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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 PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcement of the Company dated 11 January 2018 regarding the Second Entrusted Loan Agreement entered into between Yongsheng Dyeing (as the entrusting party), an indirectly wholly-owned subsidiary of the Company, and the Lending Bank (as the entrusted party and the lender) on 11 January 2018. The entrusted loan in the amount of RMB50,000,000 under the Second Entrusted Loan Agreement was repaid in full by the Lending Bank to Yongsheng Dyeing on 11 July 2018.

The Board is pleased to announce that on 12 July 2018 (after trading hours), the Third Entrusted Loan Agreement was entered into between Yongsheng Dyeing (as the entrusting party), and the Lending Bank (as the entrusted party and the lender), pursuant to which Yongsheng Dyeing has entrusted the Lending Bank with an amount of RMB50,000,000 (equivalent to approximately HK\$58,809,000) for the purpose of lending the same to the Borrower for a period of 6 months.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Third Entrusted Loan Agreement is more than 5% but less than 25%, the transaction contemplated under the Third Entrusted Loan Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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Summarised below are the principal terms of the Third Entrusted Loan Agreement:

THE THIRD ENTRUSTED LOAN AGREEMENT

Date of the Third Entrusted : 12 July 2018

Loan Agreement

Entrusting Party : Yongsheng Dyeing

Entrusted Party : The Lending Bank

Borrower : The Borrower

Principal : RMB50,000,000

Interest rate : 6.5% per annum, payable on a quarterly basis

Loan period : 6 months

Repayment : The Borrower shall repay the interests on a quarterly basis and the principal amount at the end of the loan period.

SOURCE OF FUNDING

The Entrusted Loan in the principal amount of RMB50,000,000 will be financed by the internal resources of the Group.

INFORMATION OF THE BORROWER

The Borrower is a limited liability company established in the PRC which is principally engaged in fabrics printing and dyeing, apparel design and marketing, electronic materials trading and development, and real estate investment in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Borrower and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

INFORMATION OF THE LENDING BANK

The Lending Bank is a joint stock company established in the PRC and is principally engaged in the provision of a range of banking services and related financial services.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Lending Bank and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

INFORMATION OF THE GROUP AND YONGSHENG DYEING

The Group is principally engaged in the developing and manufacturing of polyester filament yarns, the provisions of dyeing services of differentiated polyester filament fabric and trading of polyester filament yarn products in the PRC.

Yongsheng Dyeing is a company established in the PRC with limited liability on 8 August 2003 and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in dyeing and processing of differentiated polyester filament fabrics and investment holdings.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE THIRD ENTRUSTED LOAN AGREEMENT

By entering into the Third Entrusted Loan Agreement, the Group intends to increase the rate of return of its cash and cash equivalents which can improve both the investment income and the profits of the Group. Further, the terms of the Third Entrusted Loan Agreement were negotiated on an arm's length basis between Yongsheng Dyeing and the Borrower based on, among other things, the financing needs of the Borrower and the Group's assessment on the source of funds for repayment, the business conditions and creditworthiness of the Borrower. The Directors are of the view that the Third Entrusted Loan Agreement was entered into on normal commercial terms.

Taking into account the interest income that is expected to be generated from the Third Entrusted Loan Agreement, the Directors consider that the terms of the Third Entrusted Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Third Entrusted Loan Agreement is more than 5% but less than 25%, the transaction contemplated under the Third Entrusted Loan Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors;
“Borrower”	Saintyear Holding Co., Ltd* (三元控股集團有限公司), a limited liability company established in the PRC which is principally engaged in fabrics printing and dyeing, apparel design and marketing, electronic materials trading and development, and real estate investment in the PRC;
“Company”	Yongsheng Advanced Materials Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Entrusted Loan”	the entrusted loan in the amount of RMB50,000,000 (equivalent to approximately HK\$58,809,000) granted by Yongsheng Dyeing to the Borrower through the Lending Bank pursuant to the Third Entrusted Loan Agreement;

“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;
“Lending Bank”	China Merchants Bank Hangzhou Xiaoshan Branch* (招商銀行股份有限公司杭州蕭山支行), as the entrusted party and the lender under the Second Entrusted Loan Agreement and the Third Entrusted Loan Agreement, and is a joint stock company established in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and the Macao Special Administrative Region of the PRC for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Entrusted Loan Agreement”	the entrusted loan agreement dated 11 January 2018 and entered into between Yongsheng Dyeing (as the entrusting party) and the Lending Bank (as the entrusted party and the lender) in relation to the granting of the entrusted loan in amount of RMB50,000,000 to the Borrower;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Entrusted Loan Agreement”	the entrusted loan agreement dated 12 July 2018 and entered into between Yongsheng Dyeing (as the entrusted party) and the Lending Bank (as the entrusted party and the lender) in relation to the granting of the Entrusted Loan to the Borrower;

“Yongsheng Dyeing” Hangzhou Huvis Yongsheng Dyeing and Finishing Company Limited* (杭州滙維仕永盛染整有限公司), a company established in the PRC with limited liability on 8 August 2003, and an indirect wholly-owned subsidiary of the Company; and

“%” per cent.

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

Hong Kong, 12 July 2018

As at the date of this announcement, the executive Directors are Mr. Li Cheng, Mr. Zhao Jidong, Mr. Li Conghua and Mr. Ma Qinghai; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. Shiping James Wang and Dr. Wang Huaping.

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB0.8502 = HK\$1.00. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

* *For identification purpose only*