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CECEP COSTIN NEW MATERIALS GROUP LIMITED **中國節能海東青新材料集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2228)

UPDATE ON THE FINANCIAL SITUATION OF THE GROUP

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After discovery of the Misappropriation, the Board has started review of the financial situation of the Group and initially discovered that (i) the aggregate bank and cash balances of the Three PRC Subsidiaries as at 29 August 2016 have decreased by approximately RMB1,765.6 million as compared with their aggregate bank and cash balances of approximately RMB1,772.9 million as at 31 July 2016 as reported in the July Management Accounts (subject to further investigation); (ii) the total amount of bank borrowings owed by the Three PRC Subsidiaries as at 29 August 2016 has increased by approximately RMB934.2 million as compared with their aggregate bank borrowings of approximately RMB209.2 million as at 31 July 2016 as reported in the July Management Accounts (subject to further investigation); and (iii) the total amount of bills payable owed by the Three PRC subsidiaries as at 29 August 2016 has increased by approximately RMB347.4 million as compared with their aggregate bills payable of approximately RMB 40.7 million as at 31 July 2016 as reported in the July Management Accounts (subject to further investigation). In view of the discrepancies, the Board has resolved to extend the scope of the Special Investigation Committee to include the investigation on the financial position of the Group as at 31 July 2016.

Further, on 29 August 2016, two bank loans in the sum of approximately US\$2.3 million have fallen due. The Group is unable to pay the said amount by the due date and resulted in the default in repayment of loans.

As a result of the above defaults, it may trigger cross-default provision in any other loan facilities, which may, in turn, have material adverse impact on the financial position of the Group. The Company is currently assessing the impact of the above defaults.

In view of the uncertain financial position, the Interim Results will not be published by 31 August 2016. Such delay constitutes a breach of Rule 13.49(6) of the Listing Rules, which requires the Company to publish the Interim Results not later than two months after the end of the relevant financial period.

References are made to the announcements of CECEP COSTIN New Materials Group Limited dated 19 August 2016 and 22 August 2016 (the “**Announcements**”) in relation to the postponement of board meeting to approve the Interim Results and the Misappropriation respectively. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

After discovery of the Misappropriation, the Board has started review of the financial situation of the Group and initially discovered that (i) the aggregate bank and cash balances of the three major operating subsidiaries of the Company in the PRC (the “**Three PRC Subsidiaries**”) as at 29 August 2016 have decreased by approximately RMB1,765.6 million as compared with the aggregate bank and cash balances of approximately RMB1,772.9 million as at 31 July 2016 as reported in the management accounts of the Three PRC Subsidiaries as at 31 July 2016 (the “**July Management Accounts**”) (subject to further investigation); (ii) the total amount of bank borrowings owed by the Three PRC Subsidiaries as at 29 August 2016 has increased by approximately RMB934.2 million as compared with the aggregate bank borrowings of approximately RMB209.2 million as at 31 July 2016 as reported in the July Management Accounts (subject to further investigation); and (iii) the total amount of bills payable owed by the Three PRC subsidiaries as at 29 August 2016 has increased by approximately RMB347.4 million as compared with their aggregate bills payable of approximately RMB 40.7 million as at 31 July 2016 as reported in the July Management Accounts (subject to further investigation). In view of the discrepancies, the Board has resolved to extend the scope of the Special Investigation Committee to include the investigation on the financial position of the Group as at 31 July 2016.

Further, on 29 August 2016, two bank loans in the sum of approximately US\$2.3 million have fallen due. The Group is unable to pay the said amount by the due date and resulted in the default in repayment of loans.

As a result of the above defaults, it may trigger cross-default provision in any other loan facilities, which may, in turn, have material adverse impact on the financial position of the Group. The Company is currently assessing the impact of the above defaults.

In view of the uncertain financial position, the Interim Results will not be published by 31 August 2016. Such delay constitutes a breach of Rule 13.49(6) of the Listing Rules, which requires the Company to publish the Interim Results not later than two months after the end of the relevant financial period.

The Company will keep its shareholders and investors informed of developments in relation to the loans, the Misappropriation, the Group's financial position, the date of release of the Interim Results, and other matters by way of further announcement(s) as and when appropriate.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 3:17 p.m. on 15 August 2016 and will continue to be suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
CECEP COSTIN New Materials Group Limited
Chan Kwok Yuen Elvis
Company Secretary

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises four executive Directors, Mr. Wang Li, Mr. Chim Wai Kong (suspended), Mr. Chim Wai Shing Jackson and Mr. Xue Mangmang; two non-executive Directors, Mr. Zeng Wu and Ms. Ma Yun; and three independent non-executive Directors, Mr. Feng Xue Ben, Mr. Wong Siu Hong and Mr. Xu Qinghua.