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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)

**VOLUNTARY ANNOUNCEMENT –
FORMATION OF NEW JOINT VENTURE
AND
ACQUISITION OF A PROJECT COMPANY**

Reference is made to the announcements (the “**Announcements**”) of Yongsheng Advanced Materials Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 April 2020, 12 May 2020, 23 July 2020 and 26 January 2021 in relation to the formation of the JV Company in the Cayman Islands with Bagan. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

FORMATION OF NEW JOINT VENTURE

The Board wishes to inform the Shareholders that in early November 2021 an investment agreement (the “**Investment Agreement**”) has been entered into between a wholly-owned subsidiary of the JV Company, namely Inya (Zhejiang) Environment Consulting Limited* (英雅(浙江)環境諮詢有限公司) (“**PRC JV Company**”), and Mr. Shen Zhonghua (“**Mr. Shen**”) and Mr. Huang Lingchao (“**Mr. Huang**”) pursuant to which a new joint venture company, namely Hangzhou Zhixing New Material Technology Co., Ltd.* (杭州志興新材料科技有限公司) (“**New JV**”), was established with a total registered capital of RMB9 million (equivalent to approximately HK\$11.0 million). The New JV is owned by the PRC JV Company, Mr. Shen and Mr. Huang as to 40%, 40% and 20%, respectively, as at the date of this announcement. The board of directors of the New JV consists of three directors, whom shall be appointed by each of the PRC JV Company, Mr. Shen and Mr. Huang.

ACQUISITION OF A PROJECT COMPANY

The Board wishes to further inform the Shareholders that subsequent to the establishment of the New JV, the New JV and the ultimate equity holders of Zhejiang Deqing Jiemai New Material Company Limited* (浙江德清傑邁新材料有限公司, “**Zhejiang Deqing**”), namely Mr. Gao Wensheng, Mr. Li Jie and Mr. Zhou Wengquan (together, the “**Sellers**”), entered into an acquisition agreement (“**Acquisition Agreement**”), pursuant to which the New JV has agreed to acquire, and the Sellers have agreed to sell, in aggregate, 100% of the registered capital of Zhejiang Deqing. The total consideration for the transaction contemplated under the Acquisition Agreement amounted to RMB24 million (equivalent to approximately HK\$29.3 million).

INFORMATION OF PARTIES TO EACH OF THE INVESTMENT AGREEMENT AND THE ACQUISITION AGREEMENT

The Group, the PRC JV Company and the New JV

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 (“**RMAA**”) services; and (iii) property investment. The PRC JV Company is a company established in the PRC and is an investment holding company. The New JV is a company established in the PRC with limited liability and is an investment holding company.

Mr. Shen, Mr. Huang and the Sellers

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Mr. Shen, Mr. Huang and the Sellers are third parties independent of the Company and its connected persons.

INFORMATION OF ZHEJIANG DEQING

Zhejiang Deqing is a company established in the PRC with limited liability, which is principally engaged in production and sales of building structural reinforcement materials.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT AND ACQUISITION AGREEMENT

The Group has been actively seeking to diversify its revenue sources in order to bring valuable returns to the Shareholders. In 2019, the Group has started diversifying its business portfolio in RMAA service related industry through the acquisition of Summer Power International Inc.. Having considered the (i) prospect of RMAA industry in the Hong Kong and the PRC; and (ii) the business expansion plan of Zhejiang Deqing, the Group granted a loan (“**Loan**”) of approximately RMB6 million to the New JV at an interest rate of 12% per annum in November 2021 for a term of 36 months to fund its acquisition of Zhejiang Deqing. Taking into account (a) the satisfactory financial background of Zhejiang Deqing; (b) a revenue and cashflow from the interest income under the Loan is expected; (c) the entering into of the Investment Agreement and the Acquisition Agreement is in line with the Group’s strategy and is favourable to the Company’s long term business perspective, the Board considers that the terms of each of the Loan, the Investment Agreement and the Acquisition Agreement and the granting of the Loan and the entering into of the Investment Agreement and the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon completion of the transaction contemplated under each of the Investment Agreement and the Acquisition Agreement, neither the New JV nor Zhejiang Deqing will be accounted for as a subsidiary of the Company and their financial results will not be consolidated to the financial statements of the Group.

As the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the transaction contemplated under the Investment Agreement and the amount of the Loan granted to the New JV, in aggregate, are below 5%, the establishment of the New JV and the Loan granted to New JV are not subject to the disclosure requirements under Chapter 14 of the Listing Rules nor the general disclosure obligations under Rule 13.15 of the Listing Rules. This announcement is made voluntarily by the Company.

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

Hong Kong, 23 November 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. Shiping James Wang and Dr. Wang Huaping.

Unless otherwise specified, conversion of RMB to HK\$ in this announcement is based on the exchange rate of RMB1 = HK\$1.22 for illustration purpose only. No representation is made that any amounts in HK\$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.

* *For identification purposes*