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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 ASSET MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 16 August 2016 regarding the First Asset Management Agreement and the Second Asset Management Agreement entered into among Yongsheng Dyeing (an indirectly wholly-owned subsidiary of the Company) (as asset entrustor), LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian).

The Board is pleased to announce that on 20 September 2016 (after trading hours), Yongsheng Dyeing (as asset entrustor) entered into the Third Asset Management Agreement with LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian), pursuant to which Yongsheng Dyeing agreed to participate in the asset management plan operated by LJZ Wealth Management and to deposit to the designated account with China Merchant Bank Shanghai Branch an investment amount of RMB30,000,000, which will be funded by the internal resources of the Group.

Pursuant to Rule 14.22 of the Listing Rules, the relevant applicable percentage ratios of the investment amounts under the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement are required to be aggregated.

As one or more of the applicable percentage ratios in respect of the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement are, in aggregate, more than 5% but less than 25%, the Third Asset Management Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE THIRD ASSET MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 16 August 2016 regarding the First Asset Management Agreement and the Second Asset Management Agreement entered into among Yongsheng Dyeing (an indirectly wholly-owned subsidiary of the Company) (as asset entrustor), LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian).

On 20 September 2016 (after trading hours), Yongsheng Dyeing (as asset entrustor) entered into the Third Asset Management Agreement with LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian), pursuant to which Yongsheng Dyeing agreed to participate in the asset management plan operated by LJZ Wealth Management and to deposit to the designated account with China Merchant Bank Shanghai Branch an investment amount of RMB30,000,000, which will be funded by the internal resources of the Group.

Principal terms of the Third Asset Management Agreement are summarised below:

Date: 20 September 2016

Effective Date: 23 September 2016

Parties:

- (1) Yongsheng Dyeing as the asset entrustor;
- (2) LJZ Wealth Management as the asset manager; and
- (3) China Merchant Bank Shanghai Branch as the asset custodian.

Investment amount/ Entrusted assets:	RMB30,000,000
Investment scope:	Mainly invest in (i) bank deposits; (ii) money market funds; (iii) bond funds and low risk fixed income assets; and (iv) other fixed income assets approved by the regulatory bodies.
Expected annual rate of return:	5.3% per annum
Fees:	<p>Yongsheng Dyeing shall pay, among other fees and charges, an asset management fee to LJZ Wealth Management if the returns on asset management exceed the expected annual rate of return of 5.3% (as stated above) and the amount of asset management fee payable shall be calculated based on the investment amount in accordance with the terms set out in the Third Asset Management Agreement.</p> <p>Yongsheng Dyeing shall also pay a custodian fee of 0.04% per annum to China Merchant Bank Shanghai Branch pursuant to the Third Asset Management Agreement.</p>
Term:	Six (6) months from the date of depositing the investment amount into the designated custodian account with China Merchant Bank Shanghai Branch.
Designated account:	The investment amount under the Third Asset Management Agreement will be deposited into a designated custodian account maintained with China Merchant Bank Shanghai Branch for investing in the investment products under the Third Asset Management Agreement.
Governing law:	PRC law.
Withdrawal of entrusted assets:	Upon the maturity of the sixth (6th) months from the date of the deposit.

REASONS FOR AND BENEFITS OF ENTERING INTO THE THIRD ASSET MANAGEMENT AGREEMENT

By entering into the Third Asset Management Agreement and entrusting funds in accordance therewith, 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. The Directors (including independent non-executive Directors) are therefore of the view that the terms of the Third Asset Management Agreement and entrusting funds in accordance therewith are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

INFORMATION OF LJZ WEALTH MANAGEMENT

LJZ Wealth Management is a company established in the PRC with limited liability and a private investment fund manager approved by the Assets Management Association of China* (中國證券投資基金業協會). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, LJZ Wealth Management and its ultimate beneficial owners are Independent Third Parties. The principal business of LJZ Wealth Management includes but not limited to establishment and issuance of asset management plans in relation to private equity and share investments for clients.

INFORMATION OF CHINA MERCHANT BANK SHANGHAI BRANCH

China Merchant Bank Shanghai Branch is one of the branches of China Merchant Bank, a licensed bank, which was established under the laws of the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Merchant Bank Shanghai Branch and its ultimate beneficial owners are Independent Third Parties. China Merchant Bank Shanghai Branch is principally engaged in the provision of a range of banking services and related financial services.

INFORMATION OF YONGSHENG DYEING

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.

INFORMATION OF THE GROUP

The Group is principally engaged in the developing and manufacturing of polyester filament yarns and 3D printing filaments, the provisions of dyeing services of differentiated polyester filament fabric and trading of polyester filament yarn products in the PRC.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the relevant applicable percentage ratios of the investment amounts under the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement are required to be aggregated.

As one or more of the applicable percentage ratios in respect of the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement are, in aggregate, more than 5% but less than 25%, the Third Asset Management Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company and are 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, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	the board of Directors;
“China Merchant Bank Shanghai Branch”	China Merchant Bank Co., Limited, Shanghai Branch* (招商銀行股份有限公司上海分行), as the asset custodian under the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement, and is a joint stock limited company established 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;
“Director(s)”	the director(s) of the Company;
“First Asset Management Agreement”	the asset management agreement dated 11 July 2016 entered into among Yongsheng Dyeing (as asset entrustor), LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian) in relation to an investment amount of RMB15,000,000 with expected rate of return of 5.5% per annum matured in 6 months;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	parties who are independent from the Company and the connected persons (as defined under the Listing Rules) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LJZ Wealth Management”	LJZ Wealth Management (Shanghai) Co., Limited* (陸家嘴財富管理(上海)有限公司), as the asset manager under the First Asset Management Agreement, the Second Asset Management Agreement and the Third Asset Management Agreement, and is a company established in the PRC with limited liability;
“percentage ratios”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement;

“RMB”	Renminbi, the lawful currency of the PRC;
“Second Asset Management Agreement”	the asset management agreement dated 16 August 2016 entered into among Yongsheng Dyeing (as asset entrustor), LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian) in relation to an investment amount of RMB20,000,000 with expected rate of return of 5.4% per annum matured in 7 months;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Asset Management Agreement”	the asset management agreement dated 20 September 2016 entered into among Yongsheng Dyeing (as asset entrustor), LJZ Wealth Management (as asset manager) and China Merchant Bank Shanghai Branch (as asset custodian);
“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.

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

Hong Kong, 20 September 2016

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