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Yongsheng Advanced Materials Company Limited

永盛新材料有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3608)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE PROPERTIES

ACQUISITION OF THE PROPERTIES

On 14 December 2021, the Purchaser, a non-wholly-owned subsidiary of the Company, had won the bid for the Acquisition through the Judicial Auction Process at the Consideration.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) of the Acquisition is more than 5% and all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

ACQUISITION OF THE PROPERTIES

On 14 December 2021, the Purchaser, a non-wholly-owned subsidiary of the Company, had won the bid for the Acquisition through the Judicial Auction Process at the Consideration.

Following completion of the Judicial Auction Process, the Auction Platform has issued a successful bidding confirmation, pursuant to which the Purchaser shall pay the remaining amount of the Consideration (as disclosed below) and go through all formalities in accordance with the requirements set out in the bidding announcements. The Purchaser shall (i) sign a bidding completion confirmation within three business days after the date of payment of the remaining amount of the Consideration; and (ii) obtain a judgement from Ma'anshan Intermediate People's Court and arrange the transfer of the Properties within 15 business days after the date of the aforesaid bidding completion confirmation.

Information of the Properties

The Properties, which were owned by Anhui Xingang as at the date of this announcement, consist of (i) two land parcels, which are located at No. 1188, Tianmen Road, Yushan District, Ma'anshan City, Anhui Province, the PRC, with a total gross floor area of approximately 85,000 sq.m. for industrial use with outstanding term of land use of 39 years; and (ii) factories and ancillary facilities located on such land, which include (a) two factories with a total gross floor area of approximately 29,000 sq.m.; (b) two office buildings with a total gross floor area of approximately 11,000 sq.m.; and (c) certain ancillary facilities.

Consideration and payment terms

The Consideration, being RMB78,151,280 (equivalent to approximately HK\$96,126,000), was determined based on the bid price made by Ma'anshan Intermediate People's Court during the Judicial Auction Process which was in turn determined with reference to, among others, the value of the Properties according to a valuation report prepared by an independent valuer in the PRC who was appointed by Ma'anshan Intermediate People's Court, the current market conditions, location of the Properties, and land price in the surrounding area, and the development potential of the Properties. The Consideration will be financed by the Group's internal resources.

The Consideration shall be payable in the following manner:

- (i) RMB7,000,000 (equivalent to approximately HK\$8,610,000) previously paid as surety for participating in the Judicial Auction Process being converted as the performance surety and deposit of the Acquisition; and

- (ii) the remaining amount of the Consideration, i.e. RMB71,151,280 (equivalent to approximately HK\$87,516,000) to be paid within seven business days from 14 December 2021 (i.e. by 23 December 2021) or any other date as agreed by Ma'anshan Intermediate People's Court.

The deed tax of 3% of the Consideration, i.e. RMB2,344,538 (equivalent to approximately HK\$2,883,782) shall be payable upon registration of the title deed of the Properties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively seeking to diversify its revenue sources in order to bring valuable returns to the shareholders of the Company. Since 2020, the Group has been diversifying its business portfolio in environmental-friendly related industry, such as the development of hydro-related projects, and it has been exploring to expand its businesses to various sectors of environmental-friendly related industry other than hydro-related industry.

The Properties are located in Ma'anshan City, Anhui Province, the PRC, where there are many industrial parks nearby. The surrounding transportation network of the Properties has been fully developed. In April, 《馬鞍山市建築垃圾管理辦法》(Ma'anshan Construction Waste Management Regulations) was introduced, whereby management of construction waste in Ma'anshan City shall be regulated. Leveraging the beneficial geographical condition of the Properties and supportive governmental policies in the area, as at the date of this announcement, after obtaining the Properties, the Company intends to obtain necessary licence(s) and apply with the relevant governmental authority(ies) in the PRC to use the Properties as a site for environmental-friendly related projects.

Taking into account the Acquisition and the subsequent use of the Properties are in line with the Group's strategy and is favourable to one of the Company's long term business perspectives, i.e. environmental-friendly related business, the Board considers that the development of the Properties will bring synergies to the Group's environmental-friendly related business, and thereby expanding the Group's operating income, which is in the interests of the Company and its shareholders as a whole. In addition, the Board is of the view that the terms regarding the Acquisition are fair and reasonable.

INFORMATION OF THE COMPANY AND RELEVANT PARTIES

Information of the Company and the Group

The Company is an investment holding company and the Group is principally engaged in (i) dyeing and processing of differentiated polyester filament fabric; (ii) provision of renovation, maintenance, alteration and addition services; and (iii) property investment.

Information of the Purchaser

The Purchaser is a company established in the PRC with limited liability and is an investment holding company.

Information of Ma'anshan Intermediate People's Court, Auction Platform and Anhui Xingang

Ma'anshan Intermediate People's Court is a governmental authority of the PRC, which has, among other things, authority to arrange auction of properties that are subject to pledge and bankruptcy properties, being assets that are owned by companies that are put into liquidation. The Auction Platform is an agent appointed by Ma'anshan Intermediate People's Court for conducting the Judicial Auction Process.

Anhui Xingang is a company established in the PRC with limited liability and is principally engaged in environmental projects in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Ma'anshan Intermediate People's Court, the Auction Platform, Anhui Xingang and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

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DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Properties
“Anhui Xingang”	安徽省鑫港再生資源有限公司 (Anhui Xingang Renewal Energy Company Limited*), a company established in the PRC with limited liability, an independent third party and owner of the Properties
“Auction Platform”	淘寶網司法拍賣網路平台 (Taobao Judicial Auction Internet Platform*)
“Board”	the board of Directors
“Company”	Yongsheng Advanced Materials Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3608)
“Consideration”	the total consideration of the Acquisition, being RMB78,151,280 million (equivalent to approximately HK\$96,126,000)
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Judicial Auction Process”	the judicial auction process arranged by Ma’anshan Intermediate People’s Court on the Auction Platform for the sale of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ma’anshan Intermediate People’s Court”	馬鞍山中級人民法院
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Properties”	(i) the land parcels with lot numbers Maguoyong (2013) No. 653 and 654 (馬國用 (2013) 第653、654號) located at No. 1188, Tianmen Road, Yushan District, Ma’anshan City, Anhui Province, the PRC (中國安徽省馬鞍山市兩山區天門大道南段1188號); and (ii) factories and ancillary facilities located thereat
“Purchaser”	安徽英雅新材料科技有限公司 (Anhui Yingya Inya New Material Technology Company Limited*), a company established in the PRC with limited liability and is a non-wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metre, unit of area

“%”

per cent.

By Order of the Board
Yongsheng Advanced Materials Company Limited
Li Cheng
Chairman and Executive Director

Hong Kong, 14 December 2021

As at the date of this announcement, the executive Directors are Mr. Li Cheng, Mr. Li Conghua, Mr. Ma Qinghai and Mr. Xu Wensheng; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. He Chengying and Dr. Wang Huaping.

For the purposes of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.23.

* *For identification purpose only*