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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 TRANSACTIONS IN RELATION TO THE  
PROVISION OF FINANCIAL ASSISTANCE  
AND  
BREACH OF THE LISTING RULES**

**DISCLOSEABLE TRANSACTIONS IN RELATION TO THE PROVISION  
OF FINANCIAL ASSISTANCE**

Between January 2021 and May 2022, Yongsheng Dyeing (as the entrusting party), an indirect wholly-owned subsidiary of the Company, entered into various Entrusted Loan Agreements with (i) the Lending Bank (as the entrusted party and the lender); and (ii) either (a) Saintyear; or (b) Hangzhou Jimei (as borrower).

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Entrusted Loan Agreements did not exceed 5%, the entering of each individual Entrusted Loan Agreement did not constitute a notifiable transaction of the Company on a standalone basis. However, as the Borrowers share the same ultimate beneficial owners, each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 shall be aggregated as a single transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

Accordingly, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 exceeded 5% but were less than 25%, the transactions contemplated thereunder constituted as discloseable transactions of the Company and were subject to the reporting and announcement requirements under the Listing Rules.

## **REASONS FOR THE BREACH OF THE LISTING RULES**

The entering into of each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 with the Borrowers constituted various discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Therefore, due to an inadvertent oversight, the failure by the Company to issue an announcement in relation to each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 at the material times constituted a breach of the Listing Rules.

The Directors explained that the non-compliance was due to the responsible staff's failure to identify the Borrowers having the same ultimate beneficial owners and thus the Group did not aggregate each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3. Accordingly, the Board was not aware of such non-compliances until after perusing the interim results of the Company for six months ended 30 June 2022. The non-compliance of the announcement requirements under Chapter 14 of the Listing Rules was inadvertent and unintentional.

## **DISCLOSEABLE TRANSACTIONS IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE**

Between January 2021 and May 2022, Yongsheng Dyeing (as the entrusting party), an indirect wholly-owned subsidiary of the Company, entered into various Entrusted Loan Agreements with (i) the Lending Bank (as the entrusted party and the lender); and (ii) either (a) Saintyear; or (b) Hangzhou Jimei (as borrower).

## THE AGGREGATED ENTRUSTED LOAN AGREEMENT 1

Summarised below are the principal terms of the Aggregated Entrusted Loan Agreement 1:

	2021 January Saintyear Entrusted Loan Agreement	2021 January Jimei Entrusted Loan Agreement
Date of entering into the relevant Entrusted Loan Agreement	8 January 2021	8 January 2021
Entrusting party	Yongsheng Dyeing	Yongsheng Dyeing
Entrusted party	The Lending Bank	The Lending Bank
Borrower	Saintyear	Hangzhou Jimei
Principal amount	RMB50,000,000	RMB20,000,000
Interest rate	6% per annum	6% per annum
Loan period	approximately 6 months	approximately 12 months
Repayment	Saintyear shall repay the interests and the principal amount at the end of the loan period	Hangzhou Jimei shall repay the interests and the principal amount at the end of the loan period

## THE AGGREGATED ENTRUSTED LOAN AGREEMENT 2

Summarised below are the principal terms of the Aggregated Entrusted Loan Agreement 2:

	2021 May Jimei Entrusted Loan Agreement	2021 July Saintyear Entrusted Loan Agreement
Date of entering into the relevant Entrusted Loan Agreement	11 May 2021	8 July 2021
Entrusting party	Yongsheng Dyeing	Yongsheng Dyeing
Entrusted party	The Lending Bank	The Lending Bank
Borrower	Hangzhou Jimei	Saintyear
Principal amount	RMB10,000,000	RMB45,000,000
Interest rate	6% per annum	6% per annum
Loan period	approximately 12 months	approximately 12 months
Repayment	Hangzhou Jimei shall repay the interests and the principal amount at the end of the loan period	Saintyear shall repay the interests and the principal amount at the end of the loan period

## THE AGGREGATED ENTRUSTED LOAN AGREEMENT 3

Summarised below are the principal terms of the Aggregated Entrusted Loan Agreement 3:

	2022 January Jimei Entrusted Loan Agreement	2022 May Jimei Entrusted Loan Agreement
Date of entering into the relevant Entrusted Loan Agreement	12 January 2022	30 May 2022
Entrusting party	Yongsheng Dyeing	Yongsheng Dyeing
Entrusted party	The Lending Bank	The Lending Bank
Borrower	Hangzhou Jimei	Hangzhou Jimei
Principal amount	RMB20,000,000	RMB6,000,000
Interest rate	6% per annum	6% per annum
Loan period	approximately 12 months	approximately 12 months
Repayment	Hangzhou Jimei shall repay the interests and the principal amount at the end of the loan period	Hangzhou Jimei shall repay the interests and the principal amount at the end of the loan period

## SOURCE OF FUNDING

The aggregated principal amount of RMB151,000,000 for the Entrusted Loan Agreements was financed by the internal resources of the Group.

## **REASONS FOR THE TRANSACTIONS CONTEMPLATED UNDER ENTRUSTED LOAN AGREEMENTS**

By entering into each of the Entrusted Loan Agreements, the Group intended to increase the rate of return of its cash and cash equivalents for the purposes of increasing both the investment income and the profits of the Group. The terms of the Entrusted Loan Agreements were negotiated on an arm's length basis between Yongsheng Dyeing and each of the Borrowers based on, among other things, the financing needs of each of the Borrowers and the Group's assessment on the source of funds for repayment, the business conditions and creditworthiness of the Borrowers. As at the date of the entering of each of the Entrusted Loan Agreements, the Directors were of the view that each of the Entrusted Loan Agreements were entered into on normal commercial terms. As at the date of this announcement, the Directors remain of the view that each of the Entrusted Loan Agreements were entered into on normal commercial terms.

Taking into account the interest income that was expected to be generated from the Entrusted Loan Agreements at the time of signing each of the Entrusted Loan Agreements, the Directors consider that the terms of each of the Entrusted Loan Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND PARTIES TO THE ENTRUSTED LOAN 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) properties investment; and (iii) environmental waters project operation.

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 Borrowers**

Saintyear 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 in the PRC. The ultimate beneficial owners of Saintyear are Li Bin (李斌), Pan Renchang (潘仁昌), Qi Laifa (戚來法), Wang Xiangtu (王祥土), Fu Desan (傅德三), Wang Damu (王大木) and Feng Yongxian (馮永先).

Hangzhou Jimei is a limited liability company established in the PRC which is principally engaged in the dyeing and printing of cotton and dyeing and printing of silk in the PRC. The ultimate beneficial owners of Hangzhou Jimei are Li Bin (李斌), Pan Renchang (潘仁昌), Qi Laifa (戚來法), Wang Xiangtu (王祥土), Fu Desan (傅德三), Wang Damu (王大木) and Feng Yongxian (馮永先).

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Borrowers and its ultimate beneficial owners are third parties independent of the Company and connected persons 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 of the Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Entrusted Loan Agreements did not exceed 5%, the entering of each individual Entrusted Loan Agreement did not constitute a notifiable transaction of the Company on a standalone basis. However, as the Borrowers share the same ultimate beneficial owners, each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 shall be aggregated as a single transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

Accordingly, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 exceeded 5% but were less than 25%, the transactions contemplated thereunder constituted as discloseable transactions of the Company and were subject to the reporting and announcement requirements under the Listing Rules.

## **REASONS FOR THE BREACH OF THE LISTING RULES AND REMEDIAL ACTIONS**

The entering into of each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 with the Borrowers constituted various discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Therefore, due to an inadvertent oversight, the failure by the Company to issue an announcement in relation to each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3 at the material times constituted a breach of the Listing Rules.

The Directors explained that the non-compliance was due to the responsible staff's failure to identify the Borrowers having the same ultimate beneficial owners and thus the Group did not aggregate each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3. Accordingly, the Board was not aware of such non-compliances until after perusing the interim results of the Company for six months ended 30 June 2022. The non-compliance of the announcement requirements under Chapter 14 of the Listing Rules was inadvertent and unintentional.



The Company deeply regrets its non-compliance of the Listing Rules when entering into each of the (i) Aggregated Entrusted Loan Agreement 1; (ii) Aggregated Entrusted Loan Agreement 2; and (iii) Aggregated Entrusted Loan Agreement 3. In order to avoid recurrence of the incidents mentioned above and to ensure the Company will fully comply with the requirements under Chapter 14 of the Listing Rules in the future, the Company will take the following remedial measures:

- (1) the Company will provide further guidance materials and training to responsible staff regarding how to define a transaction and proper calculation methodology of the percentage ratios relating to notifiable transactions under the Listing Rules and to emphasise the importance to compute size tests on a stand-alone basis and an aggregate basis prior to execute any transaction;
- (2) the Company further strengthened the internal control of the Group and set up rules in relation to the background check of counterparties of transactions, e.g. to get information of the ultimate beneficial owners to individual level, maintain a list of ultimate beneficial owners of counterparties of all transactions of the Group, establish a warning system when common ultimate beneficial owners were spotted among the counterparties;
- (3) the Company will review, strengthen and continue to monitor the reporting procedure, to ensure any proposed transactions which may constitute notifiable transactions would be promptly reported to the chief financial officer of the Company. The chief financial officer of the Company shall further assess the proposed transactions and ensure the proposed transactions will be conducted in compliance with the applicable requirements under the Listing Rules and the relevant rules and regulations; and
- (4) the Company will arrange external advisers to provide ongoing trainings on legal and regulatory requirements applicable to the business operations of the Group to the Directors, senior management and relevant employees of the Group.

The Directors believe that the implementation of the above remedial measures will strengthen and reinforce the knowledge of the responsible staff, management and Directors, improve the regulatory compliance ability of the Company and help prevent the reoccurrence of similar incidents of non-compliance in future.

## DEFINITIONS

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

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|---|--|
| “2021 January<br>Jimei Entrusted<br>Loan Agreement”     | the entrusted loan agreement dated 8 January 2021 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 loan of RMB20,000,000 to Hangzhou Jimei; |
| “2021 January<br>Saintyear Entrusted<br>Loan Agreement” | the entrusted loan agreement dated 8 January 2021 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 loan of RMB50,000,000 to Saintyear;      |
| “2021 May Jimei Entrusted<br>Loan Agreement”            | the entrusted loan agreement dated 11 May 2021 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 loan of RMB10,000,000 to Hangzhou Jimei;    |
| “2021 July<br>Saintyear Entrusted<br>Loan Agreement”    | the entrusted loan agreement dated 8 July 2021 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 loan of RMB45,000,000 to Saintyear;         |

“2022 January Jimei Entrusted Loan Agreement”	the entrusted loan agreement dated 12 January 2022 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 loan of RMB20,000,000 to Hangzhou Jimei;
“2022 May Jimei Entrusted Loan Agreement”	the entrusted loan agreement dated 30 May 2022 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 loan of RMB6,000,000 to Hangzhou Jimei;
“Aggregated Entrusted Loan Agreement 1”	collectively, (i) the 2021 January Saintyear Entrusted Loan Agreement; and (ii) the 2021 January Jimei Entrusted Loan Agreement;
“Aggregated Entrusted Loan Agreement 2”	collectively, (i) the 2021 May Jimei Entrusted Loan Agreement; and (ii) the 2021 July Saintyear Entrusted Loan Agreement;
“Aggregated Entrusted Loan Agreement 3”	collectively, (i) the 2022 January Jimei Entrusted Loan Agreement; and (ii) the 2022 May Jimei Entrusted Loan Agreement;
“Board”	the board of Directors;
“Borrowers”	collectively, Saintyear and Hangzhou Jimei;
“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 Agreements”	collectively, (i) the 2021 January Saintyear Entrusted Loan Agreement; (ii) the 2021 January Jimei Entrusted Loan Agreement; (iii) the 2021 May Jimei Entrusted Loan Agreement; (iv) the 2021 July Saintyear Entrusted Loan Agreement; (v) the 2022 January Jimei Entrusted Loan Agreement; and (vi) the 2022 May Jimei Entrusted Loan Agreement;
“Group”	the Company and its subsidiaries;
“Hangzhou Jimei”	Hangzhou Jimei Printing & Dyeing Co. Ltd.* (杭州集美印染有限公司), a limited liability company established in the PRC which is principally engaged in the dyeing and printing of cotton and dyeing and printing of silk in the PRC;
“Lending Bank”	Agricultural Bank of China Co., Ltd. Xiaoshan Branch* (中國農業銀行股份有限公司蕭山分行), as the entrusted party and the lender under each of the Entrusted Loan Agreements, 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, for the purpose of this announcement only, excludes Hong Kong, 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;
“Saintyear”	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;
“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, 14 September 2022

*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