

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTIONS –
TENANCY AGREEMENTS**

TENANCY AGREEMENTS

On 22 October 2021, Changsheng Property, a wholly-owned subsidiary of the Company, as landlord, entered into (i) Tenancy Agreement One with Yongsheng Trading, as tenant, in respect of the leasing of Property One for a term of three years commencing from 1 November 2021 to 31 October 2024; (ii) Tenancy Agreement Two with Yongsheng Holdings, as tenant, in respect of the leasing of Property Two for a term of three years commencing from 1 November 2021 to 31 October 2024; and (iii) Tenancy Agreement Three with Hangzhou Yibang, as tenant, in respect of the leasing of Property Three for a term of a year commencing from 1 November 2021 to 31 October 2022.

LISTING RULES IMPLICATIONS

As (i) Yongsheng Holdings is owned by (a) Mr. Li, an executive Director and a controlling Shareholder, (b) Mr. Li Wenhua, a nephew of Mr. Li, and (c) Ms. Li Chunyan, a daughter of Mr. Li, as to 90%, 5% and 5%, respectively; (ii) Yongsheng Trading is owned by (a) Hangzhou Yongsheng Group, a company wholly-owned by Yongsheng Holdings, as to 51% and (b) Mr. Li Conghua, an executive Director and a nephew of Mr. Li, as to 49%; and (iii) Hangzhou Yibang is owned by Hangzhou Yongsheng Group as to 55% and Ms. Yinli, an independent third party, as to 45%, each of Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang is a connected person of the Company. Accordingly, the entering into of the Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As such, Mr. Li and Mr. Li Conghua have abstained from voting on Board resolutions of the Company to approve each of the Tenancy Agreements and the transaction contemplated thereunder.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Caps, when aggregated, are above 0.1% but below 5%, the transactions contemplated under the Tenancy Agreements are subject to reporting, annual review and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE TENANCY AGREEMENTS

Principal terms of each of the Tenancy Agreements are set out as follows:

	Tenancy Agreement One	Tenancy Agreement Two	Tenancy Agreement Three
Date:		22 October 2021	
Parties:	(i) Changsheng Property, as landlord; and (ii) Yongsheng Trading, as tenant	(i) Changsheng Property, as landlord; and (ii) Yongsheng Holdings, as tenant	(i) Changsheng Property, as landlord; and (ii) Hangzhou Yibang, as tenant
Premises:	Property One (i.e. an area with gross floor area of approximately 498 sq.m. on 22nd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC)	Property Two (i.e. an area with gross floor area of approximately 1,440.81 sq.m. on 23rd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC)	Property Three (i.e. an area with gross floor area of approximately 146.63 sq.m. on 22nd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC)
Principal use:	as offices and for commercial use only		
Term:	Three years commencing from 1 November 2021 to 31 October 2024 (both days inclusive)		One year commencing from 1 November 2021 to 31 October 2022 (both days inclusive)

Monthly rent:	- First and second year: RMB54,303.79; and	- First and second year: RMB159,960.00; and	RMB8,028.00
	- Third year: RMB55,932.90	- Third year: RMB164,758.80	(exclusive of utility charges and management fees)
	(exclusive of utility charges and management fees)	(exclusive of utility charges and management fees)	

Rental deposit:	At the time of delivery of Property One, Yongsheng Trading shall pay a sum of RMB108,607.58, which is equivalent to the amount of two months' rental fee, to Changsheng Property as rental deposit for its performance of the terms and conditions stipulated in Tenancy Agreement One.	At the time of delivery of Property Two, Yongsheng Holdings shall pay a sum of RMB319,920.00, which is equivalent to the amount of two months' rental fee, to Changsheng Property as rental deposit for its performance of the terms and conditions stipulated in Tenancy Agreement Two.	At the time of delivery of Property Two, Hangzhou Yibang shall pay a sum of RMB16,056.00, which is equivalent to the amount of two months' rental fee, to Changsheng Property as rental deposit for its performance of the terms and conditions stipulated in Tenancy Agreement Three.
	Upon expiry of Tenancy Agreement One and that Yongsheng Trading having (i) vacated and returned Property One as agreed; (ii) completed the procedures of removing Property One as Yongsheng Trading's registered address (if applicable); (iii) settled all outstanding fees, Changsheng Property will refund the rental deposit to Yongsheng Trading without interest.	Upon expiry of Tenancy Agreement Two and that Yongsheng Holdings having (i) vacated and returned Property Two as agreed; (ii) completed the procedures of removing Property Two as Yongsheng Holdings' registered address (if applicable); (iii) settled all outstanding fees, Changsheng Property will refund the rental deposit to Yongsheng Holdings without interest.	Upon expiry of Tenancy Agreement Three and that Hangzhou Yibang having (i) vacated and returned Property Three as agreed; (ii) completed the procedures of removing Property Three as Hangzhou Yibang's registered address (if applicable); (iii) settled all outstanding fees, Changsheng Property will refund the rental deposit to Hangzhou Yibang without interest.

Renewal:

Subject to the negotiations between the parties on a fair and reasonable basis and the compliance with the applicable Listing Rules, each of Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang has a pre-emptive right to renew the relevant tenancy agreement six months prior to expiry of the lease term and sign a tenancy renewal agreement three months prior to expiry of the lease term.

If any of Yongsheng Trading, Yongsheng Holdings or Hangzhou Yibang decides not to renew the tenancy agreement or has not completed the renewal procedure six months prior to the expiry of the lease term, the relevant tenancy agreement(s) would expire upon the end of the lease term.

Performance and termination:

The performance of the Tenancy Agreements is conditional upon compliance with the applicable Listing Rules. In the event of any failure to comply with the applicable Listing Rules, Changsheng Property may terminate or suspend the Tenancy Agreements unilaterally. Neither Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang shall be entitled to recover or claim from Changsheng Property any of their losses arising from the termination and suspension of the Tenancy Agreements for such reason.

Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang shall allow Changsheng Property or the auditors of the Company to review the transaction records pursuant to the Tenancy Agreements in order to comply with the relevant Listing Rules requirements.

The Tenancy Agreements may be varied or terminated upon mutual consent.

Changsheng Property has the right to terminate the Tenancy Agreements unilaterally should any of the following events arise:

- (i) unauthorised change of the principal use of Leased Properties as specified in the Tenancy Agreements; using or allowing others to use the Leased Properties for illegal activities;
- (ii) demolish and change the structure of the Leased Properties; or fail to submit the renovation and alteration plan to Changsheng Property for approval as agreed in the Tenancy Agreements;
- (iii) without the prior written consent of Changsheng Property, sublet, assign, transfer, lend or exchange the Leased Properties to any third party;
- (iv) Yongsheng Trading, Yongsheng Holdings or Hangzhou Yibang fail to make any of the rental, rental deposits and utility payments or other charges fifteen (15) days or more from the agreed date; or
- (v) Yongsheng Trading, Yongsheng Holdings or Hangzhou Yibang breach any terms of the Tenancy Agreements and fail to rectify after written notification from Changsheng Property.

ANNUAL CAPS

The maximum aggregate Annual Caps between 2021 and 2024 is RMB2,667,501.48.

As Yongsheng Plaza was newly constructed, there has not been any historical transactions regarding the leasing of the Leased Properties. The rent and the Annual Caps were determined after taking into account of (i) the market rent of the Leased Properties, based on the prevailing market conditions and rental level of similar properties in the vicinity; (ii) various conditions of the Leased Properties, including but not limited to, the location and renovation thereof; and (iii) the rental fees of other properties at Yongsheng Plaza as agreed between the Group and independent third parties.

REASONS FOR THE TRANSACTIONS CONTEMPLATED UNDER THE TENANCY AGREEMENTS

Yongsheng Plaza is located at Xiaoshan Economic and Technological Development Zone, Hangzhou City, the PRC. As disclosed in the interim report of the Company for the six months ended 30 June 2021, with the upcoming 19th Asian Games in mid-2022, it is expected that Yongsheng Plaza will become a new landmark in Hangzhou, with great potential for appreciation in value. Yongsheng Plaza is intended to cater to entrepreneurs, start-up businesses, branches of large professional service enterprises. Upon completion of the construction of Yongsheng Plaza in September 2021, the Group has commenced leasing Yongsheng Plaza to different entities to be used as offices and meeting venues. The Company believes that it will benefit from the transactions contemplated under the Tenancy Agreements since (i) the Group will earn rental incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the Leased Properties will be borne by Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang, respectively.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Tenancy Agreements is in the ordinary and usual course of business, they are on normal commercial terms and the terms thereof, including the Annual Caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND PARTIES TO THE TENANCY AGREEMENTS

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 additional services; and (iii) property investment.

Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang

Yongsheng Trading is established under the laws of the PRC and is principally engaged in onshore and offshore trading of commodities, including metals, chemicals and agricultural products.

Yongsheng Holdings is established under the laws of the PRC and is an investment holding company.

Hangzhou Yibang is established under the laws of the PRC and is principally engaged in provision of information technology services and buildings intelligent engineering services.

LISTING RULES IMPLICATIONS

As (i) Yongsheng Holdings is owned by (a) Mr. Li, an executive Director and a controlling Shareholder, (b) Mr. Li Wenhua, a nephew of Mr. Li, and (c) Ms. Li Chunyan, a daughter of Mr. Li, as to 90%, 5% and 5%, respectively; (ii) Yongsheng Trading is owned by (a) Hangzhou Yongsheng Group, a company wholly-owned by Yongsheng Holdings, as to 51% and (b) Mr. Li Conghua, an executive Director and a nephew of Mr. Li, as to 49%; and (iii) Hangzhou Yibang is owned by Hangzhou Yongsheng Group as to 55% and Ms. Yinli, an independent third party, as to 45%, each of Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang is a connected person of the Company. Accordingly, the entering into of the Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As such, Mr. Li and Mr. Li Conghua have abstained from voting on Board resolutions of the Company to approve each of the Tenancy Agreements and the transaction contemplated thereunder.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Caps, when aggregated, are above 0.1% but below 5%, the transactions contemplated under the Tenancy Agreements are subject to reporting, annual review and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Cap”	the annual amounts payable by each of Yongsheng Trading, Yongsheng Holdings and Hangzhou Yibang under the respective Tenancy Agreements
“Board”	the board of Directors
“Changsheng Property”	昶盛物業(杭州)有限公司 (Changsheng Property (Hangzhou) Company Limited*), a company established in the PRC and a wholly owned subsidiary of the Company
“Company”	Yongsheng Advanced Materials Company Limited, a company incorporated in the Cayman Islands with limited liability
“connected persons”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Yibang”	杭州益幫科技有限公司 (Hangzhou Yibang Technology Company Limited*), a company established in the PRC and is principally engaged in provision of information technology services and building intelligent engineering services, a connected person of the Company

“Hangzhou Yongsheng Group”	杭州永盛集團有限公司 (Hangzhou Yongsheng Group Company Limited*), a company established in the PRC and is wholly owned by Yongsheng Holdings, a connected person of the Company
“Leased Properties”	collectively, Property One, Property Two and Property Three
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Cheng, an executive Director and the Chairman of the Board, a controlling shareholder of the Company and a connected person of the Company
“Property One”	an area with gross floor area of approximately 498 sq.m. on 22nd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC
“Property Two”	an area with gross floor area of approximately 1,440.81 sq.m. on 23rd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC
“Property Three”	an area with gross floor area of approximately 146.63 sq.m. on 22nd Floor of Yongsheng Plaza located at Xiaoshan Economic and Technological Development Zone in Hangzhou, the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency in the PRC
“Shareholder(s)”	holder(s) of the ordinary share(s) of par value of HK\$0.01 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metres
“Tenancy Agreement One”	the tenancy agreement dated 22 October 2021 and entered into between Changsheng Property, as landlord, and Yongsheng Trading, as tenant, in respect of the leasing of Property One
“Tenancy Agreement Two”	the tenancy agreement dated 22 October 2021 and entered into between Changsheng Property, as landlord, and Yongsheng Holdings, as tenant, in respect of the leasing of Property Two
“Tenancy Agreement Three”	the tenancy agreement dated 22 October 2021 and entered into between Changsheng Property, as landlord, and Hangzhou Yibang, as tenant, in respect of the leasing of Property Three
“Tenancy Agreements”	collectively, the Tenancy Agreement One, the Tenancy Agreement Two and the Tenancy Agreement Three
“Yongsheng Holdings”	杭州永盛控股有限公司 (Hangzhou Yongsheng Holdings Company Limited*), an investment holding company established in the PRC, a connected person of the Company

“Yongsheng Trading”

杭州蕭山永盛對外貿易有限公司 (Hangzhou Xiaoshan Yongsheng Foreign Trading Company Limited*), a company established in the PRC is principally engaged in onshore and offshore trading of commodities, including metals, chemicals and agricultural products, a connected person of the Company

“%”

per cent.

By Order of the Board

Yongsheng Advanced Materials Company Limited

Li Cheng

Chairman and Executive Director

Hong Kong, 22 October 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 identification purposes only