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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)

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO
MASTER PROCUREMENT AGREEMENT**

THE MASTER PROCUREMENT AGREEMENT

Reference is made to the prospectus of the Company dated 15 November 2013 in relation to, amongst other things, the Existing Master Procurement Agreement between Yongsheng Chemical Fiber (an indirect non-wholly-owned subsidiary of the Company) and HUVIS, pursuant to which the Group agreed to purchase polyester filament yarn products for trading and production of differentiated polyester filament yarn from HUVIS and/or its associate(s) from time to time for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 in accordance with the terms and conditions stipulated therein.

The Existing Master Procurement Agreement will expire on 31 December 2015. As the Group intends to continue purchase polyester filament yarn products for trading and production of differentiated polyester filament yarn from HUVIS and/or its associate(s), Yongsheng Chemical Fiber has entered into the Master Procurement Agreement on 30 December 2015.

The annual caps under the Master Procurement Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are RMB42,000,000 (equivalent to approximately HK\$50,400,000), RMB50,000,000 (equivalent to approximately HK\$60,000,000) and RMB60,000,000 (equivalent to approximately HK\$72,000,000), respectively.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yongsheng Chemical Fiber is owned as to 70% by Yongsheng Dyeing (an indirect wholly-owned subsidiary of the Company) and 30% by HUVIS. As such, HUVIS is a substantial shareholder of Yongsheng Chemical Fiber, and each of HUVIS and its associates is thus a connected person of the Company at the subsidiary level as at the date of this announcement, and the Master Procurement Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

As (i) HUVIS is regarded as a connected person at the subsidiary level of the Company; (ii) the Master Procurement Agreement is on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Master Procurement Agreement and confirmed the terms therein are fair and reasonable, and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Master Procurement Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

Details of the Master Procurement Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

BACKGROUND

Reference is made to the prospectus of the Company dated 15 November 2013 in relation to, amongst other things, the Existing Master Procurement Agreement between Yongsheng Chemical Fiber (an indirect non-wholly-owned subsidiary of the Company) and HUVIS, pursuant to which the Group agreed to purchase polyester filament yarn products for trading and production of differentiated polyester filament yarn from HUVIS and/or its associate(s) from time to time for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 in accordance with the terms and conditions stipulated therein.

The Existing Master Procurement Agreement will expire on 31 December 2015. As the Group intends to continue purchase polyester filament yarn products for trading and production of differentiated polyester filament yarn from HUVIS and/or its associate(s), Yongsheng Chemical Fiber has entered into the Master Procurement Agreement on 30 December 2015.

MASTER PROCUREMENT AGREEMENT

Principal Terms of the Master Procurement Agreement

- Date:** 30 December 2015
- Parties:** (a) Yongsheng Chemical Fiber
(b) HUVIS
- Subject:** Pursuant to the Master Procurement Agreement, the Group agreed to purchase, and HUVIS and/or its associate(s) agreed to supply, polyester filament yarn products for trading and production of differentiated polyester filament yarn.
- Term:** The Master Procurement Agreement has a fixed term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Pricing policy: The purchasing prices for the products supplied by HUVIS and/or its associates shall be agreed by the Group and HUVIS and/or its associate(s) with reference to, among other things, the terms to be offered to the Group by Independent Third Parties and the then prevailing purchasing prices of comparable products in the market. The agreed purchasing prices shall be no less favourable than the then prevailing purchasing prices of comparable products in the market.

Settlement term: The Group is required to pay HUVIS by cash within 3 months, or any other period as agreed by the Group and HUVIS and/or its associate(s) pursuant to the transactions contemplated under the Master Procurement Agreement, after the filament yarn products are delivered to the stipulated location.

Annual caps: The annual caps under the Master Procurement Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are as follows:

	Year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps	<u>42,000</u>	<u>50,000</u>	<u>60,000</u>

The annual caps under the Master Procurement Agreement are determined based on (i) the historical transaction amount paid by the Group for purchasing POY for production purpose under the Existing Master Procurement Agreement; and (ii) the projected annual growth in demand and selling price of POY for production purpose.

The historical transaction amount of purchases paid by the Group for each of the two years ended 31 December 2013 and 2014 and the eleven months ended 30 November 2015 under the Existing Master Procurement Agreements are as follows:

	For the year ended 31 December 2013 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the eleven months ended 30 November 2015 <i>RMB'000</i>
Annual caps under the Existing Master Procurement Agreement	60,000	68,000	80,000
Historical transaction amount	<u>49,002</u>	<u>36,698</u>	<u>30,951</u>

As at the date of this announcement, the annual caps under the Existing Master Procurement Agreement for each of the three years ended/ending 31 December 2013, 2014 and 2015 have not been exceeded.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER PROCUREMENT AGREEMENT

The Group purchased filament yarn products from HUVIS from 1 January 2013 to 31 December 2015 mainly for the production of differentiated polyester filament yarn and is expected to continue to purchase filament yarn products from HUVIS and/or its associate(s) for manufacturing and in addition, for trading of the same. The Master Procurement Agreement will ensure a steady supply of polyester filament yarn products which is important for the Group's existing production and trading business expansion. The Directors also consider that the Master Procurement Agreement could improve the quality of our polyester filament yarn products, enhance our competitiveness and maintain our strategic cooperation relationship with HUVIS.

The Directors (including all the independent non-executive Directors) consider that the Master Procurement Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof (including the annual caps of the Master Procurement Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Master Procurement Agreement and hence no Director has abstained from voting on the relevant board resolution(s) approving the Master Procurement Agreement and the transactions contemplated thereunder.

INFORMATION ABOUT THE COMPANY AND HUVIS

The Company

The Company was incorporated in the Cayman Islands with limited liability. 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.

HUVIS

HUVIS is a chemical fiber manufacturing company based in South Korea with operating manufacturing factories in Jeonju, Ulsan and the PRC and a research and development centre in Daejeon, the shares of which are listed on the Korea Exchange.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yongsheng Chemical Fiber is owned as to 70% by Yongsheng Dyeing (an indirect wholly-owned subsidiary of the Company) and 30% by HUVIS. As such, HUVIS is a substantial shareholder of Yongsheng Chemical Fiber, and each of HUVIS and its associates is thus a connected person of the Company at the subsidiary level as at the date of this announcement, and the Master Procurement Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

As (i) HUVIS is regarded as a connected person at the subsidiary level of the Company; (ii) the Master Procurement Agreement is on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Master Procurement Agreement and confirmed the terms therein are fair and reasonable, and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Master Procurement Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

Details of the Master Procurement Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“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;

“Existing Master Procurement Agreement”	the master agreement dated 12 November 2013 entered into between Yongsheng Chemical Fiber and HUVIS in relation to the supply of polyester filament yarn products for trading and production of differentiated polyester filament yarn by HUVIS to Yongsheng Chemical Fiber;
“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;
“HUVIS”	HUVIS Corporation (株式會社HUVIS), a chemical fiber manufacturing company based in South Korea with operating manufacturing factories in Jeonju, Ulsan and the PRC and a research and development centre in Daejeon, the shares of which are listed on the Korea Exchange; and a 30% shareholder of Yongsheng Chemical Fiber and therefore a connected person of the Company;
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Procurement Agreement”	the master agreement dated 30 December 2015 entered into between Yongsheng Chemical Fiber and HUVIS in relation to the supply of polyester filament yarn products for trading and production of differentiated polyester filament yarn from HUVIS to Yongsheng Chemical Fiber;

“POY”	partially oriented yarn, a type of polyester filament yarn yet to be processed through the drawing process, which is a semi-product and can be used to produce drawn textured yarn and fully drawn yarn;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau Special Administrative Region for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Yongsheng Chemical Fiber”	Hangzhou Huvis Yongsheng Chemical Fiber Limited* (杭州滙維仕永盛化纖有限公司), a company established in the PRC with limited liability on 28 April 2004 whose registered capital was owned as to 70% by Yongsheng Dyeing and 30% by HUVIS, and is an indirect non-wholly-owned subsidiary of the Company;
“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, an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.20. 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.

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

Hong Kong, 30 December 2015

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 identification purposes only*