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## **COSTIN NEW MATERIALS GROUP LIMITED**

**海東青新材料集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2228)**

### **ANNOUNCEMENT PROPOSED DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER AND RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board would like to announce that it has been informed by the Vendor, a controlling shareholder of the Company, that on 19 January 2012, the Vendor and the Guarantor entered into the Sale and Purchase Agreement with the Investor, pursuant to which the Vendor has agreed to sell, and the Investor has agreed to purchase, the Sale Shares, being 225,160,000 Shares, representing approximately 29.00% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement.

Immediately following Completion, the Vendor will hold 194,840,000 Shares, representing approximately 25.09% of the issued share capital of the Company, and will cease to be the controlling shareholder of the Company; while the Investor will hold 225,160,000 Shares, representing approximately 29.00% of the issued share capital of the Company, and will become the single largest shareholder of the Company after Completion.

**As Completion of the Sale and Purchase Agreement is subject to the satisfaction of various conditions precedent set out in the Sale and Purchase Agreement, including but not limited to the obtaining of confirmation from the Executive that the acquisition of the Sale Shares by the Investor will not incur any general offer obligation for the securities of the Company by the Investor pursuant to the Takeovers Codes, the disposal of the Sale Shares by the Vendor may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Further announcement will be issued by the Company upon Completion or in the event that the transaction contemplated under the Sale and Purchase Agreement does not proceed.

\* *For identification purpose only*

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 20 January 2012 pending the publication of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 26 January 2012.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 16 November 2011 in respect of the proposed investment in the Company by a potential investor.

The Board would like to announce that it has been informed by the Vendor, a controlling shareholder of the Company, that on 19 January 2012, the Vendor and the Guarantor entered into the Sale and Purchase Agreement with the Investor, pursuant to which the Vendor has agreed to sell, and the Investor has agreed to purchase, the Sale Shares. Details of the Sale and Purchase Agreement are set out below.

## **SALE AND PURCHASE AGREEMENT**

### **Date:**

19 January 2012

### **Parties:**

- (1) the Vendor;
- (2) the Guarantor; and
- (3) the Investor

### **Sale Shares:**

The Vendor has agreed to sell, and the Investor has agreed to purchase, the Sale Shares, being 225,160,000 Shares, representing approximately 29.00% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement.

### **Purchase price of Sale Shares:**

Pursuant to the Sale and Purchase Agreement, the purchase price of a Sale Share shall be determined at a discount to the lowest of (i) HK\$3.896 per Share, being the average closing price per Share as quoted on the Stock Exchange for the 20 business days immediately preceding the date of the Sale and Purchase Agreement; (ii) a price of not more than 10 times of the price/earnings multiple based on the audited earnings per Share for the financial year ended 31 December 2011 of the Company; (iii) a price calculated by multiplying the price/earnings multiple of Hang Seng Index on the date of Completion as published on the website of the Hang Seng Index Company Limited by the audited earnings per Share for the financial year ended 31 December 2011 of the Company; or (iv) the average closing price per Share

as quoted on the Stock Exchange for the 20 business days immediately preceding the date of Completion. For the purposes of calculating the purchase price of the Sale Shares, the audited earnings per Share shall exclude the effect from (i) the revaluation of the convertible bond in a principal amount of US\$30 million issued to CITIC Capital China Access Fund Limited, and (ii) the amortization of share-based compensation expenses in relation to the grant of share options by the Company under the share option scheme of the Company adopted on 12 May 2010.

The discount to the purchase price of the Sale Shares will be determined after arm's length negotiation between the Vendor and the Investor after taking into account the market sentiment on Completion; provided that if the final purchase price per Share (after taking into account the discount thereto) is less than a price/earnings multiple of 9.5 times of the audited earnings per Share of the Company for the financial year ended 31 December 2011, the Vendor and the Investor will further negotiate on the purchase price of the Sale Shares. In the event that the purchase price cannot be agreed by the Vendor and the Investor within 20 days from the original date of Completion, the Sale and Purchase Agreement shall be terminated forthwith. The purchase price of the Sale Shares will be fixed after the publication of the financial results of the Group for the year ended 31 December 2011.

#### **Conditions for Completion:**

Completion of the Sale and Purchase Agreement is subject to and conditional upon various conditions precedent, including but not limited to (i) the obtaining of confirmation from the Executive that the acquisition of the Sale Shares by the Investor will not incur any general offer obligation for the securities of the Company by the Investor pursuant to the Takeovers Codes (which is not waivable); (ii) the satisfaction of the results of the due diligence review on the Group by the Investor; and (iii) the grant of all necessary approvals and consent from relevant regulatory and government authorities and financial institutions, if required, in respect of the transaction contemplated under the Sale and Purchase Agreement, having been fulfilled on or before 31 May 2012 or such other date as the Vendor and the Investor may agree in writing. Completion shall take place within five business days after the conditions precedent to the Sale and Purchase Agreement have been fulfilled (or such other date as the Vendor and the Investor may agree).

#### **Nomination of Directors to the Board:**

Subject to the satisfaction of the conditions precedent under the Sale and Purchase Agreement, the Vendor undertakes to (i) procure six representatives nominated by the Investor to be appointed as two executive Directors and four non-executive Directors of the Company with effect from the date of Completion; and (ii) procure the Directors nominated by the Vendor to approve the appointment of two executive Directors, each of whom nominated by the Vendor and the Investor, respectively, as co-chairmen of the Board after Completion.

## CHANGES IN SHAREHOLDING OF THE COMPANY

Immediately following Completion, the Vendor will hold 194,840,000 Shares, representing approximately 25.09% of the issued share capital of the Company, and will cease to be the controlling shareholder of the Company; while the Investor will hold 225,160,000 Shares, representing approximately 29.00% of the issued share capital of the Company, and will become the single largest shareholder of the Company after Completion.

The shareholding structure of the Company as at the date of this announcement and immediately after Completion is as follows:

	As at the date of this announcement		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Vendor	420,000,000	54.09	194,840,000	25.09
The Investor	–	–	225,160,000	29.00
Other Shareholders	<u>356,422,000</u>	<u>45.91</u>	<u>356,422,000</u>	<u>45.91</u>
Total	<u>776,422,000</u>	<u>100</u>	<u>776,422,000</u>	<u>100</u>

## BACKGROUND OF THE INVESTOR

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor is an enterprise established in the PRC with limited liability and is, as at the date of this announcement, a non-wholly owned subsidiary of CECEP. The Investor is currently principally engaged in investment in projects in the environmental protection industry.

**As Completion of the Sale and Purchase Agreement is subject to the satisfaction of various conditions precedent set out in the Sale and Purchase Agreement, including but not limited to the obtaining of confirmation from the Executive that the acquisition of the Sale Shares by the Investor will not incur any general offer obligation for the securities of the Company by the Investor pursuant to the Takeovers Codes, the disposal of the Sale Shares by the Vendor may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Further announcement will be issued by the Company upon Completion or in the event that the transaction contemplated under the Sale and Purchase Agreement does not proceed.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 20 January 2012 pending the publication of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 26 January 2012.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“CECEP”	China Energy Conservation and Environmental Protection Group (中國節能環保集團公司), a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Company”	COSTIN New Materials Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chim Wai Kong, an executive Director and one of the two settlors of Nian’s Brother Trust
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investor”	CECIC Chongqing Industry Co., Ltd. (重慶中節能實業有限責任公司), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of CECEP as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nian’s Brother Trust”	a discretionary trust set up by Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson for the benefits of their family members
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 January 2012 entered into among the Vendor, the Guarantor and the Investor in relation to the sale and purchase of Sale Shares

“Sale Shares”	225,160,000 Shares to be sold by the Vendor pursuant to the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the ordinary share(s) of the Company of HK\$0.10 each
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Codes”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Nian’s Brother Holding Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Nian’s Brother Investment Limited, which in turn is held by JMJ Holdings Limited as nominee in favour of RBS Coutts Trustees (Switzerland) Ltd., being the trustee of Nian’s Brother Trust
“%”	per cent.

By order of the Board  
**COSTIN New Materials Group Limited**  
**Chim Wai Shing Jackson**  
*Executive Director*

Hong Kong, 20 January 2012

*As at the date of this announcement, the Board comprises four executive Directors, Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che and Hong Ming Qu, one non-executive Director, Wee Kok Keng and three independent non-executive Directors, Zhu Min Ru, Feng Xue Ben and Wong Siu Hong.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.*