

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION



IN THE MATTER OF SECTIONS 15 & 86 OF THE COMPANIES LAW (2016 REVISION)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995

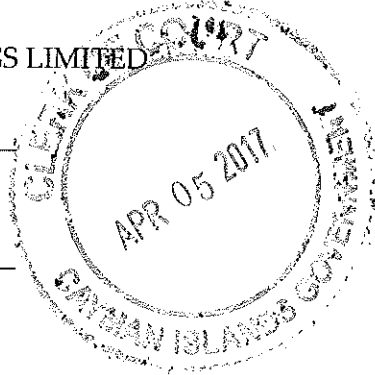
AND IN THE MATTER OF XINGFA ALUMINIUM HOLDINGS LIMITED



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PETITION

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To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION OF XINGFA ALUMINIUM HOLDINGS LIMITED, c/o Cricket Square, Hutchins Drive, P O Box 2681, Grand Cayman, KY1-1111, Cayman Islands, Cayman Islands (the "Company") shows the following:

1. The object of this Petition is to seek:
  - a. the sanction of the Court pursuant to section 86 of the Companies Law (2016 Revision) to a proposed Scheme of Arrangement (the "Scheme") between the Company, Guangxin Aluminium (HK) Limited ("Guangxin Aluminium"), LUO Su, LUO Riming, LIAO Yuqing, LAW Yung Koon and LAM Yuk Ying (collectively, the "Joint Offerors") and the Scheme Shareholders as defined in the Scheme contained in a composite scheme document (the "Scheme Document") a draft of which is attached as Exhibit LYK-1 to the First Affirmation of Law Yung Koon made on 5<sup>th</sup> day of April 2017, and

- b. the confirmation of the Court, pursuant to section 15 of the Companies Law, of the intended reduction of the issued share capital (the "Reduction of Capital") of the Company consequent upon the cancellation of the Scheme Shares (as defined in the Scheme) pursuant to the Scheme which is expected to be approved by a special resolution of the shareholders passed at an extraordinary general meeting of the Company immediately after the Court Meeting referred to herein.

### **The Company**

2. The Company is engaged in the business of investment holdings and principally carries on business through its subsidiaries whose principal business activities comprise the manufacture and sale of aluminium profiles which are applied as construction and industrial materials. It is a Cayman Islands exempted company limited by shares incorporated on 13 September 2007 with registration number CT-195177. Its registered office is at Cricket Square, Hutchins Drive, P O Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Unit 605, 6/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
3. The objects for which the Company was established are unrestricted and except as prohibited or limited by the laws of the Cayman Islands, the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise.
4. The authorised share capital of the Company consists of HK\$10,000,000 divided into 1,000,000,000 shares of par value of HK\$0.01 each. As of the date of this Petition, 418,000,000 shares in the capital of the Company with a par value of

HK\$0.01 each have been issued and are fully paid or credited as fully paid (the "Shares"). Since March 2008, the Shares have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the date of this Petition, 303,252,000 Shares representing approximately 72.55% of the issued Shares of the Company were legally and/or beneficially owned by the Joint Offerors (as defined in the Scheme) whilst 50,000 shares representing approximately 0.01% of the issued Shares of the Company were legally and/or beneficially owned by parties acting in concert or presumed to be acting in concert with any of the Joint Offerors (the "Joint Offerors Concert Parties"), under the definition of "acting in concert" under the Code on Takeovers and Mergers of Hong Kong (the "Takeovers Code"). In addition to the Shares that are held by the Joint Offerors and the Joint Offerors Concert Parties, above, there are 114,698,000 publicly held shares representing approximately 27.44% of the issued Shares of the Company. The 50,000 Shares legally and/or beneficially owned by the Joint Offerors Concert Parties and the 114,698,000 Shares held publicly, being in aggregate 114,748,000 Shares representing approximately 27.45% of the issued Shares of the Company, constitute the Scheme shares (the "Scheme Shares").

#### **Guangxin Aluminium (HK) Limited and others**

5. Guangxin Aluminium is a company incorporated under the laws of the Hong Kong Special Administrative Region of the People's Republic of China with limited liability on 2 July 1985. Its registered office is Rm 1801-04, 18/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. Guangxin Aluminium is in the business of investment holding, and is the registered holder of 125,360,000 Shares of the Company.
6. Guangdong Guangxin Holdings Group Ltd. (廣東省廣新控股集團有限公司) is a company established in the People's Republic of China ("Guangxin Holdings") with limited liability on 6 September 2000. Its registered office is

Room 1601, No. 1000, Xingang East Road, Haizhu District, Guangzhou City, Guangdong Province, the People's Republic of China. Guangxin Holdings is the holding company of Guangxin Aluminium.

7. The State-owned Assets Supervision and Administration Commission under the People's Government of the Guangdong Province, wholly owns Guangxin Holdings and is the ultimate largest shareholder of the Company.
8. Guangxin Aluminium, together with the other Joint Offerors, will each provide its respective undertaking to be bound by the terms of the Scheme.

#### **The Scheme**

9. The purpose of the Scheme is to privatise the Company so that the Joint Offerors will own 100% of the issued Shares of the Company.
10. This will be achieved by the steps summarised in paragraph 11 below.
11. The principal features of the Scheme are:
  - a. the Reduction of Capital (as defined hereinafter) by the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme, in consideration of which the Scheme Shareholders will receive HK\$3.70 in cash for each Scheme Share (the "Cancellation Price");
  - b. subject to and forthwith upon the Reduction of Capital taking effect, the share capital of the Company be restored to its former amount by the allotment and issue to the Joint Offerors (namely Guangxin Aluminium, LUO Su, LUO Riming, LIAO Yuqing, LAW Yung Koon and LAM Yuk Ying), credited as fully paid at par, the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished at the Effective Date (as defined in the Scheme) in proportion to each of

their respective percentage shareholding in the Company without involving any fraction of a Share (the "Restoration of Capital"); and

- c. the credit arising in the books of account of the Company as a result of the Reduction of Capital resulting from the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme being applied in paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled at the Effective Date.
12. The Cancellation Price is in excess of the relevant closing prices and the average closing prices of the Scheme Shares referred to in the explanatory statement in the Scheme Document. The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatization transactions in Hong Kong in recent years.

#### **Reasons for the Scheme**

13. The Company plans to implement a series of long-term growth strategies including (i) further development of the manufacturing and deep-processing of industrial aluminium profiles system; (ii) through exploration of electronic commerce business expanding retail and selling channels and focusing on the long-term development of aluminium profiles business, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Scheme, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

14. Since its listing in March 2008, the Company's share price performance has not been satisfactory and it has not made full use of its listed status to raise funds for driving its business growth. As a leading aluminium profiles manufacturer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Scheme could eliminate this adverse impact.
15. The liquidity of the Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including 14 September 2016 was approximately 0.34 million Shares per day, representing only approximately 0.08% of the issued Shares as at 22 September 2016. 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 an adverse impact on the Company's share price occurs.
16. The Scheme is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.
17. In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

#### **Shareholder Profile**

18. On the assumption that there is no change in shareholding in the Company, the profile of the major legal and beneficial shareholders of the Company

("Shareholders") on the Latest Practicable Date (as defined in the Scheme Document) is expected to be as follows:

	As at the Latest Practicable Date	
	Number of Shares	%
<b>Joint Offerors</b>		
Guangxin Aluminium	125,360,000	29.99
LUO Su	57,109,200	13.66
LUO Riming	51,813,700	12.40
LIAO Yuqing	48,200,100	11.53
LAW Yung Koon	19,050,000	4.56
LAM Yuk Ying	1,719,000	0.41
<b>Subtotal</b>	<b>303,252,000</b>	<b>72.55</b>
<b>Joint Offerors Concert Parties</b>	50,000	0.01
<b>Public Shareholders</b>	114,698,000	27.44
<b>Scheme Shares</b>	114,748,000	27.45
<b>Total Shares in issue</b>	<b>418,000,000</b>	<b>100.00</b>

19. In addition to the 303,252,000 Shares, representing approximately 72.55% of the issued Shares of the Company, that are held by the Joint Offerors, there are 50,000 Shares, representing approximately 0.01% of the issued Shares of the Company, held by the Joint Offerors Concert Parties, and 114,698,000 Shares, representing approximately 27.44% of the Shares, held by the public.

#### **Proposed Sanction Process**

20. After careful consideration, the Board has determined that the Scheme is desirable and that the implementation of the Scheme is in the best interests of the

Company and its Shareholders. Accordingly, the Board (with the interested Directors abstaining from voting) unanimously approved the Scheme.

21. Under the Takeovers Code (as defined in the Scheme), persons deemed to be acting in concert with the Joint Offerors in connection with the implementation of the Scheme who are also Scheme Shareholders shall not be counted (unless permitted by the Securities and Futures Commission of Hong Kong) for the purposes of satisfying the voting requirements of the Takeovers Code. The Scheme Shareholders who are parties acting in concert with the Joint Offerors will not vote on the Scheme at the Court Meeting and all Independent Shareholders (as defined in the Scheme) will be entitled to vote at the Court Meeting.
22. The Company intends to make an application for directions herein for declarations and orders that, among other things:
  - a. the relevant class of shareholders affected by the Scheme are the Scheme Shareholders;
  - b. the Company be at liberty to convene a meeting of the Scheme Shareholders (the "Court Meeting") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme;
  - c. directions as to the mode of delivery of an explanatory memorandum and proxy form to the Scheme Shareholders;
  - d. the appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally; and,
  - e. directions as to the treatment of Shares held by custodians, clearing houses and other nominees for the purposes of the "majority in number" calculation.

23. The resolution intended to be submitted at the Court Meeting is:

“THAT a scheme of arrangement dated [•] 2017 (the “Scheme”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this Court Meeting and, for the purpose of identification signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions or may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved.”

24. The Scheme Shareholders who are persons acting in concert with the Joint Offerors in connection with the implementation of the Scheme will not vote at the Court Meeting.

### **Reduction of Capital**

25. Article 14 of the Articles of Association of the Company provides as follows:

*“The Company may by special resolution reduce its share capital or any undistributable reserve in any manner authorised, and subject to any conditions prescribed, by law.”*

26. The Company intends to convene an extraordinary general meeting to take place immediately after the Court Meeting at which it is intended to submit a special resolution to confirm the Reduction of Capital pursuant to the Scheme and an ordinary resolution to approve the Restoration of Capital. These resolutions are set out below.

### **SPECIAL RESOLUTION**

#### **1 THAT:**

- (a) Pursuant to the scheme of arrangement dated [•] 2017 (the “Scheme of Arrangement”) between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this

meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and

- (b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of capital pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose.

#### ORDINARY RESOLUTION

**2 THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the share capital of the Company will be increased to its former amount by the issuance at par to Guangxin Aluminium (HK) Limited, Mr. LUO Su, Mr. LUO Riming, Mr. LIAO Yuqing, Mr. LAW Yung Koon and Ms. LAM Yuk Ying (the "Joint Offerors"), credited as fully paid, the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled in proportion to each of their respective percentage shareholding in the Company upon the cancellation of the Scheme Shares without involving any fraction of a Share; and
- (b) The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

27. The Scheme and the Reduction of Capital will not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and will have no effect on the creditors of the Company. It is to be noted that the Restoration of Capital will occur forthwith upon the Reduction of Capital. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business.

28. The form of Minute proposed to be registered is as follows:

*"The issued share capital of Xingfa Aluminium Holdings Limited was by virtue of a Special Resolution passed on [•] 2017 and with the confirmation of an order of the Grand Court of the Cayman Islands dated [•] 2017, reduced from HK\$4,180,000 divided into 418,000,000 shares of par value HK\$0.01 each to HK\$3,032,520 divided into 303,252,000 shares of par value HK\$0.01 (the "Reduction of Capital"). Immediately upon the Reduction of Capital, the issued share capital of Xingfa Aluminium Holdings Limited was restored to HK\$4,180,000 by allotting and issuing to the Joint Offerors, credited as fully paid at par, 114,748,000 shares of par value HK\$0.01 each.*

*The authorised share capital of the Company, on the registration of this Minute, is HK\$10,000,000 divided into 1,000,000,000 ordinary shares of par value HK\$0.01 each."*

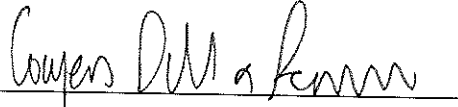
YOUR PETITIONER, THE COMPANY, THEREFORE HUMBL Y PRAYS:

- (1) That the Scheme to be approved at the Court Meeting to be convened at the direction of this Honourable Court be sanctioned by the Court so as to be binding on the Company, the Scheme Shareholders and the Joint Offerors.
- (2) That the Reduction of Capital may be confirmed and that the above mentioned minute may be approved by the Court.

- (3) That the preparation of a list of creditors be dispensed with.
- (4) That, to this end, all necessary inquiries may be made and directions may be made and given.
- (5) Such further or other relief as the Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 5<sup>th</sup> day of April 2017

  
Conyers Dill & Pearman  
Attorneys-at-Law for the Petitioner herein

NOTE: It is intended to serve this Petition on Xingfa Aluminium Holdings Limited, at its registered office located at Cricket Square, Hutchins Drive, P O Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

#### Notice of Hearing

This Petition, having been presented to the Court on 5 April 2017, will be heard at the Law Courts, George Town, Grand Cayman on the day of [•], 2017 at a.m. or as soon thereafter as the Petition can be heard.

This Petition is presented by Conyers Dill & Pearman, for and on behalf of the Petitioner, of Cricket Square, Hutchins Drive, P O Box 2681, Grand Cayman, KY1-1111, Cayman Islands.