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Xingye Alloy Materials Group Limited
興業合金材料集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



On 16 July 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to an aggregate of 85,000,000 Placing Shares to not less than six Places at a price of HK\$0.96 per Placing Share.

The 85,000,000 Placing Shares represent (i) approximately 10.44% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.45% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

The Placing Shares will be allotted and issued by the Company pursuant to the General Mandate and an application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the condition precedent set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 16 July 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed to procure not less than six Placees to subscribe for up to 85,000,000 Placing Shares at the Placing Price of HK\$0.96 per Placing Share on a best effort basis.

Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 16 July 2021 (after trading hours)

Parties: (i) the Company (as issuer); and
(ii) Realord Asia Pacific Securities Limited (as placing agent)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing and Commission

The Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to an aggregate of 85,000,000 Placing Shares to not less than six Placees.

Pursuant to the terms and conditions of the Placing Agreement, a placing commission of 2% of the amount equal to the Placing Price multiplied by the number of Placing Shares successfully placed by the Placing Agent would be payable by the Company to the Placing Agent. The placing commission was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to the prevailing market rates charged by other placing agents.

The Placees

The Placing Agent will place the Placing Shares to not less than six Placees, all of whom/which will be independent professional, institutional and/or other individual investors. It is also expected that as far as the Placing Agent and the Directors are aware, the Placees and their ultimate beneficial owners are Independent Third Parties. Immediately upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company.

Number of Placing Shares

The Placing Shares will represent approximately 10.44% of the Company's existing issued share capital as at the date of this announcement and approximately 9.45% of its issued share capital as enlarged by the Placing. Assuming all 85,000,000 Placing Shares are successfully placed by the Placing Agent, the aggregate nominal value of the Placing Shares will be approximately HK\$8,500,000.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.96 represents:

- (i) a discount of approximately 15.04% to the closing price of approximately HK\$1.13 per Share as quoted on the Stock Exchange on 16 July 2021, being the date of the Placing Agreement; and
- (ii) a discount of approximately 15.79% to the average closing price of approximately HK\$1.14 per Share quoted on the Stock Exchange of the five consecutive trading days immediately before the date of the Placing Agreement.

The Directors consider that the Placing Price, which was agreed after arm's length negotiations between the Company and the Placing Agent with reference to current market price of the Shares and the current market condition, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Condition of the Placing

Completion of the Placing shall be conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled.

If the condition precedent is not satisfied by 31 October 2021 (or such later time or date as the Company shall determine in its sole and absolute discretion) or any of the termination events as set out below in the section headed "Termination of the Placing Agreement" in this announcement shall have occurred before the Closing Date, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and none of the parties shall have any claim against each other in relation thereto save for any antecedent breach of any obligations under the Placing Agreement and without prejudice to the accrued rights and liabilities of the parties.

Completion of the Placing

Subject to the fulfilment of the condition precedent of the Placing Agreement, completion of the Placing shall take place on the Closing Date.

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 18 June 2021. The maximum number of Shares that can be issued under the General Mandate is 162,911,634 Shares (representing 20% of the share capital of the Company in issue on that date). The issue and allotment of the 85,000,000 Placing Shares will utilise approximately 52.18% of the General Mandate.

As at the date of this announcement, save for the proposed issue of the Placing Shares under the Placing Agreement, the Company has not utilised the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares. As such, the Placing is not subject to any Shareholders' approval.

Termination of the Placing Agreement

If at any time between the date of the Placing Agreement and at 5:00 p.m. on the Closing Date, there occurs any of the following:

- (i) the Placing is not completed or the condition precedent has not been fulfilled;
- (ii) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (iii) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing (such success being the

completion of the placing of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing;
or

- (iv) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing,

then the Placing Agent may give notice to the Company to terminate the Placing Agreement with immediate effect. If the Placing Agreement shall be terminated by the reasons aforesaid, all rights and obligations of each party under the Placing Agreement shall cease and no party of the Placing Agreement shall have any claim against the other party save for any antecedent breach.

As at the date of this announcement, the Board is not aware of any occurrence of any of the abovementioned termination events.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in (i) manufacturing and sales of high precision copper plates and strips; (ii) trading of copper raw materials; (iii) provision of processing services for copper products; (iv) the management of a portfolio of investment; and (v) development, operation and distribution of internet and mobile gaming products predominantly in the PRC.

Assuming all the Placing Shares are fully placed, the gross and net proceeds from the Placing will be approximately HK\$81,600,000 and HK\$79,968,000 respectively. On such basis, the net issue price will be approximately HK\$0.94 per Placing Share. The Company intends to apply the net proceeds from the Placing to its construction of new workshops on the Land and for its general working capital.

The Directors consider that the Placing represents an opportunity to raise additional funds for the Company while broadening the Shareholders and capital base of the Company.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are on normal commercial terms following arm's length negotiations between the Company and the Placing Agent and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE PLACING ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (assuming that there are no other changes in the issued share capital of the Company from the date of this announcement up to and immediately after completion of the Placing) are set out as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing (assuming all the Placing Shares are fully placed)	
	Number of shares	Approximate % of shareholding	Number of shares	Approximate % of shareholding
HU Changyuan (Notes 1 and 2)	278,813,000	34.23%	278,813,000	31.00%
Other directors of the Group (Note 2)	23,126,000	2.84%	23,126,000	2.57%
Xie Shicai (Note 3)	187,720,000	23.05%	187,720,000	20.87%
Public Shareholders				
Placees (Note 4)	–	–	85,000,000	9.45%
Other public shareholders	324,899,173	39.89%	324,899,173	36.12%
Total	814,558,173	100%	899,558,173	100%

Notes:

1. *Mr. Hu Changyuan is interested in these 278,813,000 Shares in the following manner:*
 - a. *265,200,000 Shares are held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited is beneficially owned by the Hu Family Trust which was founded by Mr. Hu Changyuan and the trustee of which was Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited). The custodian of these 239,400,000 Shares was Nomura Singapore Limited, which was indirectly wholly-owned by Nomura Holdings Inc. Mr. Hu Changyuan is deemed to be interested in these Shares by virtue of the SFO;*
 - b. *13,213,000 Shares are held by Regency Success Limited, which is 100% controlled by Mr. Hu Changyuan; and*
 - c. *400,000 Shares are directly held by Mr. Hu Changyuan.*
2. *These 23,126,000 Shares are held by directors of the Group (other than Mr. Hu Changyuan whose interest is shown separately in the table above) as to: (i) 3,103,000 Shares by Mr. HU Minglie, an executive Director; (ii) 400,000 Shares by Mr. ZHU Wenjun, an executive Director; (iii) 284,000 Shares by Mr. Chai Chaoming, an independent non-executive Director; (iv) 350,000 Shares by Ms. LU Hong, an independent non-executive Director; (v) 150,000 Shares by Dr. LOU Dong, an independent non-executive Director; and (vi) 18,839,000 Shares by the directors of the subsidiaries of the Group.*

3. *These 187,720,000 Shares are held as to (a) 164,812,000 Shares by bostone Group Limited, which is in turn owned as to approximately 34.33% and 65.67% by Mr. Xie Shicai and Ms. Ma Jiafeng (the spouse of Mr. Xie Shicai) respectively; and (b) 22,908,000 Shares by Hong Kong Nes International New Energy Limited, which is in turn beneficially owned by Mr. Xie Shicai as to 34.93%.*
4. *It is expected that the Placing Shares will be placed to not less than six Placees who will be Independent Third Parties. Immediately upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company. Accordingly, the shareholding held by the Placees is regarded as held by the public.*
5. *Certain percentage figures included in this table have been subject to rounding adjustments. Figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the condition precedent set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

DEFINITIONS

“Board”	the board of Directors of the Company
“Business Day”	any day on which the Stock Exchange is open for trading business to deal in securities;
“Closing Date”	a date falling within the three (3) Business Days after fulfilment of the condition precedent or such other date as agreed in writing by the Company and the Placing Agent in respect of the Placing under the Placing Agreement;
“Company”	Xingye Alloy Materials Group Limited (興業合金材料集團有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting (the “AGM”) of the Company on 18 June 2021 to allot, issue and deal with up to 20% of the issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of, not connected or acting in concert with (within the meaning of the Hong Kong Code on Takeovers and Mergers), the Company and any of its connected persons;
“Land”	the Yongxin* (甬新) G-203# land lot in Ningbo Hangzhou Bay New Zone, the PRC, the land use rights of which were acquired by the Group in 2019. Please refer to the announcement of the Company dated 17 May 2019 for details of the acquisition.
“Listing Committee”	The Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Placee(s)”	any person or entity, who is professional, institutional or other investors, procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement;
“Placing”	the placing to not less than six Placees procured by the Placing Agent, on a best effort basis, of up to 85,000,000 Placing Shares on and subject to the terms and condition set out in the Placing Agreement;
“Placing Agent”	Realord Asia Pacific Securities Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities in Hong Kong;
“Placing Agreement”	the placing agreement dated 16 July 2021 and entered into between the Company and the Placing Agent in relation to the Placing;

“Placing Price”	HK\$0.96 per Placing Share (exclusive of any brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable);
“Placing Share(s)”	a total of up to 85,000,000 new Shares to be placed pursuant to the Placing Agreement and to be allotted and issued under the General Mandate, and each a “Placing Share”;
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“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)”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning as ascribed to it in the Listing Rules;
“%”	per cent.

By Order of the Board
Xingye Alloy Materials Group Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 16 July 2021

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie and Mr. ZHU Wenjun; and the independent non-executive directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.

* *For identification purposes only*