2018 to RMB13,470 per metric tonne at the end of December 2018, representing a drop of approximately 9%. The spot price of aluminium stayed at relatively low level at below or around RMB14,000 per metric tonne during the three months ended 31 March 2019.

Taking into account the aforesaid, we consider that both the economy and the aluminium manufacturing industry in the PRC are currently facing challenges ahead with projected slowing down of GDP growth and possible impact on the aluminium market in China as a result of the reform of the market, and the growth prospects of the Group’s major business segment would be affected and face business challenges.

¹ CNIA is a national, non-profit and industry-based social group formed by enterprises, institutions, and social groups in the non-ferrous metals industry and registered under Ministry of Civil Affairs and under the supervision of State-owned Assets Supervision and Administration Commission.

LETTER FROM HALCYON CAPITAL LIMITED

On the other hand, as stated in the announcement of United Company Rusal Plc (“**Rusal**”), one of the major aluminium manufactures in the world, dated 28 January 2019, the Office of Foreign Assets Control (“**OFAC**”) of the Department of the Treasury of the United States of America announced removal of Rusal and its largest shareholder, En+ Group Plc, from OFAC’s List of Specially Designated Nationals and Blocked Persons (the “**List**”) with effect on 27 January 2019. Based on an announcement issued by Rusal, Rusal was being added to the List on 6 April 2018 under which all assets of Rusal subject to U.S. jurisdiction of the designated individuals and entities, and of any other entities blocked by operation of law as a result of their ownership by a sanctioned party, were frozen, and U.S. persons are generally prohibited from dealings with them. Additionally, non-U.S. persons could face sanctions for knowingly facilitating significant transactions for or on behalf of the individuals or entities blocked. Meanwhile, it is noted that, shortly after the addition of Rusal to the List, the aluminium price quoted in London Metal Exchange increased from US\$1,966 per tonne on 6 April 2018 to US\$2,597.5 per tonne on 19 April 2018, representing an increase of approximately 32.1% within half of a month. In the meantime, we noted that the China Shanghai Changjiang Aluminium spot price experienced a general decreasing trend from RMB14,730 per metric tonne at the end of 2017 to RMB13,660 per metric tonne on 31 March 2018, while increased to RMB15,110 per metric tonne on 19 April 2018. In December 2018, it was announced that the OFCA notified the US Congress of its intention to terminate the sanctions imposed on, among others, Rusal subject to certain conditions, and we noted that the aluminium price quoted in London Metal Exchange experienced a drop from US\$1,922.5 per metric tonne on 20 December 2018 to US\$1,775 per metric tonne on 14 January 2019, representing a decrease of approximately 7.7%. We also noted that the China Shanghai Changjiang Aluminium spot price maintained a generally decreasing trend in December 2018 and reached a 12-month record low of RMB13,230 per metric tonne on 15 January 2019. Meanwhile, according to the Ministry of Industry and Information Technology of the PRC, there was an increase of export of unwrought aluminium and aluminium from the PRC of approximately 20.9% in 2018, while in view of the increasing uncertainties in the trends of the global economy and possible impacts brought about by the trade conflicts, it would be difficult to maintain the growth momentum in aluminium export. Further, according to the Ministry of Commerce of the PRC, the sanction of Rusal has stimulated the worldwide demand on Chinese metal and resulting in a historical high in exporting of aluminium products by China in 2018. Taking into account the aluminum spot price performance of China Shanghai Changjiang Aluminium and London Metal Exchange after the addition of Rusal to the List in early to mid-April 2018, we believe that the removal of Rusal from the List may possibly exert downward pressure on the price of aluminium due to the increase in worldwide supply from Rusal and may indirectly affect the aluminium market of China. For the two years ended 31 December 2017 and 2018, the Group’s revenue was mainly generated from the sale of construction

LETTER FROM HALCYON CAPITAL LIMITED

aluminium profiles which accounted for over 70% of the total revenue of the Group. As referred to in the 2018 Results Announcement, the Group considered that the construction industry would maintain its growth and the continuous advancement of urbanization would support the long-term development of the construction aluminium profiles market whilst, we also noted that it was reported in the 2018 Results Announcement that the China's economy was undergoing the critical period of transformation, upgrading and structural adjustment during the year of 2018. The domestic real estate industry had cooled down as a result of the stringent regulations for two consecutive years. The overall competition in the construction aluminium profiles market intensified while the residential property market witnessed increasing risks, which placed higher requirements on suppliers. As a supplier of construction aluminium profiles, the Company has positioned itself and we also agree with the Company in the long run that it has to cope with such changes in the market as challenges as well as opportunities.

2. Offeror's intention on the Company

The Offeror has been a substantial shareholder of the Company since 2011. Each of Mr. Liu Libin, the Chairman of the Board, and Mr. Dai Feng, an executive Director, has been appointed as an executive Director since 8 September 2011, and each of Mr. Liu and Mr. Dai held various positions in subsidiaries of Guangxin Holdings prior to joining the Group while Mr. Liu is also a director of the Offeror. Under the management and leadership of the Board, revenue of the Group grew from approximately RMB2.3 billion in 2010 to approximately RMB9.9 billion in 2018, representing a growth of approximately 330.4% or a compound annual growth rate (“CAGR”) of approximately 20.0%, while the profit attributable to equity holders of the Company has increased from approximately RMB72.9 million in 2010 to approximately RMB495.2 million in 2018, representing a growth of approximately 579.3% or a CAGR of approximately 27.1%. We considered that the Group has recorded considerable growth under the management and leadership of the Board, while we also considered that such growth was attributable to the continuous growth of the construction industry in the PRC over the past years. For instance, the total construction industry output grew at a CAGR of approximately 11.8% during 2010 to 2018. However, as discussed above, the Company expected, and we concur, that the domestic real estate industry had cooled down as a result of the stringent regulations for two consecutive years, and the overall competition in the construction aluminium profiles market intensified while the residential property market witnessed increasing risks.

LETTER FROM HALCYON CAPITAL LIMITED

As stated in the letter from Huatai in the Composite Document, following the close of the Offers, it is the intention of the Offeror to maintain the listing status of the Company, to continue with the Group's existing principal business without major redeployment of the Group's fixed assets and to continue with the employment of the Group's employees. The Offeror and/or the Company have/has no intention, understanding, negotiation, arrangement and agreements on downsizing or disposing of the existing business of the Company. By leveraging on the competence of state-owned capital, the Offeror, as a controlling shareholder of the Company, will assume its responsibilities to further support and promote the Group's business operations and development in accordance with the established strategies.

In view of the Offeror's intention to continue to maintain the listing status of the Company on the Stock Exchange after the Closing Date, should the Independent Shareholders decide not to accept the Share Offer, Shares held by the Independent Shareholders will continue to be eligible for trading on the Stock Exchange.

Further, as stated in the Letter from Huatai, the liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 265,947 Shares per day, representing only approximately 0.06% of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has adverse impact on the price of the Shares occurs. Please refer to the section headed "Share Offer Price – Historical market price and liquidity" below for our analysis of historical market price and trading volume of the Shares.

The Independent Shareholders and Optionholders should also refer to the sections headed "Information on the Offeror" and "Offeror's intention on the Group" in the Letter from Huatai in the Composite Document for further details.

3. Share Offer Price

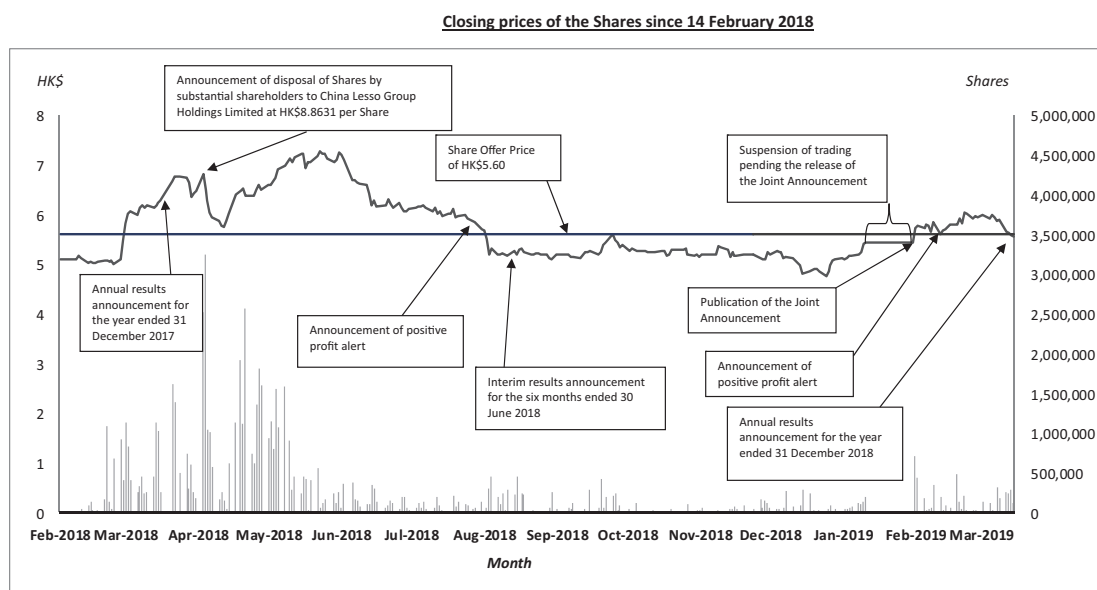
This section sets forth (i) analysis of Share Offer Price, historical market price of the Shares and trading volume; and (ii) Share Offer Price against the price-to-earnings and price-to-book ratios of companies comparable to the Group.

LETTER FROM HALCYON CAPITAL LIMITED

(i) *Historical market price and liquidity*

To assess the fairness and reasonableness of the Share Offer Price, we set out below the analysis of historical market price and liquidity of the Shares for 12 months prior to the date of the Joint Announcement. We consider that such review period which covers a full year prior to the date of the Joint Announcement represent a reasonable period to provide a general overview of the recent Share price performance and liquidity of the Shares in assessing the fairness and reasonableness of the Share Offer Price.

The following chart shows the closing price of the Shares as quoted on the Stock Exchange since 14 February 2018 up to the Latest Practicable Date (both dates inclusive).



Source: Stock Exchange

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As discussed in the sections above, the Group has recorded continuous improvement in its financial performance in recent years. After trading hour on 1 February 2018, the Company announced that the Group is expected to record a net profit attributable to owners of the Company of not less than RMB360 million for the year ended 31 December 2017 as compared to a net profit attributable to owners of the Company of approximately RMB298.5 million for the year ended 31 December 2016, while the closing price of the Shares only increased by approximately 4.5% from approximately HK\$5.28 on 1 February 2018 to HK\$5.52 on 2 February 2018, but dropped to a closing price of HK\$4.9 on 9 February 2018, soon after such profit alert announcement. While we noted that the Share price started to surge on 12 March 2018 (from a closing price of HK\$5.1 on such date), prior to the final results announcement of the Company published on 29 March 2018, and continued to increase thereafter, and reached HK\$6.82 on 16 April 2018 (as compared to a decrease of approximately 4.0% of Hang Seng Index during the same period), when the Company announced that certain substantial Shareholders entered into a sale and purchase agreement with a wholly-owned subsidiary of China Lesso Group Holdings Limited in relation to a disposal approximately 26.28% of Shares at HK\$8.8631 per Share (the “**China Lesso Acquisition**”). We consider that such increase in the Share price may be related to the announcement of the China Lesso Acquisition but we could not ascertain that this is the particular reason for such increase.

The closing price of the Shares reached HK\$7.27 on 5 June 2018, then showed a decreasing trend afterwards and closed at HK\$6.02 at the end of July 2018, which was in line with the decreasing trend of the Hang Seng Index during the same period. On 9 August 2018, the Company published an announcement stating that the Group is expected to record a net profit attributable to owners of the Company of not less than RMB165.0 million for the six months ended 30 June 2018 as compared to a net profit attributable to owners of the Company of approximately RMB142.4 million for the six months ended 30 June 2017. However, the closing price of the Shares maintained the declining momentum and further decreased from a closing price of HK\$5.87 on 9 August 2018 to HK\$5.19 on 20 August 2018, representing a decrease of approximately 11.6% as compared to a decrease in Hang Seng Index of approximately 3.5% during the same period. Since then and prior to the publication of the Joint Announcement, the closing price of the Shares ranged from HK\$4.77 to HK\$5.6, which is equivalent to the Share Offer Price.

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Subsequent to the publication of the Joint Announcement, the closing price of the Share reached HK\$5.81 on 19 February 2019. On 21 February 2019, the Company published a profit alert announcement which stated that the Group was expected to record a net profit attributable to owners of the Company of not less than RMB480.0 million for the year ended 31 December 2018 as compared to a net profit attributable to owners of the Company of approximately RMB382.6 million for the year ended 31 December 2017, and the closing price of the Shares only increased by approximately 3.0% to HK\$5.84 on 22 February 2019. Subsequently, the closing price of the Shares reached HK\$6.05 on 7 March 2019 while experienced downward trend thereafter. On 26 March 2019, the Company published the 2018 Results Announcement during the lunch hour, while the Share still recorded a slight drop from a closing price of HK\$5.65 on 25 March 2019 to HK\$5.64 on 26 March 2019, and subsequently closed at HK\$5.51 as at the Latest Practicable Date.

Based on the aforesaid, we consider that the Share Price has not been fully aligned with the continuous improvement in financial performance of the Group, and the surge in Share price after the publication of the Joint Announcement may possibly be driven by the Offers. Accordingly, we consider that the recent trading price and volume of the Share are more relevant factors in assessing the fair and reasonableness of the Offers.

Taking into account of the historical trading prices of the Shares, the Share Offer Price of HK\$5.6 represents:

- (a) a premium of approximately 2.94% over the closing price of HK\$5.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 5.74% over the average closing price of approximately HK\$5.30 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 7.46% over the average closing price of approximately HK\$5.21 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 9.87% over the average closing price of approximately HK\$5.10 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

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- (e) a premium of approximately 7.70% over the average closing price of approximately HK\$5.20 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 0.8% over the average price of approximately HK\$5.556 per Share in relation to the 5,000 Shares acquired by the Offeror on the Stock Exchange on 24 January 2019;
- (g) a premium of approximately 1.63% over the closing price of HK\$5.51 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (h) a discount of approximately 2.74% to the closing price of HK\$5.758 per Share as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Latest Practicable Date;
- (i) a discount of approximately 9.71% to the unaudited consolidated net asset value (“NAV”) per share in the Company of approximately RMB5.23 (equivalent to approximately HK\$6.20) per Share as at 30 June 2018;
- (j) a discount of approximately 21.13% to the NAV per Share of approximately RMB5.99 (equivalent to approximately HK\$7.10) per Share as at 31 December 2018, as derived from the published final results announcement of the Company for the year ended 31 December 2018; and
- (k) a discount of approximately 31.87% to the adjusted NAV per Share of approximately RMB6.928 as at 31 December 2018 (as adjusted by the revaluation surplus and relevant tax impacts on the property interests of the Group as at 31 January 2019 as set out in the Property Valuation Report contained in Appendix III to the Composite Document).

We noted that the Share Offer Price represented a discount of approximately 21.13% and 31.87% to the NAV per Share and adjusted NAV per Share, respectively, as at 31 December 2018. Given over 30% of the total assets as at 31 December 2018 were non-current assets which were mainly property, plant and equipment and lease prepayments, and not readily realisable into cash and/or impracticable for the Company to realise such assets while there are substantive operations, we consider that each of the NAV per Share and the adjusted NAV per Share may not be a fair comparison to the cash value as represented by the Share Offer. Accordingly, we consider that the trading price and volume of the Shares are more appropriate indicators in respect of the amount that the Independent Shareholders may realise in an open market by disposing of their investment. In this regard, in assessing the fairness and reasonableness of the Share Offer Price, we have analysed the historical price performance of the Share above and the historical trading volume of the Shares as set out below.

LETTER FROM HALCYON CAPITAL LIMITED

The following table sets out the monthly trading volume of the Shares 12 months prior to the publication of the Joint Announcement and up to the Latest Practicable Date (the “**Review Period**”):

Month	Number of trading days	Number of Shares traded	Representing % of total issued Shares	Representing % of total issued Shares held by public
<i>Prior to Joint Announcement</i>				
14 February 2018 to 28 February 2018				
February 2018	9	313,000	0.1%	0.0%
March 2018	21	10,242,000	2.5%	9.0%
April 2018	19	16,333,000	3.9%	14.4%
May 2018	21	21,620,000	5.2%	19.0%
June 2018	20	4,072,000	1.0% (Note 2)	3.6%
July 2018	21	1,734,000	0.4%	1.5%
August 2018	23	3,697,000	0.9%	3.2%
September 2018	19	986,900	0.2%	0.9%
October 2018	21	1,556,000	0.4%	1.4%
November 2018	22	511,000	0.1%	0.4%
December 2018	19	1,762,201	0.4%	1.5%
1 January 2019 to 24 January 2019				
	17	1,013,861	0.2%	0.9%
<i>Subsequent to the Joint Announcement</i>				
14 February 2019 to 28 February 2019				
February 2019	11	2,108,000	0.5%	1.9%
1 March 2019 up to the Latest Practicable Date				
	21	2,882,124	0.7%	2.5%

Source: Stock Exchange

Notes:

- The trading of Shares was suspended from 25 January 2019 to 13 February 2019 prior to the release of the Joint Announcement.
- The number of Shares traded in June 2018 was approximately 0.97% of the total issued Shares, and being rounded up to 1.0% of the total issued Shares for disclosure purpose.

LETTER FROM HALCYON CAPITAL LIMITED

As set out in the above table, the trading volume during March 2018 to May 2018 was much more active than that of the remaining of the Review Period. As discussed above, the Company announced the China Lesso Acquisition on 16 April 2018 and we consider that the increase in the trading volume during 17 April 2018 to May 2018 may be related to the announcement of the China Lesso Acquisition but we could not identify any particular reasons for the relatively active trading volume during the period from 1 March 2018 to 15 April 2018. Subsequent to May 2018, the monthly trading volume of the Shares remained at a relatively lower level and the trading volume in June 2018 has declined by over 80% as compared to that in May 2018. The trading volume maintained a decreasing trend and reached only approximately 0.1% of the total issued Shares for November 2018, as compared to approximately 5.2% of the total issued Shares for May 2018. Meanwhile, the monthly trading volume remained below 1% of the total issued Shares during each of the months from June 2018 to January 2019 and below 2% of the Shares held by the public during each of the months from September 2018 to January 2019. The publication of the Joint Announcement drove up the Share price and, while the impact on the trading volume was relatively moderate. It is noted that subsequent to the publication of the Joint Announcement on 13 February 2019 and up to the end of February 2019, the aggregate trading volume of the Shares only amounted to approximately 0.5% of the total issued Shares, and the aggregate trading volume of the Shares during 1 March 2019 to the Latest Practicable Date only amounted to approximately 0.7% of the total issued Shares.

We further set out below an analysis of the number of Shares traded during the Review Period up to the Latest Practicable Date (excluding the trading days that the trading of Shares was suspended pending to the release of the Joint Announcement):

Number of Shares traded	Representing % of total issued Shares	Number of trading days	Representing % of total trading days under review
0 to 100,000	0% to 0.02%	137	51.9%
100,001 to 300,000	0.02% to 0.07%	71	26.9%
300,001 to 500,000	0.07% to 0.12%	21	7.9%
500,001 to 1,000,000	0.12% to 0.24%	14	5.3%
1,000,001 to 3,000,000	0.24% to 0.72%	20	7.6%
Above 3,000,001	Above 0.72%	1	0.4%
Total		264	100.0%

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As illustrated from the above table, less than 100,000 Shares (representing approximately 0.02% of the total number of Shares in issued) were traded in over 50% of the trading days during the Review Period and up to the Latest Practicable Date, and less than 300,000 Shares (representing approximately 0.05% of the total number of Shares in issued) were traded in over 75% of the trading days during the Review Period and up to the Latest Practicable Date. Meanwhile, except that 715,000 Shares were traded on the first trading day immediately following the publication of the Joint Announcement, less than 500,000 Shares (representing approximately 0.12% of the total number of Shares in issued) were traded in each trading day in the past nine months. On the other hand, we noted that number of Shares traded reached approximately 2.5 million and 3.2 million on the date of announcement of the China Lesso Acquisition and the date immediately following the publication of that announcement. Subsequent to the announcement of the China Lesso Acquisition, there were 14 trading days with over 1,000,000 Shares traded in April 2018 and May 2018, however, after May 2018 and up to the Latest Practicable Date, there were only two trading days recorded a trading volume of over 500,000 Shares.

On the other hand, taking into account of the total number of Shares subject to the Share Offer of 292,596,000 Shares and a total of 158,043,000 Shares under the Irrevocable Undertakings, the remaining 134,553,000 Shares still represented approximately 195.5% of the total number of Shares being traded during the Review Period and up to the Latest Practicable Date.

We consider that the trading volume of the Shares is relatively low in recent months and in view of the low liquidity of the Shares, if the Shareholders wish to sell a significant number of Shares in the market, it may exert severe downward pressure on the market price of Shares. Moreover, there is no guarantee that the increase in Share price is sustainable after the impact of the Offers is digested by the market and it should be noted that the closing price of the Shares as at the Latest Practicable Date already dropped below the Share Offer Price. In this regard, we are of the view that the Share Offer represents an opportunity for the Shareholders to exit at a fixed cash price (i.e. the Share Offer Price) above the market price before the Joint Announcement.

LETTER FROM HALCYON CAPITAL LIMITED

(ii) Comparison with comparable companies

In assessing the fairness and reasonableness of the Share Offer Price, we have conducted an analysis on the trading share price of other listed companies principally engaged in the manufacture and distribution of aluminium products. In particular, with reference to the market capitalisation of the Company based on the closing price of the Last Trading Date of approximately HK\$2.3 billion and revenue of the Company of approximately RMB7.2 billion for the year ended 31 December 2017, we have reviewed all actively trading companies listed on the Stock Exchange, which (i) are principally engaged in manufacture of aluminium products according to Bloomberg; (ii) had revenue of over RMB3.0 billion in their latest financial year; (iii) derived over 50% of revenue from manufacturing and sales of aluminium products according to their respective latest annual report; and (iv) had a market capitalisation between HK\$0.5 billion to HK\$10.0 billion as at the Latest Practicable Date (the “**Comparable Companies**”). However, we were unable to identify any Comparable Companies based on the above criteria. For reference purpose only, we have identified three companies that can fulfill the above criteria except that each of such companies had market capitalization of over HK\$10.0 billion as at the Latest Practicable Date (the “**Large-Scale Aluminium Companies**”). In our view, the Large-Scale Aluminium Companies set out below represent an exhaustive list of companies we were able to identify from the Stock Exchange’s website and which satisfied the above selection criteria (except for having a relatively large market capitalization as compared to the Company). Meanwhile, given all of the Large-Scale Aluminium Companies adopted 31 December as financial year end, we have further included a price-to-earnings ratio calculated based on the profit of the Large-Scale Aluminium Companies for the six months ended 30 June 2018 for the purpose of our analysis. Set out below is the table showing the price-to-earnings ratio and price-book ratio of the Large-Scale Aluminium Companies:

Company (Stock Code)	Principal activities	Market capitalisation as at the Latest Practicable Date (HK\$ billion)	2017 Price-to-earnings ratio (“2017 P/E”) (times) (Notes 1 & 6)	2018 Price-to-earnings (“2018 P/E”) ratio based on interim profit (times) (Notes 2 & 7)		Price-to-book (“P/B”) ratio (times) (Notes 4 & 9)
				Interim P/E”) on interim profit (times)	2018 Price-to-earnings ratio (“2018 P/E”) (times) (Notes 3 & 8)	
United Company RUSAL Plc (486)	Aluminium businesses	51.5	5.4	6.5	3.9	1.3
China Zhongwang Holdings Limited (1333)	Manufacturing and sales of aluminium products.	23.3	5.7	17.3	4.7	0.6
China Hongqiao Group Limited (1378)	Manufacturing and sales of aluminium products.	51.2	8.1/4.1 (Note 10)	23.4	8.0/7.2 (Note 11)	0.8
	Average		6.4	15.7	5.5	0.9
	Minimum		5.4	6.5	3.9	0.6
	Maximum		8.1	23.4	8.0	1.3
The Share Offer of the Company		2.3	5.3 (Notes 1, 5 & 6)	10.7 (Notes 2, 5 & 7)	4.0 (Notes 3, 5 & 8)	0.8 (Notes 4, 5 & 9)

Source: HKEx website

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Notes:

1. Calculated based on the closing price as at the Latest Practicable Date, the net profit attributable to equity shareholders as extracted from their respective annual reports for the year ended 31 December 2017 and the number of shares in issue as at 31 December 2017.
2. Calculated based on the closing price as at the Latest Practicable Date, the net profit attributable to equity shareholders as extracted from their respective latest published interim reports for the six months ended 30 June 2018 and the number of shares in issue as at 30 June 2018.
3. Calculated based on the closing price as at the Latest Practicable Date, the net profit attributable to equity shareholders as extracted from their respective annual results announcement for the year ended 31 December 2018 and the number of shares in issue as at 31 December 2018.
4. Calculated based on the closing price as at the Latest Practicable Date and the net assets attributable to equity shareholders as extracted from their respective latest published interim report or annual results and the number of shares in issue as at 30 June 2018 or 31 December 2018, as the case may be.
5. Calculated based on the Share Offer Price of HK\$5.60.
6. Based on the average exchange rate of HK\$1.00=RMB0.86766 and HK\$1=US\$0.12834 for the year ended 31 December 2017 quoted from Bloomberg.
7. Based on the average exchange rate of HK\$1.00=RMB0.81289 and HK\$1=US\$0.12759 for the six months ended 30 June 2018 quoted from Bloomberg.
8. Based on the average exchange rate of HK\$1.00=RMB0.87838 and HK\$1=US\$0.1276 for the year ended 31 December 2018 quoted from Bloomberg.
9. Based on the exchange rate of HK\$1.00=RMB0.87838 and HK\$1=US\$0.12775 on 31 December 2018 quoted from Bloomberg.
10. According to the annual report of China Hongqiao Group Limited for the year ended 31 December 2017, impairment losses of RMB4,828,763,000 and RMB149,836,000 have been recognised in respect of the Group's property, plant and equipment and inventories respectively, as a result of review conducted by the group due to the relevant governmental regulations, decisions and action plans in Chinese aluminium industry. If the relevant effects had been excluded, the 2017 P/E ratio of China Hongqiao Group Limited would be approximately 4.1 times and the average 2017 P/E ratio of the Large-Scale Aluminium Companies would be approximately 5.1 times.
11. According to the annual results announcement of China Hongqiao Group Limited for the year ended 31 December 2018, loss on disposal of a subsidiary of RMB648,772,000 was recorded. If the relevant effect had been excluded, the 2018 P/E ratio of China Hongqiao Group Limited would be approximately 7.2 times and the average 2018 P/E ratio of the Large-Scale Aluminium Companies would be approximately 5.3 times.

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We noted that the latest published annual results of each of the Large-Scale Aluminium Companies and the Group was related to the year ended 31 December 2017, which is over 14 months from the date of this letter, and we have included 2018 Interim P/E ratio in our analysis for illustration purpose accordingly.

For reference purpose only, based on the above table, the 2017 P/E ratio of the Large-Scale Aluminium Companies ranged from approximately 5.4 times to 8.1 times and with an average of approximately 6.4 times, the 2018 Interim P/E ratio of the Large-Scale Aluminium Companies ranged from approximately 6.5 times to 23.4 times and with an average of approximately 15.7 times, the 2018 P/E ratio of the Large-Scale Aluminium Companies ranged from approximately 3.9 times to approximately 8.0 times with an average of approximately 5.5 times and the P/B ratio ranged from approximately 0.6 times to 1.3 times and with an average of approximately 0.9 times.

The Share Offer Price represents a 2017 P/E ratio of approximately 5.3 times, 2018 Interim P/E ratio of approximately 10.7 times, 2018 P/E ratio of approximately 4.0 times and P/B ratio of approximately 0.8 times, which falls slightly below the range of 2017 P/E ratio of the Large-Scale Aluminium Companies, within the range but below the average 2018 Interim P/E ratio of the Large-Scale Aluminium Companies, within the range but below the average 2018 P/E ratio of the Large-Scale Aluminium Companies and within the range but below the average P/B ratio of the Large-Scale Aluminium Companies. However, if the impact of the non-recurring impairment losses of China Hongqiao Group Limited had been excluded, the 2017 P/E ratio of the Share Offer Price of approximately 5.3 times would be above the average adjusted 2017 P/E ratio of the Large-Scale Aluminium Companies of approximately 5.1 times.

(iii) Adjusted net assets value

The valuations of the Group's property interests conducted by JLL as at 31 January 2019 is set out in the valuation report contained in Appendix III to the Composite Document. We have discussed the property valuations with JLL, including specifics on (a) bases and assumptions used, and valuation approaches employed and the reasons therefor; and (b) the property valuer's due diligence works. JLL confirmed that site inspections have been performed on all properties. We note that JLL has adopted various valuation methodologies for arriving at the valuations for the properties and we have discussed the overall approach to the property valuations and asked for rationale behind in selecting the relevant valuation methodologies for those major properties. We concur with the property valuer on the valuation approaches that it has taken in valuing the different types of properties.

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For the purpose of formulating our advice on the Share Offer, we have compared the Share Offer Price with the adjusted net assets value per Share as at 31 December 2018, the calculation of which was prepared based on information provided by the Company.

	<i>RMB'</i> <i>million</i>
Consolidated NAV of the Group attributable to owners of the Company as at 31 December 2018 (<i>Note 1</i>)	2,504
Adjustments:	
– Revaluation surplus arising from the valuation of the properties interests as at 31 January 2019 (<i>Note 2</i>)	684.5
– Deferred taxes on attributable revaluation surplus	<u>(292.5)</u>
Adjusted net assets value	2,896
Adjusted net assets value per Share (<i>Note 3</i>)	RMB6.928

Notes:

1. The amount is extracted from the 2018 Results Announcement.
2. The revaluation surplus represents the excess of market value of the property interests as at 31 January 2019 over their corresponding book values as at 31 January 2019.
3. The Adjusted NAV per Share is arrived at on the basis of 418,000,000 Shares in issue as at 31 December 2018.

Analysis of the adjusted net assets value per Share as compared to the Share Offer Price was set out in paragraphs headed “3. (i) Historical market price and liquidity” above.

4. Option Offer Price

As at the Latest Practicable Date, there were 4,180,000 Share Options outstanding entitling the grantees to subscribe for an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share granted under the Share Option Scheme.

The Option Offer Price of HK\$0.14 for cancellation of each Share Option under the Option Offer was determined using a “see through” approach and represents the difference between the exercise price of the Share Options of HK\$5.460 per Share and the Share Offer Price. The consideration of accepting the Option Offer is equivalent to exercising the Share Options and selling the Shares subscribed under the Share Options at the Share Offer Price.

LETTER FROM HALCYON CAPITAL LIMITED

Having considered that the maximum number of Shares to be issued upon exercising of all outstanding Share Options, being 4,180,000 Shares, represented approximately 4.2 times, 2.7 times, 8.2 times, 2.4 times, 4.1 times, 2.0 times and 1.5 times of the total number of Shares traded through the Stock Exchange in September 2018, October 2018, November 2018, December 2018, January 2019, February 2019 and March 2019, respectively, we are of the view that the Optionholder may have difficulties in selling a significant number of Shares in the open market within a short period of time to realise their profits given the low liquidity of the trading of the Shares as mentioned in our analysis above, and the net amount to be received by the Optionholder would also be affected by the potential brokerage fee and securities depositing fee in selling and depositing the relevant Shares through the Stock Exchange. As such, we are of the view that the basis of determining the Option Offer Price is acceptable and the Option Offer Price is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

In assessing the terms of the Offers, in particular the Share Offer Price of HK\$5.60 per Share, we have principally considered factors including (i) the Share Offer Price represented a slight premium over the recent market price of the Shares prior to the publication of Joint Announcement, (ii) the trading volume prior to and after the publication of Joint Announcement were relatively thin and the fact that less than 300,000 Shares (representing approximately 0.05% of the total number of Shares in issued) were being traded in over 75% of the trading days during the Review Period and up to the Latest Practicable Date, as compared to 295,596,000 Shares being subject to the Share Offer; (iii) the economic growth of the PRC is expected to slow down and the aluminium industry and construction industry are expected to face challenges.

In respect of the Option Offer, we have principally considered factors including (i) the Option Offer Price of HK\$0.14 was determined using a “see through” approach such that the Offeror is effectively offering to pay the Share Offer Price of HK\$5.60 per Share that would have been issued under the exercising of rights attached to the Share Options; (ii) the trading volume prior to and after the publication of Joint Announcement were relatively thin; and (iii) the Optionholders would incur ancillary costs if the relevant Share Options were being exercised to subscribe for new Shares.

Based on the above principal factors and reasons, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and accordingly advise the Independent Board Committee to recommend the Shareholders to accept the Share Offer and the Optionholders to accept the Option Offer.

LETTER FROM HALCYON CAPITAL LIMITED

Independent Shareholders or Optionholders should note that although the Share Offer Price represents a premium over the historical closing price of the Shares from September 2018 and up to immediately before the Joint Announcement, the Shares have been trading at levels above the Share Offer Price subsequent to the publication of the Joint Announcement, while closed below the Share Offer Price as at the Latest Practicable Date. Therefore, opportunities may exist for Independent Shareholders, or Optionholders to exercise the Share Options and, to sell their Shares in the open market above the Share Offer Price and thus the Independent Shareholders and the Optionholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market rather than accepting the Offers if the net proceeds from the market sale of their Shares after deducting all transaction costs and exercise price of the Share Options (in the case of the Share Options) are more than the net amount to be received under the Offers. Those Independent Shareholders and Optionholders who wish to retain some or all of their investments in the Shares and/or, after reading through the 2018 Results Announcement and the Composite Document, are confident in the future prospects or financial performance of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

Meanwhile, if the total number of Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. on the Closing Date (or such later time, or date as the Offeror may, subject to the Takeovers Code, decide) under the Offers, together with the Shares acquired before or during the Share Offer, does not result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. According to the announcement jointly issued by the Offeror and the Company dated 21 February 2019, the Offeror has received irrevocable undertakings in favour of the Offeror from two Shareholders in respect of an aggregate of 158,043,000 Shares (representing approximately 37.81% of the entire issued share capital of the Company) that such Shareholders will not tender any of the relevant Shares held by it for acceptance of the Share Offer; and it will not dispose any of the relevant Shares held by it.

Yours faithfully,
for and on behalf of

HALCYON CAPITAL LIMITED

April Chan
Director

Barton Lai
Director

LETTER FROM HALCYON CAPITAL LIMITED

Ms. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Ms. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offers. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the **WHITE** Form of Share Offer Acceptance and Transfer in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "**Xingfa Aluminium Holdings Limited – Share Offer**", as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.

- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer (whether in full or in part), you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked “**Xingfa Aluminium Holdings Limited – Share Offer**” the duly completed and signed **WHITE** Form of Share Offer Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Xingfa Aluminium Holdings Limited – Share Offer**” the duly completed and signed **WHITE** Form of Share Offer Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

- (d) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance and Transfer should nevertheless be duly completed and signed and delivered in an envelope marked “**Xingfa Aluminium Holdings Limited – Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and Transfer and deliver it in an envelope marked “**Xingfa Aluminium Holdings Limited- Share Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Huatai and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance and Transfer.

- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed **WHITE** Form of Share Offer Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. on the Closing Date (subject to the Offers becoming unconditional) or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the **WHITE** Form of Share Offer Acceptance and Transfer and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the **WHITE** Form of Share Offer Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (h) In Hong Kong, seller's *ad valorem* stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's *ad valorem* stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's *ad valorem* stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (i) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance and Transfer, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

- (a) To accept the Option Offer, you should complete and sign the **YELLOW** Form of Option Offer Acceptance and Cancellation in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send duly completed and signed **YELLOW** Form of Option Offer Acceptance and Cancellation, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title or entitlement (and/or satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Share Options which you hold that you wish to tender to the Option Offer, by post or by hand, in an envelope marked “**Xingfa Aluminium Holdings Limited-Option Offer**”, to the company secretary of the Company, at Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) No stamp duty is payable in connection with the acceptances of the Option Offer.
- (d) No acknowledgement of receipt of any **YELLOW** Form of Option Offer Acceptance and Cancellation, certificate(s) of the Share Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

1.3 Return of documents

If the Offers do not become, or is not declared, unconditional within the time permitted by the Takeovers Code, the share certificate(s) and/or certificate(s) of Share Options and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar (in the case of the Share Offer) and the company secretary of the Company (in the case of the Option Offer) will be returned to the Independent Shareholders and the Optionholders who have accepted the Offers by ordinary post at the Independent Shareholders’ and the Optionholders’ own risk as soon as possible but in any event within ten (10) days after the Offers have lapsed.

2. SETTLEMENT UNDER THE OFFERS**2.1 The Share Offer**

Provided that a valid **WHITE** Form of Share Offer Acceptance and Transfer and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders, who accept the Share Offer less seller's *ad valorem* stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer, will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid; and (ii) the date on which the Offers become, or are declared, unconditional.

2.2 The Option Offer

Provided that a valid **YELLOW** Form of Option Offer Acceptance and Cancellation and the relevant certificate(s) of Share Option or other documents (if any) evidencing the grant of the Share Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order and in all respects and have been received by the company secretary of the Company by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Optionholders who accept the Option Offer in respect of the Share Options tendered by him/her under the Option Offer will be despatched to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of the Company to render each such acceptance complete and valid; and (ii) the date on which the Offers become, or are declared, unconditional in all respects.

Settlement of the consideration to which any accepting Independent Shareholder or Optionholder is entitled under the Share Offer or the Option Offer, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's *ad valorem* stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder or Optionholder.

No fraction of a cent will be payable and the amount of cash consideration payable to any Independent Shareholder or Optionholder who accepts the Share Offer or the Option Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order for the acceptances of the Offers to be valid, the **WHITE** Form of Share Offer Acceptance and Transfer and **YELLOW** Form of Option Offer Acceptance and Cancellation must be received by the Registrar and/or the company secretary of the Company respectively (as the case may be), by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon or extended or revised with the consent of the Executive and in accordance with the Takeovers Code. The Offers are conditional upon the Offeror having received acceptances in respect of the Offer Shares which, together with the Shares acquired or agreed to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company by 4:00 p.m. on the Closing Date.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or, if the Offers have become unconditional, the announcement may contain a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least fourteen (14) days thereafter.
- (d) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraphs headed "7. Right of Withdrawal" of this Appendix below and duly do so.

4. EXERCISE OF OPTIONS

The Optionholders who wish to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the company secretary of the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and Transfer and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance and Transfer to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or Huatai and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance and Transfer. If the Optionholder fails to exercise his/her/its Share Options as aforesaid and in accordance with the respective terms and conditions of the Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for him/her/it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Shares whose investments are registered in the names of a nominee to provide instructions to their nominee of their intentions with regards to the Share Offer.

6. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether, amongst other information required under Rule 19.1 of the Takeovers Code, the Offers have been revised, extended, or have expired or have become or been declared unconditional.

The announcement must state the following:

- (i) the total number of Offer Shares for which acceptances for the Share Offer have been received;
- (ii) the total number of Share Options for which acceptances of the Option Offer have been received;
- (iii) the number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iv) the total number of Shares acquired or agreed to be acquired, or the number of Share Options cancelled as the case may be in connection with the Offers during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in section 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

- (c) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

7. RIGHT OF WITHDRAWAL

- (a) The Offers are conditional upon fulfilment of the conditions set out in the “Letter from Huatai” of this Composite Document. Acceptance of the Offers tendered by any Independent Shareholders or Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw its/his/her acceptance after twenty one (21) days from the first Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw its/his/her acceptance by lodging a notice in writing signed by the acceptor (or its/his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraphs headed “6. Announcements” of this Appendix above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In such case, when any Independent Shareholder(s) or Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares or the Share Options lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s) or to the company secretary of the Company for collection by such Optionholder(s) at their own risks.

8. STAMP DUTY

The seller's *ad valorem* stamp duty arising in connection with the acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's *ad valorem* stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's *ad valorem* stamp duty (being 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares) in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

9. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdictions in which they are resident, the Overseas Shareholders and the overseas Optionholders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders and the overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and the overseas Optionholders should consult their professional advisers if in doubt.

10. TAXATION ADVICE

The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert with it, the Company, Huatai, Ballas, Halcyon, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

11. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipts(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents by ordinary post at their own risk, and the Offeror and parties acting in concert with it, their beneficial owners, the Company, Huatai, Ballas, Halcyon, the Registrar or any of their respective directors and professional advisers or the company secretary of the Company, and any other parties involved in the Offers and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and Transfer and **YELLOW** Form of Option Offer Acceptance and Cancellation form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, Huatai or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the Share Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Offers by any Independent Shareholders or Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares or Share Options under the Offers (as the case may be) are free from all third party rights and encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date of this Composite Document.

- (g) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.
- (h) Acceptances of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of the Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Offers.
- (i) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and the Optionholders and with registered address(es) outside Hong Kong or whom the Offeror, Huatai knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (j) In making their decision, the Independent Shareholders and the Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer and the Option Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of the Offeror and parties acting in concert with it, their beneficial owners, the Company, Huatai, Ballas or Halcyon or their respective professional advisers. The Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice.
- (k) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and the Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for each of the years ended 31 December 2016 and 31 December 2017 as extracted from the published annual reports of the Company for the years ended 31 December 2016 and 31 December 2017 and the financial information of the Group for the year ended 31 December 2018 as extracted from the published final results announcement of the Company for the year ended 31 December 2018.

	For the year ended 31 December		
	2018	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	9,924,517	7,239,658	5,576,696
Cost of sales	<u>(8,573,745)</u>	<u>(6,225,069)</u>	<u>(4,751,647)</u>
Gross Profit	1,350,772	1,014,589	825,049
Other income	54,939	44,469	40,122
Distribution costs	(278,949)	(169,466)	(123,835)
Administrative expenses	<u>(360,422)</u>	<u>(322,619)</u>	<u>(279,706)</u>
Profit from operations	766,340	566,973	461,630
Finance costs	(164,221)	(130,329)	(117,950)
Share of profit of an associate	<u>5,797</u>	<u>7,801</u>	<u>7,611</u>
Profit before taxation	607,916	444,445	351,291
Income tax expense	<u>(113,938)</u>	<u>(61,815)</u>	<u>(52,815)</u>
Profit for the year	<u><u>493,978</u></u>	<u><u>382,630</u></u>	<u><u>298,476</u></u>
Profit attributable to:			
Equity shareholders of the Company	495,230	382,630	298,476
Non-controlling interests	<u>(1,252)</u>	<u>–</u>	<u>–</u>
	<u><u>493,978</u></u>	<u><u>382,630</u></u>	<u><u>298,476</u></u>
Total comprehensive income attributable to:			
Equity shareholders of the Company	498,272	381,115	299,969
Non-controlling interests	(1,252)	–	–
Dividend per Share (<i>HK\$</i>)	0.20	0.20	–
Earnings per Share (<i>RMB yuan</i>)			
Basic and diluted	<u><u>1.18</u></u>	<u><u>0.92</u></u>	<u><u>0.71</u></u>

There were no exceptional items (because of size, nature or incidence) in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2016, 2017 and 2018. KPMG, the auditor of the Company, did not issue any modified opinion on the financial statements of the Group nor any emphasis of matter or material uncertainty related to going concern of the Group for each of the three years ended 31 December 2016, 2017 and 2018.

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2016, 31 DECEMBER 2017 AND 31 DECEMBER 2018

The consolidated financial statements of the Group, together with the accompanying notes to the consolidated financial statements, for each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 were disclosed on the following documents which have been published on the respective websites of the Company (www.xingfa.com) and the Stock Exchange (www.hkexnews.hk).

Annual report for the year ended 31 December 2016 (pages 108 to 215):

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN20170420441.pdf>

Annual report for the year ended 31 December 2017 (pages 133 to 247):

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261182.pdf>

Final annual results announcement for the year ended 31 December 2018 (pages 2 to 28):

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0326/LTN20190326247.pdf>

3. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at 31 December 2018, being the latest practicable date of this indebtedness statement, the Group had loans and borrowings amounting to approximately RMB1,845,727,000, of which:

- approximately RMB378,000,000 were guaranteed by the intra-group companies and secured by the Group's property, plant and equipment and lease prepayment;
- approximately RMB6,601,000 was secured by the Group's property, plant and equipment;
- approximately RMB192,333,000 were secured by the Group's bank acceptance bills with an aggregate carrying value of approximately RMB192,333,000;
- approximately RMB57,659,000 were secured by the Group's trade debtors with an aggregate carrying value of approximately RMB57,659,000;
- approximately RMB27,888,000 were secured by the Group's pledged deposit with an aggregate carrying value of approximately RMB8,571,000; and
- approximately RMB1,183,246,000 were guaranteed by the intra-group companies.

Save as disclosed above, the Group had no other material contingent liabilities or outstanding mortgages, charges, guarantees, bank loans and overdrafts or other similar indebtedness as at the close of business on 31 December 2018.

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date on which the consolidated financial information of the Company were made up and disclosed in the final results announcement for the year ended 31 December 2018, and up to and including the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2019 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

2 April 2019

The Board of Directors

Xingfa Aluminium Holdings Limited

Unit 605, 6/F, Wing On Plaza,
62 Mody Road, Tsim Sha Tsui East, Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Xingfa Aluminium Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 January 2019 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing property nos. 1, 2, 4 and Part A of property no. 3 in Group I which are held and occupied by the Group, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing Part B of property no. 3 in Group I which was held under development as at the valuation date, we have assumed that they would be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the subject properties as at the valuation date and we did not find any material inconsistency from those of other similar developments.

We have valued the property interests of property no. 5 in Group II which was held for sale and property no. 6 in Group III which was held for future development by the comparison approach assuming sale of the property interests in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation-Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Group's PRC legal advisers – Jun He LLP, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in February 2019 by Mr. Legend Zhan and Ms. Queenie Lu who have more than 5 years' experience in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached below for your attention.

As advised by the Group, the potential tax liabilities which would arise if the property interests of the Group specified in this report were to be sold at the amount of the valuation is estimated to be approximately RMB292,500,000. The taxes mainly include value added tax (5% of the transaction amount), land appreciation tax (30% to 60% of appreciated amount), deed tax (3% of the transaction amount) and stamp duty (0.05% of the transaction amount). As confirmed by the Group, they have no intention to sell the properties nos. 1 to 4 as those properties are mainly occupied for production. Therefore, the possibility of incurrence of such tax liabilities is very remote.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T.W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 January 2019 RMB
1.	A parcel of land, 23 industrial buildings and various structures located at No. 5 of Zone D of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	612,300,000
2.	11 parcels of land, 11 industrial buildings and various structures located at No.100 Jingfa Avenue Economic and Technological Development Zone Yichun City Jiangxi Province The PRC	290,600,000
3.	A parcel of land, 7 completed industrial buildings, 8 buildings under construction and various structures located at the northern side of Jiaoke Road and the western side of Yizhuang Sanjie Farmland Qinyang City Henan Province The PRC	196,600,000

No.	Property	Market value in existing state as at 31 January 2019 RMB
4.	A parcel of land, 14 industrial buildings and various structures located at No. 1589 Kong Gang Forth Road Xi Hang Gang Industrial Zone Shuangliu District Chengdu City Sichuan Province The PRC	340,300,000
	Sub-total:	1,439,800,000

Group II – Property interests held for sale by the Group in the PRC

No.	Property	Market value in existing state as at 31 January 2019 RMB
5.	Unsold units of Project Xingfa Plaza located at the northern side of Jihua Road and the western side of Changang Road Chancheng District Foshan City Guangdong Province The PRC	631,100,000
	Sub-total:	631,100,000

Group III – Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at 31 January 2019 RMB
6.	A parcel of land located at No. 12 D District of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	98,300,000
	Sub-total:	98,300,000
	Grand-total:	<u>2,169,200,000</u>

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019 RMB															
1.	A parcel of land, 23 industrial buildings and various structures located at No. 5 of Zone D of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 497,955.70 sq.m and 23 buildings and various structures erected thereon which were completed in various stages between 2008 and 2018.</p> <p>The buildings have a total gross floor area of approximately 279,946.31 sq.m. and the details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>No. of Item</th> <th>Gross floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td>14</td> <td>229,322.71</td> </tr> <tr> <td>Office</td> <td>1</td> <td>17,199.00</td> </tr> <tr> <td>Dormitory</td> <td>8</td> <td>33,424.60</td> </tr> <tr> <td>Total</td> <td>23</td> <td>279,946.31</td> </tr> </tbody> </table>	Usage	No. of Item	Gross floor Area (sq.m.)	Production	14	229,322.71	Office	1	17,199.00	Dormitory	8	33,424.60	Total	23	279,946.31	As at the valuation date, the property was occupied by the Group for production, office and dormitory purposes.	612,300,000
Usage	No. of Item	Gross floor Area (sq.m.)																	
Production	14	229,322.71																	
Office	1	17,199.00																	
Dormitory	8	33,424.60																	
Total	23	279,946.31																	
		<p>The structures mainly include plant area roads, boundary walls, sport yard and landscaped facilities.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 4 September 2056 for industrial use.</p>																	

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Fo San Guo Yong (2009) Di No. 20093100307, the land use rights of a parcel of land with a site area of approximately 497,955.70 sq.m. have been granted to Guangdong Xingfa Aluminium Co., Ltd. (“Guangdong Xingfa”, a 100%-owned subsidiary of the Company), for a term of 50 years expiring on 4 September 2056 for industrial use.

2. Pursuant to 22 Real Estate Title Certificates, 22 buildings of the property with a total gross floor area of approximately 262,747.31 sq.m. are owned by Guangdong Xingfa. The relevant land use rights of the property have been granted to Guangdong Xingfa for a term of 50 years expiring on 4 September 2056 for industrial use. The details are set out as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Usage
(1)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009358	13,355.80	Industrial
(2)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009313	3,529.95	Dormitory
(3)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009316	12,096.00	Industrial
(4)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009356	15,984.00	Industrial
(5)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009352	15,983.30	Industrial
(6)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009315	16,650.00	Industrial
(7)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009314	3,363.29	Dormitory
(8)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009357	12,096.00	Industrial
(9)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009305	3,443.60	Dormitory
(10)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009355	3,434.99	Dormitory
(11)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009354	3,529.95	Dormitory
(12)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009306	7,043.74	Dormitory
(13)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009307	4,835.22	Dormitory
(14)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009359	4,243.86	Dormitory
(15)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009309	15,984.00	Industrial
(16)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009311	44,986.00	Industrial
(17)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009317	12,501.30	Industrial
(18)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009312	18,576.00	Industrial
(19)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009361	14,299.23	Industrial
(20)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009308	17,982.00	Industrial
(21)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0009304	12,240.00	Industrial
(22)	Yue (2018) Fo San Bu Dong Chan Quan Di No. 0010866	6,589.08	Industrial
Total:		<u><u>262,747.31</u></u>	

3. As advised by the Group, the Real Estate Title Certificate of an office building of the property with a gross floor area of approximately 17,199.00 sq.m. is under application.
4. In the valuation of the property, we have attributed no commercial value to the office building (excluding the land portion) of the property mentioned in note 3 of which the Real Estate Title Certificate has not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this building (excluding the land portion) as at the valuation date would be RMB27,200,000.
5. Pursuant to a Mortgage Contract of Maximum Amount – GDY476630120182023, the land use rights of the property and the ownership rights of 22 buildings of the property (under the State-owned Land Use Rights Certificate – Fo San Guo Yong (2009) Di No. 20093100307 and the Real Estate Title Certificates – Yue (2018) Fo San Bu Dong Chan Quan Di Nos. 0009304 to 0009309, 0009311-0009317, 0009352, 0009354 to 0009359, 0009361 and Yue (2018) Fo San Bu Dong Chan Quan Di No. 0010866) are subject to the mortgage in favour of Bank of China Limited Foshan Sub-Branch.
6. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Guangdong Xingfa is legally and validly in possession of the land use rights of the land parcel mentioned in note 1 and the ownership rights of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcel and buildings during the terms of the land use rights except for being subject to the aforesaid mortgages; and
 - b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgage.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value																					
				in existing state as at 31 January 2019 RMB																					
2.	11 parcels of land, 11 industrial buildings and various structures located at No.100 Jingfa Avenue Economic and Technological Development Zone Yichun City Jiangxi Province The PRC	<p>The property comprises 11 parcels of land with a total site area of approximately 375,813.55 sq.m. and 11 buildings and various structures erected thereon which were completed in various stages between 2011 and 2018.</p> <p>The buildings have a total gross floor area of approximately 133,425.38 sq.m. and the details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>No. of Item</th> <th>Gross floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td>5</td> <td>71,037.28</td> </tr> <tr> <td>Office</td> <td>1</td> <td>6,442.28</td> </tr> <tr> <td>Warehouse</td> <td>1</td> <td>37,596.06</td> </tr> <tr> <td>Dormitory</td> <td>3</td> <td>11,325.66</td> </tr> <tr> <td>Workshop</td> <td>1</td> <td>7,024.10</td> </tr> <tr> <td>Total</td> <td>11</td> <td>133,425.38</td> </tr> </tbody> </table>	Usage	No. of Item	Gross floor Area (sq.m.)	Production	5	71,037.28	Office	1	6,442.28	Warehouse	1	37,596.06	Dormitory	3	11,325.66	Workshop	1	7,024.10	Total	11	133,425.38	As at the valuation date, a portion of the property was rented to an associate of the Company, while the remaining portion of the property was occupied by the Group for production, office, warehouse and dormitory purposes.	290,600,000
Usage	No. of Item	Gross floor Area (sq.m.)																							
Production	5	71,037.28																							
Office	1	6,442.28																							
Warehouse	1	37,596.06																							
Dormitory	3	11,325.66																							
Workshop	1	7,024.10																							
Total	11	133,425.38																							

The structures mainly include plant area roads, boundary walls and landscaped facilities.

The land use rights of the property have been granted for a term of 50 years expiring on 8 September 2059 for industrial use.

Notes:

1. Pursuant to 11 State-owned Land Use Rights Certificates, the land use rights of 11 parcels of land with a total site area of approximately 375,813.55 sq.m. have been granted to Guangdong Xingfa Aluminum (Jiangxi) Co., Ltd. (“Xingfa Jiangxi”, a 100%-owned subsidiary of the Company), for a term of 50 years expiring on 8 September 2059 for industrial use. The details are set out as follows:

No.	Certificate No.	Site Area (sq.m.)	Expiry Date
(1)	Yi Jing Guo Yong (2015) No. 02015023	35,104.63	8 September 2059
(2)	Yi Jing Guo Yong (2015) No. 02015024	7,516.10	8 September 2059
(3)	Yi Jing Guo Yong (2015) No. 02015025	4,003.41	8 September 2059
(4)	Yi Jing Guo Yong (2015) No. 02015026	4,095.45	8 September 2059
(5)	Yi Jing Guo Yong (2015) No. 02015027	63,851.23	8 September 2059
(6)	Yi Jing Guo Yong (2015) No. 02015028	35,173.92	8 September 2059
(7)	Yi Jing Guo Yong (2015) No. 02015029	22,085.75	8 September 2059
(8)	Yi Jing Guo Yong (2015) No. 02015030	27,293.74	8 September 2059
(9)	Yi Jing Guo Yong (2015) No. 02015031	35,486.03	8 September 2059
(10)	Yi Jing Guo Yong (2015) No. 02015032	36,103.59	8 September 2059
(11)	Yi Jing Guo Yong (2015) No. 02015033	<u>105,099.70</u>	8 September 2059
Total:		<u><u>375,813.55</u></u>	

2. Pursuant to 10 Building Ownership Certificates, 10 buildings of the property with a total gross floor area of approximately 126,401.28 sq.m. are owned by Xingfa Jiangxi. The details are set out as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Usage
(1)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120263	3,775.22	Industrial
(2)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120264	14,443.47	Industrial
(3)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120265	37,596.06	Industrial
(4)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120266	7,200.00	Industrial
(5)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120267	3,775.22	Industrial
(6)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120268	25,059.03	Industrial
(7)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120269	11,209.78	Industrial
(8)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120270	3,775.22	Industrial
(9)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-2014000239	13,125.00	Industrial
(10)	Yi Fang Quan Zheng Yi Chun Zi Di No. 2-2014000240	<u>6,442.28</u>	Industrial
Total:		<u><u>126,401.28</u></u>	

3. As advised by the Group, the Building Ownership Certificate of a factory workshop of the property with a gross floor area of approximately 7,024.10 sq.m. has not been obtained.

4. In the valuation of the property, we have attributed no commercial value to the factory workshop (excluding the land portion) of the property mentioned in note 3. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the factory workshop (excluding the land portion) as at the valuation date would be RMB6,300,000.
5. Pursuant to a Tenancy Agreement entered into between Xingfa Jiangxi and Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd (江西省景興鋁模板製造有限公司)(the “Lessee”), an associate of the Company, a portion of the property with a gross floor area of approximately 9,542.00 sq.m. and an open area of the property with a site area of approximately 8,475.00 sq.m. are leased to the Lessee on monthly basis at a monthly rent of RMB105,469, exclusive of management fees, water, electricity charges and other outgoings.
6. Pursuant to 2 Mortgage Contracts of Maximum Amount – (2016) Hui Fo Di Zi Di Nos. CN11009056201/160729 and 36100620160001831, the land use rights of 11 parcels of land and 10 buildings of the property (under the State-owned Land Use Right Certificates – Yi Jing Guo Yong (2015) Di No. 02015023 to 02015033 and Building Ownership Certificates – Yi Fang Quan Zheng Yi Chun Zi Di No. 2-20120263 to 2-20120270, 2-2014000239 and 2-2014000240) are subject to mortgages in favour of Agricultural Bank of China Co., Ltd. Yichun Sub-Branch.
7. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Xingfa Jiangxi is legally and validly in possession of the land use rights of the land parcels mentioned in note 1 and the ownership rights of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcels and buildings during the terms of the land use rights except for being subject to the aforesaid mortgages;
 - b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgages.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019 RMB																		
3.	A parcel of land, 7 completed industrial buildings, 8 buildings under construction and various structures located at the northern side of Jiaoke Road and the western side of Yizhuang Sanjie Farmland Qinyang City Henan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 268,160.82 sq.m. and 7 buildings and various structures erected thereon which were completed in various stages between 2012 and 2018. (“Part A”)</p> <p>The buildings of Part A have a total gross floor area of approximately 81,323.75 sq.m. and the details are set out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>No. of Item</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td>4</td> <td>71,040.76</td> </tr> <tr> <td>Office</td> <td>1</td> <td>786.00</td> </tr> <tr> <td>Dormitory</td> <td>1</td> <td>6,467.04</td> </tr> <tr> <td>Research</td> <td><u>1</u></td> <td><u>3,029.95</u></td> </tr> <tr> <td>Total</td> <td><u>7</u></td> <td><u>81,323.75</u></td> </tr> </tbody> </table>	Usage	No. of Item	Gross Floor Area (sq.m.)	Production	4	71,040.76	Office	1	786.00	Dormitory	1	6,467.04	Research	<u>1</u>	<u>3,029.95</u>	Total	<u>7</u>	<u>81,323.75</u>	As at the valuation date, Part A of the property was occupied by the Group for production, office, dormitory and ancillary purposes, and Part B of the property was under construction.	196,600,000
Usage	No. of Item	Gross Floor Area (sq.m.)																				
Production	4	71,040.76																				
Office	1	786.00																				
Dormitory	1	6,467.04																				
Research	<u>1</u>	<u>3,029.95</u>																				
Total	<u>7</u>	<u>81,323.75</u>																				

The structures mainly include plant area roads, boundary walls and landscaped facilities.

In addition to Part A, the property also comprises 8 buildings under construction located on the land parcel of Part A. (“Part B”)

As advised by the Group, the development of Part B is scheduled to be completed in 2019. Upon completion, Part B will have a total planned gross floor area of approximately 68,584.91 sq.m.

The construction cost of the development of Part B is estimated to be approximately RMB64,200,000, of which approximately RMB17,700,000 has been paid as at the valuation date.

The land use rights of the property have been granted for a term of 50 years expiring on 28 June 2060 for industrial use.

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Qin Guo Yong (2010) Di No. 11300018, the land use rights of a parcel of land with a site area of approximately 268,160.82 sq.m. have been granted to Guangdong Xingfa Aluminium (Henan) Co., Ltd. (“Xingfa Henan”), for a term of 50 years expiring on 28 June 2060 for industrial use.
- Pursuant to 7 Building Ownership Certificates, 5 buildings of Part A of the property with a total gross floor area of approximately 71,826.76 sq.m. are owned by Xingfa Henan. The details are set out as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Usage
(1)	Qin Fang Quan Zheng Zi Di No. 1050121228	786.00	Office
(2)	Qin Fang Quan Zheng Zi Di No. 1450100174	10,633.06	Industrial
(3)	Qin Fang Quan Zheng Zi Di No. 1450100175	29,305.01	Industrial
(4)	Qin Fang Quan Zheng Zi Di No. 1450100176	8,933.00	Industrial
(5)	Qin Fang Quan Zheng Zi Di No. 1450100177	12,663.48	Industrial
(6)	Qin Fang Quan Zheng Zi Di No. 1450100178	9,305.52	Industrial
(7)	Qin Fang Quan Zheng Zi Di No. 1450100179	<u>200.69</u>	Industrial
Total:		<u><u>71,826.76</u></u>	

- As advised by the Group, the Real Estate Title Certificates of a dormitory building and a research & development building of the property with a total gross floor area of approximately 9,496.99 sq.m. have not been obtained.
- In the valuation of the property, we have attributed no commercial value to the dormitory building and the research & development building (excluding the land portion) of the property mentioned in note 3. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land portion) as at the valuation date would be RMB20,600,000.
- Pursuant to a Construction Work Planning Permit – Qin Jian Zi (2010) No. 028 in favour of Xingfa Henan, the property with a total gross floor area of approximately 218,000.00 sq.m. has been approved for construction.
- Pursuant to 4 Construction Work Commencement Permits – No. 410882201608240101, No.410882201010010106, No.410882201710240101 and No.410882201804090101 in favour of Xingfa Henan, permission by the relevant local authority was given to commence the construction of various buildings of the property with a gross floor area of approximately 42,527.00 sq.m. (including 3 buildings of Part B and 2 buildings mentioned in note 3).
- The capital value as if completed of Part B of the property as at the valuation date according to the development proposal as described above would be RMB93,000,000.
- As advised by the Group, the Construction Work Commencement Permits of a warehouse, a factory building and 3 electric rooms of Part B of the property with a total planned gross floor area of approximately 35,554.90 sq.m. have not been obtained.

9. In the valuation of the property, we have attributed no commercial value to the 5 buildings (excluding the land portion) of the property mentioned in note 8. However, for reference purpose, we are of the opinion that the capital value of these 5 buildings (excluding the land portion) as at the valuation date would be RMB3,600,000 assuming all requisite approvals have been obtained.
10. Pursuant to 2 Mortgage Contracts of Maximum Amount – 41100220110006054 and 41100620140001603, the land use rights of a parcel of land and the building ownership rights of 6 buildings of the property (under the State-owned Land Use Rights Certificate – Qin Guo Yong (2010) Di No. 11300018 and Qin Fang Quan Zheng Zi Di Nos. 1450100174 to 1450100179) are subject to mortgages in favour of Agricultural Bank of China Co., Ltd Qinyang Sub-Branch.
11. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Xingfa Henan is legally and validly in possession of the land use rights of the land parcel mentioned in note 1 and the ownership of the buildings mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of these land parcel and buildings during the terms of the land use rights except for being subject to the aforesaid mortgages; and
 - b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgages.

2. Pursuant to a Tenancy Agreement entered into between Xingfa Chengdu and Shanghai Jihua Logistics Co., Ltd. Chengdu Branch (上海際華物流有限公司成都分公司)(the “Lessee”), an independent third party of the Company, a total lettable area of approximately 29,732 sq.m. is leased to the Lessee for a term of 3 years commencing from 1 July 2018 and expiring on 30 June 2021 at an annual rent of approximately RMB57,100,000 as at the valuation date, exclusive of management fees, water and electricity charges and other outgoings.
3. Pursuant to a Mortgage Contract of Maximum Amount and its supplementary agreements, the land use rights of a parcel of land with total site area of approximately 378,869.23 sq.m and the building ownership rights of the property under the State-owned Land Use Rights Certificate – Shuang Guo Yong (2015) Di No. 8315 and Shuang Guo Yong (2011) Di No.7606 are subject to a mortgage in favour of Chengdu Rural Commercial Bank Co., Ltd. Tianfu New District Sub-Branch.
4. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Xingfa Chengdu is legally and validly in possession of the land use rights of the land parcels and ownership of buildings mentioned in note 1, and is entitled to occupy, use, lease or otherwise dispose of these land parcels and buildings during the terms of the land use rights except for being subject to the aforesaid mortgage; and
 - b. As advised by the Group, the property is free from any restrictions arising from any real rights for security except for the aforesaid mortgage.

VALUATION CERTIFICATE

Group II – Property interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019 RMB										
5.	Unsold units of Project Xingfa Plaza located at the northern side of Jihua Road and the western side of Changang Road Chancheng District Foshan City Guangdong Province The PRC	<p>The property comprises the unsold portion of Project Xingfa Plaza which was completed in 2018.</p> <p>As at the valuation date, the property has a total gross floor area of approximately 72,825.44 sq.m. The classification, usage and gross floor area details of the property were sent out as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>14,599.66</td> </tr> <tr> <td>Office</td> <td>37,630.36</td> </tr> <tr> <td>575 car parking spaces</td> <td><u>20,595.22</u></td> </tr> <tr> <td>Total</td> <td><u>72,825.44</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses.</p>	Usage	Gross floor Area (sq.m.)	Retail	14,599.66	Office	37,630.36	575 car parking spaces	<u>20,595.22</u>	Total	<u>72,825.44</u>	As at the valuation date, the property was vacant.	631,100,000
Usage	Gross floor Area (sq.m.)													
Retail	14,599.66													
Office	37,630.36													
575 car parking spaces	<u>20,595.22</u>													
Total	<u>72,825.44</u>													

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Fo Chan Guo Yong (2014) Di No. 0000933, the land use rights of a parcel of land with a site area of approximately 16,961.36 sq.m. have been granted to Foshan Xingfa Real Estate Co., Ltd. (“Xingfa Real Estate”), for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses.
- Pursuant to a Construction Land Planning Permit – Di Zi Di No. 440604201300064, permission towards the planning of the aforesaid land parcel with a site area of approximately 16,961.36 sq.m. has been granted to Xingfa Real Estate.
- Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 440604201400133 in favour of Xingfa Real Estate, Project Xingfa Plaza with a gross floor area of approximately 123,527.29 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – No. 4406012014121001 in favour of Xingfa Real Estate, permission by the relevant local authority was given to commence the construction of Project Xingfa Plaza with a gross floor area of approximately 123,527.29 sq.m.
5. Pursuant to 2 Pre-sale Permits – Chan Fang Yu Zi Di No. 2016012901 and Chan Fang Yu Zi Di No. 2017003301 in favour of Xingfa Real Estate, the Group is entitled to sell portions of Xingfa Plaza (representing a total gross floor area of approximately 89,105.17 sq.m.) to purchasers.
6. Pursuant to a Construction Work Completion and Inspection Certificate – Chan Jian Bei Zi 2018 No. 1-009 in favour of Xingfa Real Estate, the construction of Xingfa Plaza with a total gross floor area of approximately 123,527.29 sq.m. has been completed and passed the acceptance inspection.
7. As advised by the Group, 25 office units with a total gross floor area of approximately 2,917.4 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB24,347,336. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
8. Our valuation has been made on the following basis and analysis:

We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB8,500 to RMB11,000 per sq.m. for office units, RMB16,000 to RMB23,000 per sq.m. for retail units on the first floor and RMB120,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

9. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Xingfa Real Estate is legally and validly in possession of the land use rights of the land parcel mentioned in note 1, and is entitled to occupy, use, lease or otherwise dispose of this land parcel during the terms of the land use rights; and
 - b. Xingfa Real Estate has obtained all requisite approvals in respect of the development and construction of the property from the relevant government authorities; and
 - c. Xingfa Real Estate has obtained all requisite pre-sale permits and construction work completion and inspection certificate of the property from the relevant government authorities.

VALUATION CERTIFICATE

Group III – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019 RMB																		
6.	A parcel of land located at No. 12 D District of Science and Technology Industrial Park Leping Town Sanshui District Foshan City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 159,866.70 sq.m. The property is planned to be developed into an industrial development with a total gross floor area of approximately 158,242.70 sq.m. and the details of uses and their respective gross floor area are set out as follows:	As at the valuation date, the property was vacant.	98,300,000																		
			<table border="1"> <thead> <tr> <th>Usage</th> <th>No. of item</th> <th>Gross Planned Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">7</td> <td style="text-align: right;">132,598.92</td> </tr> <tr> <td>Office</td> <td style="text-align: center;">3</td> <td style="text-align: right;">21,289.78</td> </tr> <tr> <td>Canteen</td> <td style="text-align: center;">1</td> <td style="text-align: right;">4,068.00</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;">3</td> <td style="text-align: right;">286.00</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">14</td> <td style="text-align: right;">158,242.70</td> </tr> </tbody> </table>	Usage	No. of item	Gross Planned Floor Area (sq.m.)	Production	7	132,598.92	Office	3	21,289.78	Canteen	1	4,068.00	Ancillary	3	286.00	Total	14	158,242.70	
Usage	No. of item	Gross Planned Floor Area (sq.m.)																				
Production	7	132,598.92																				
Office	3	21,289.78																				
Canteen	1	4,068.00																				
Ancillary	3	286.00																				
Total	14	158,242.70																				

As advised by the Group, the development of the property is scheduled to be completed in 2020, and the construction cost of the development of the property is estimated to be approximately RMB300,600,000.

The land use rights of the property have been granted for a term of 50 years expiring on 4 September 2056 for industrial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 440607-2017-000413 dated 16 October 2017, the land use rights of a parcel of land with a site area of approximately 158,242.70 sq.m. with a plot ratio of 2.0 were granted to Guangdong Xingfa Precision Manufacturing Co., Ltd. (“Guangdong Xingfa Precision”) for a term of 50 years for industrial use commencing from the land delivery date. The land premium was RMB84,000,000 in total.
2. Pursuant to a Real Estate Title Certificate (Land Part) – Yue (2017) Fo San Bu Dong Chan Quan Di No. 0062881, the land use rights of the aforesaid land parcel with a site area of approximately 159,866.70 sq.m. have been granted to Guangdong Xingfa Precision, for a term of 50 years expiring on 1 November 2067 for industrial use.
3. Pursuant to 6 Construction Work Planning Permits – Jian Zi Di Nos. 440607201801768-440607201801770, Nos 440607201801772-440607201801774 in favour of Guangdong Xingfa Precision, the property with a total gross floor area of approximately 143,678.26 sq.m. has been approved for construction.
4. The capital value as if completed of the property as at the valuation date according to the development proposal as described above would be RMB418,100,000.
5. Our valuation has been made on the following basis and analysis:

We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB570 to RMB660 per sq.m. on site area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the subject property.

6. We have been provided with a legal opinion regarding the property interest by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights of the property have been mortgaged to the third parties; and
 - b. Guangdong Xingfa Precision is legally and validly in possession of the land use rights of the land parcel mentioned in note 2, and is entitled to occupy, use, lease or otherwise dispose of this land parcel during the terms of the land use rights except for being subject to the aforesaid mortgage.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror and Guangxin Holdings jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group and the Directors), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
31 August 2018	5.25
28 September 2018	5.28
31 October 2018	5.18
30 November 2018	5.17
31 December 2018	4.85
24 January 2019 (being the Last Trading Day)	5.44
28 February 2019	5.75
29 March 2019 (being the Latest Practicable Date)	5.51

During the Relevant Period, the highest closing price of the Shares was HK\$6.05 per Share as quoted on the Stock Exchange on 7 March 2019 and the lowest closing price of the Shares was HK\$4.77 per Share as quoted on the Stock Exchange on 7 January 2019.

3. DISCLOSURE OF INTERESTS BY THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it are as follows:

Shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate % of the total issued Shares
The Offeror	Beneficial owner	125,404,000	30.00
Guangxin Holdings	Interest of controlled corporation	125,404,000	30.00
Guangdong SASAC	Interest of controlled corporation	125,404,000	30.00
Mr. Liu	Beneficial owner	229,000 <i>(Note 1, Note 4 and Note 5)</i>	0.05
Ms. Zhang	Beneficial owner	192,000 <i>(Note 2, Note 4 and Note 5)</i>	0.05
Mr. Lin	Beneficial owner	138,000 <i>(Note 3, Note 4 and Note 5)</i>	0.03

Notes:

- These are 229,000 Shares to be issued upon exercise of the Share Options granted to Mr. Liu on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 4 and Note 5 below.
- These are 192,000 Shares to be issued upon exercise of the Share Options granted to Ms. Zhang on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 4 and Note 5 below.

3. These are 138,000 Shares to be issued upon exercise of the Share Options granted to Mr. Lin on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 4 and Note 5 below.
4. The exercise of the Share Options is conditional upon (i) the fulfilment of certain requirements on the Company as set out in the respective offer letters, including, among others, Guangdong Xingfa Aluminium Co., Ltd. and its subsidiaries having achieved the financial performance target, the auditor expressing no disclaimer or adverse opinion in the annual financial report of the Group, there being no relevant institutions, supervisory boards or audit departments for state-owned assets investors raising major objections to the annual financial report of the Group and there being no significant breaches by the Company or punishment of the Company by relevant government authorities; and (ii) the fulfilment of certain requirements on the grantee as set out in the respective offer letters, including, among others, there being no serious dereliction of duty by the grantee, there being no breach of any rules or regulations or constitution of the Company by the grantee, there being no corruption or other violations and misconducts by the grantee which caused damage to the Company and there being no situations where the grantee fails to perform his/her duties up to the required standard or fails to pass the assessments of the Group.
5. Subject to the exercise conditions as stated in Note 4 above, (i) one-third of the Share Options will be vested on the grantees on the second anniversary date of the date of grant and become exercisable until the date before the fifth anniversary date of the date of grant; (ii) one-third of the Share Options will be vested on the grantees on the third anniversary date of the date of grant and become exercisable until the date before the fifth anniversary of the date of grant; and (iii) one-third of the Share Options will be vested on the grantees on the fourth anniversary date of the date of grant and become exercisable until the date before the fifth anniversary date of the date of grant.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned or controlled any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. ADDITIONAL DISCLOSURE ON INTERESTS AND DEALINGS

Save for the dealings as disclosed in this section, none of the Offeror, its directors nor parties acting in concert with it had dealt for value in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into the Shares during the Relevant Period.

- (a) During the Relevant Period, the Offeror and parties acting in concert with it had dealt for value in Shares, the particulars of which are as follows:

Date of transaction	Name	No. of Shares purchased	Purchase price per Share (HK\$)	On exchange/off exchange
2018				
19 September	The Offeror	1,000	5.18	On exchange
	The Offeror	15,000	5.20	On exchange
20 September	The Offeror	4,000	5.17	On exchange
	The Offeror	5,000	5.18	On exchange
18 October	The Offeror	5,000	5.29	On exchange
	The Offeror	9,000	5.31	On exchange
2019				
24 January	The Offeror	1,000	5.52	On exchange
	The Offeror	2,000	5.55	On exchange
	The Offeror	1,000	5.56	On exchange
	The Offeror	1,000	5.60	On exchange

Save for the dealings as disclosed in section 4 of this appendix, the Irrevocable Undertakings as disclosed in the “Letter from Huatai” in this Composite Document, and the Facility, as at the Latest Practicable Date:

- (a) other than the 125,404,000 Shares, representing approximately 30.001% of the entire issued share capital of the Company as at the Latest Practicable Date, held by the Offeror and (i) 229,000 Share Options held by Mr. Liu; (ii) 192,000 Share Options held by Ms. Zhang; and (iii) 138,000 Share Options held by Mr. Lin, none of the Offeror and parties acting in concert with it owns or has control or direction over the voting rights in any Shares or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (b) there is no outstanding derivatives in respect of the securities in the Company which has been entered into by the Offeror and any person acting in concert with it;
- (c) there is no other arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;

- (d) there is no agreement or arrangement to which the Offeror is party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (e) Save for the irrevocable undertakings given by Lesso Group and Sure Keen, who hold 109,842,900 Shares and 48,200,100 Shares respectively as at the Latest Practicable Date, in favour of the Offeror dated 19 February 2019 and 20 February 2019, respectively, each undertaking not to accept the Offers nor to dispose of the said Shares held by them during the Offer Period, none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept or reject the Offers (Note 1 and Note 2);
- (f) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) there is no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and any Shareholders on the other hand;
- (h) save for the payment under the Share Purchase, there is no other consideration in any form paid or payable by the Offeror and parties acting in concert with it to the relevant selling Shareholder(s) of the Share Purchase;
- (i) there was no agreement, arrangement, or understanding which may result in the Shares or securities of the Company to be acquired under the Offers being transferred, charged or pledged to any other persons;
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror and its concert parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offers;

Notes:

1. Lesso Group had not dealt for value in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into the Shares during the Relevant Period.
2. On 27 December 2018, Mr. LIAO Yuqing, an executive Director, transferred 48,200,100 Shares to Sure Keen at nil consideration by way of gift. On 28 December 2018, Mr. LIAO Yuqing, as settlor, injected Sure Keen to a discretionary trust. Other than the abovementioned transfer, each of Mr. LIAO Yuqing and Sure Keen had not dealt for value in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into the Shares during the Relevant Period.

- (k) there was no benefit given or to be given to any Director as compensation for loss of office or otherwise in connection with the Offers; and
- (l) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror or its associates or any parties acting in concert with the Offeror and any other person.

5. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS

The following is the qualifications of the experts whose letter or opinion are contained in this Composite Document:

Name	Qualifications
Allbright Law Offices	the legal adviser as to the PRC law
Huatai	a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities as defined in the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report or advice and/or references to its name in the form and context in which they are respectively included.

6. GENERAL

As at the Latest Practicable Date:

- (a) the Offeror is wholly and beneficially owned by Guangxin Holdings, and Guangxin Holdings is wholly and beneficially owned by Guangdong SASAC. The board directors of the Offeror comprises Mr. Zou Bin, Mr. Liu and Ms. Zhao Lan. The board of directors of Guangxin Holdings comprises Mr. Huang Ping (chairman), Ms. Wu Xiaohui (general manager), Mr. Zhang Xiuzhong (chairman of workers union), Ms. Xia Saiqiu (professional external director) and Mr. Li Kerang (professional external director).
- (b) the principal members of the Offeror's concert parties are the Offeror, Guangxin Holdings, Guangdong SASAC, Mr. Liu, Ms. Zhang, and Mr. Lin.

- (c) the registered address of the Offeror is situated at 16/F, Goldsland Building, 22-26 Minden Avenue, Tsim Sha Tsui, Hong Kong. The address of Guangxin Holdings is 廣州市海珠區新港東路1000號1601房 (transliterated as 1601, No. 1000 Xin Gang Dong Road, Haizhu District, Guangzhou City, Guangdong Province, China). The address of Guangdong SASAC is 廣東省廣州市天河路45號之六 (transliterated as 6, 45 Tianhe Road, Guangzhou City, Guangdong province).
- (d) the registered address of Huatai is Unit 5801-05, The Center, 99 Queen's Road Central, Central, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal office of the Company at Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong; (ii) on the website of the Company (<http://www.xingfa.com/>); and (iii) on the website of the SFC (www.sfc.hk), from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Offeror;
- (b) the Letter from Huatai, the text of which is set out on pages 8 to 20 of this Composite Document;
- (c) the written consents referred to under the paragraph headed “5. Consents and Qualifications of Professional Advisers” in this Appendix;
- (d) the Irrevocable Undertakings;
- (e) the Facility Agreement; and
- (f) the cancellation notice in relation to the cancellation of part of the commitment of the Facility issued by the Offeror on 29 March 2019 to HSBC and acknowledged and consented to by HSBC on 29 March 2019.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares of HK\$0.01 each	<u>10,000,000.00</u>
<i>Issued and fully paid up:</i>		
<u>418,000,000</u>	Shares of HK\$0.01 each	<u>4,180,000.00</u>

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including all rights in respect of capital, dividends and voting. The Shares are listed and traded on the Main Board. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

No Shares have been issued since the end of the last financial year ended 31 December 2018 and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, there are 4,180,000 Share Options outstanding entitling the grantees to subscribe for an aggregate of 4,180,000 Shares at an exercise price of HK\$5.460 per Share granted under the Share Option Scheme. If all of such outstanding Share Options under the Share Option Scheme were exercised, a total of 4,180,000 new Shares would be issued.

Save as disclosed above, there were no other outstanding Shares, options, warrants, derivatives or securities that are convertible or exchangeable into Shares or other relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

3. MARKET PRICES

The table below sets out the closing prices of the Shares quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price <i>(HK\$)</i>
31 August 2018	5.25
28 September 2018	5.28
31 October 2018	5.18
30 November 2018	5.17
31 December 2018	4.85
24 January 2019 (being the Last Trading Day)	5.44
31 January 2019 (trading of the Shares was suspended)	–
28 February 2019	5.75
29 March 2019 (being the Last Practicable Date)	5.51

During the Relevant Period, the highest closing price of the Shares was HK\$6.05 per Share as quoted on the Stock Exchange on 7 March 2019 and the lowest closing price of the Shares was HK\$4.77 per Share as quoted on the Stock Exchange on 7 January 2019.

4. DISCLOSURE OF INTERESTS

(i) Directors

As at the Latest Practicable Date, the interests or short positions of the Directors of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or (iv) to be disclosed under the Takeovers Code were as follows:

Long position in the Shares

Name of the Director	Capacity and nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date (Note 1)
LIAO Yuqing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	48,200,100 (Note 2)	11.53%
LAW Yung Koon	Beneficial owner	19,050,000	4.56%
Mr. Liu	Beneficial owner	229,000 (Note 3, Note 6 and Note 7)	0.05%
Ms. Zhang	Beneficial owner	192,000 (Note 4, Note 6 and Note 7)	0.05%
WANG Zhihua	Beneficial owner	192,000 (Note 5, Note 6 and Note 7)	0.05%

Notes:

1. The total number of 418,000,000 Shares in issue as at the Latest Practicable Date has been used for the calculation of the approximate percentage.
2. These Shares are held by Sure Keen, which is wholly-owned by Glorious Joy Limited and ultimately owned by TMF (Cayman) Ltd., as trustee of a discretionary trust, the settlor of which is Mr. LIAO Yuqing, an executive Director.
3. These are 229,000 Shares to be issued upon exercise of the Share Options granted to Mr. Liu on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 6 and Note 7 below.
4. These are 192,000 Shares to be issued upon exercise of the Share Options granted to Ms. Zhang on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 6 and Note 7 below.
5. These are 192,000 Shares to be issued upon exercise of the Share Options granted to Mr. Wang Zhihua on 15 October 2018 pursuant to the Share Option Scheme. The validity period of the Share Options granted commenced from 15 October 2018 and ending on 14 October 2023. The Share Options can be exercised at an exercise price of HK\$5.460 per Share from 15 October 2020 to 14 October 2023, subject to certain exercise conditions as set out in Note 6 and Note 7 below.
6. The exercise of the Share Options is conditional upon (i) the fulfilment of certain requirements on the Company as set out in the respective offer letters, including, among others, Guangdong Xingfa Aluminium Co., Ltd. and its subsidiaries having achieved the financial performance target, the auditor expressing no disclaimer or adverse opinion in the annual financial report of the Group, there being no relevant institutions, supervisory boards or audit departments for state-owned assets investors raising major objections to the annual financial report of the Group and there being no significant breaches by the Company or punishment of the Company by relevant government authorities; and (ii) the fulfilment of certain requirements on the grantee as set out in the respective offer letters, including, among others, there being no serious dereliction of duty by the grantee, there being no breach of any rules or regulations or constitution of the Company by the grantee, there being no corruption or other violations and misconducts by the grantee which caused damage to the Company and there being no situations where the grantee fails to perform his/her duties up to the required standard or fails to pass the assessments of the Group.
7. Subject to the exercise conditions as stated in Note 6 above, (i) one-third of the Share Options will be vested on the grantees on the second anniversary date of the date of grant and become exercisable until the date before the fifth anniversary date of the date of grant; (ii) one-third of the Share Options will be vested on the grantees on the third anniversary date of the date of grant and become exercisable until the date before the fifth anniversary of the date of grant; and (iii) one-third of the Share Options will be vested on the grantees on the fourth anniversary date of the date of grant and become exercisable until the date before the fifth anniversary date of the date of grant.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or (iv) to be disclosed under the Takeovers Code.

(ii) Substantial Shareholders

As at the Latest Practicable Date, the interests or short position of the following persons (not being Directors of the Company) in the Shares or underlying Shares (i) which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were required, (ii) to be recorded in the register required to be kept by the Company under section 336 of the SFO; or (iii) to be disclosed under the Takeovers Codes were as follows:

Long position in the Shares

Name	Capacity and nature of interest	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
The Offeror	Beneficial owner	125,404,000 (Note 2)	30.00%
Guangxin Holdings	Interest of controlled corporation	125,404,000 (Note 2)	30.00%
Guangdong SASAC	Interest of controlled corporation	125,404,000 (Note 2)	30.00%
Lesso Group	Beneficial owner	109,842,900 (Note 3)	26.28%
China Lesso Group Holdings Limited	Interest of controlled corporation	109,842,900 (Note 3)	26.28%

Name	Capacity and nature of interest	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
New Fortune Star Limited	Interest of controlled corporation	109,842,900 (Note 3)	26.28%
Xi Xi Development Limited	Interest of controlled corporation	109,842,900 (Note 3)	26.28%
UBS Trustees (B.V.I.) Limited	Interest of controlled corporation	109,842,900 (Note 3)	26.28%
WONG Luen Hei	Founder of a discretionary trust who can influence how the trustee exercises his discretion	109,842,900 (Note 3)	26.28%
Sure Keen	Beneficial owner	48,200,100 (Note 4)	11.53%
Glorious Joy Limited	Interest of controlled corporation	48,200,100 (Note 4)	11.53%
TMF (Cayman) Ltd.	Trustee	48,200,100 (Note 4)	11.53%

Notes:

- The total number of 418,000,000 Shares in issue as at the Latest Practicable Date has been used for the calculation of the approximate percentage.
- These Shares are held by the Offeror, which is directly and wholly-owned by Guangxin Holdings, which is in turn wholly-owned by Guangdong SASAC.
- Lesso Group is a wholly-owned subsidiary of China Lesso Group Holdings Limited (“China Lesso”), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange with stock code 2128. As at the Latest Practicable Date, approximately 68.41% of the issued shares of China Lesso is held by New Fortune Star Limited, which is wholly-owned by Xi Xi Development Limited and ultimately owned by UBS Trustees (B.V.I.) Limited, as trustee of a discretionary trust, the settlor of which is Mr. Wong Luen Hei.

4. These Shares are held by Sure Keen, which is wholly-owned by Glorious Joy Limited and ultimately owned by TMF (Cayman) Ltd., as trustee of a discretionary trust, the settlor of which is Mr. Liao Yuqing, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any person (not being Directors of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO, or required to be disclosed under the Takeovers Code.

5. SHAREHOLDINGS AND DEALINGS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror, and no such person (including the Company) had dealt for value in the relevant securities of the Offeror during the Relevant Period.

6. DEALINGS IN THE COMPANY

Save for the grant of Share Options, during the Relevant Period and ending on the Latest Practicable Date, none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

During the Offer Period and ending on the Latest Practicable Date:

- (i) none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company nor any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code, owned or controlled any securities, Shares, options, warrants, derivatives or convertible securities of the Company and none of them had dealt for value in any securities, Shares, options, warrants, derivatives or convertible securities of the Company;

- (ii) save for the Irrevocable Undertakings in respect of the Offers as disclosed in the “Letter from Huatai” as set out in this Composite Document, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any arrangement involving rights over the Shares, any indemnity or any agreement or understanding, formal or informal, of whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with the Company, or with any person who is presumed to be acting in concert with Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code; and
- (iii) there were no securities, Shares, options, warrants, derivatives or convertible securities in the Company which were managed on a discretionary basis by fund managers connected with the Company.

As at the Latest Practicable Date:

- (i) Mr. Law Yung Koon, Mr. Liu, Ms. Zhang and Mr. Wang Zhihua, each being a Director, intended, in respect of their own beneficial holdings, to reject the Offers;
- (ii) none of the Directors or any persons acting in concert with them or the Company had borrowed or lent any securities, Shares, options, warrants, derivatives or convertible securities of the Company; and
- (iii) Lesso Group and Sure Keen, who held 109,842,900 Shares and 48,200,100 Shares respectively as at the Latest Practicable Date, had executed the Irrevocable Undertakings in favour of the Offeror dated 19 February 2019 and 20 February 2019, respectively not to accept the Offers nor to dispose of the said Shares held by them during the Offer Period. Sure Keen is wholly-owned by Glorious Joy Limited and ultimately owned by TMF (Cayman) Ltd., as trustee of a discretionary trust, the settlor of which is Mr. Liao Yuqing, an executive Director.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (iii) there was no material contract entered into by the Offeror in which any Director had a material personal interest.

8. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Save for the service contracts and letters of appointment as set out below, no other Directors has any service contract or letter of appointment with any member of the Group or associated companies of the Company in force which (i) (including continuous and fixed term contracts) has been entered into or amended within 6 months before the commencement of the Offer Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

Name of Director	Date of last renewal of service contract or letter of appointment	Expiry date of service contract or letter of appointment	Current Remuneration
LIU Libin	8 September 2017	7 September 2020	RMB900,000 per annum
ZHANG Li (<i>Note</i>)	10 May 2018	9 May 2021	RMB720,000 per annum
LUO Jianfeng	16 April 2018	15 April 2021	HK\$40,000 per month
ZUO Manlun	16 April 2018	15 April 2021	HK\$30,000 per month
XIE Jingyun	6 December 2018	5 December 2021	Nil
CHEN Mo	1 March 2018	28 February 2021	RMB150,000 per annum
HO Kwan Yiu	1 March 2018	28 February 2021	RMB150,000 per annum
LAM Ying Hung, Andy	1 March 2018	28 February 2021	RMB180,000 per annum
LIANG Shibin	14 December 2018	13 December 2021	RMB150,000 per annum

Note: The amount of remuneration payable to ZHANG Li was increased from RMB500,000 per annum to RMB720,000 per annum during the year ended 31 December 2018.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

There were no contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) which had been entered into by any member of the Group within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date, which are or may be material.

11. QUALIFICATIONS AND CONSENT OF EXPERTS

The qualifications of the experts who have been engaged by the Company and who have been named in this Composite Document or who have given their opinions or advice, which are contained in this Composite Document are as follows:

Name	Qualifications
Ballas Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company
Halcyon Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Chartered professional surveyors and valuers

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which they appear herein.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the website of the SFC (www.sfc.hk); (ii) on the website of the Company (www.xingfa.com/); and (iii) at the principal place of business of the Company in Hong Kong at Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2016 and 31 December 2017 and the final annual results announcement of the Company for the year ended 31 December 2018;
- (c) the “Letter from the Board”, the text of which is set out on pages 21 to 27 of this Composite Document;
- (d) the “Letter from the Independent Board Committee”, the text of which is set out on pages 28 to 29 of this Composite Document;
- (e) the “Letter from Halcyon Capital Limited”, the text of which is set out on pages 30 to 58 of this Composite Document;
- (f) the written consents referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix;
- (g) the valuation certificate and the property valuation report referred to in Appendix III to this Composite Document;
- (h) the service contracts and the letters of appointment referred to in the paragraph headed “Directors’ Service Contracts and Letters of Appointment” in this Appendix; and
- (i) a copy of this Composite Document.

13. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Unit 605, 6th Floor, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, and its head office and principal place of business in the PRC is situated at No.5, Zone D, Central Science and Technology Industrial Park, Sanshui District, Foshan City, Guangdong Province, the PRC.
- (c) The Company's principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited, situated at Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Ms. Wong Tik.
- (f) The registered office of Ballas Capital Limited, financial adviser to the Company, is situated at Unit 1802, 18th Floor, 1 Duddell Street, Central, Hong Kong.
- (g) The registered office of Halcyon Capital Limited, independent financial adviser to the Independent Board Committee in relation to the Offers, is situated at 11th Floor, 8 Wyndham Street, Central, Hong Kong.
- (h) The registered office of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is situated at 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (i) This Composite Document and the accompanying Form(s) of Acceptance are prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.