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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)**

### **CONTINUING CONNECTED TRANSACTIONS – RENTAL AGREEMENTS**

On 11 January 2012, Xinhua Company, as the tenant, entered into the First Rental Agreement to lease from Hua Xin Weaving the First Properties. On the same date, Xinhua Company, as the tenant, entered into the Second Rental Agreement and the Third Rental Agreement to lease from Hua Xin Plastic the Second Properties and the Third Property respectively.

On 11 January 2012, Xinhua Company, as the landlord, entered into the Supplemental Rental Agreement with Hua Xin Weaving to amend the 2011 Rental Agreement. Details of the 2011 Rental Agreement are set out in the announcement of the Company dated 16 March 2011.

Since Hua Xin Weaving is ultimately wholly-owned by Chim Wai Kong and Chim Wai Shing Jackson, both being the executive Directors and the controlling shareholders of the Company, and Hua Xin Plastic is wholly-owned by Chim Wai Kong, an executive Director and controlling shareholder of the Company, Hua Xin Weaving and Hua Xin Plastic are connected persons of the Company under Chapter 14A of the Listing Rules and therefore the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentages ratios (as defined in the Listing Rules) for the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement (in aggregate) on an annual basis are less than 5%, the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement are subject to the annual review, reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements under the Listing Rules.

Since Hua Xin Weaving is a connected person of the Company under Chapter 14A of the Listing Rules, the Supplemental Rental Agreement constitutes a continuing connected transaction of the Company. Since the applicable percentages ratios (as defined in the Listing Rules) for the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) on an annual basis are less than 5%, the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) is subject to the annual review, reporting and announcement requirements of the Listing Rules and is exempt from the independent shareholders' approval requirements under the Listing Rules.

## RENTAL AGREEMENTS ENTERED INTO WITH CONNECTED PERSONS WHERE THE GROUP IS A TENANT

### Major terms of the rental agreements

On 11 January 2012, Xinhua Company, as tenant, entered into the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement. Details of these rental agreements are set out as below:

The rental agreement	Date	Landlord	Tenant	Properties	Term	Monthly rental	Payment term	Other terms
The First Rental Agreement	11 January 2012	Hua Xin Weaving	Xinhua Company	The First Properties comprise three buildings with an aggregate floor area of approximately 7,059.41 sq.m.	36 months commencing from 1 January 2012	RMB70,594.10 (exclusive of water and electricity charges)	The monthly rental is to be paid by Xinhua Company to Hua Xin Weaving in arrears on a monthly basis	Any party may terminate the First Rental Agreement by two months' notice in advance
The Second Rental Agreement	11 January 2012	Hua Xin Plastic	Xinhua Company	The Second Properties comprise two buildings with an aggregate floor area of approximately 3,374.16 sq.m.	36 months commencing from 1 January 2012	RMB46,103.50 (exclusive of water and electricity charges)	The monthly rental is to be paid by Xinhua Company to Hua Xin Plastic in arrears on a monthly basis	Any party may terminate the Second Rental Agreement by two months' notice in advance
The Third Rental Agreement	11 January 2012	Hua Xin Plastic	Xinhua Company	The Third Property comprises one building with a floor area of approximately 7,700.58 sq.m.	3 years commencing from 1 January 2012	RMB70,000	The monthly rental is to be paid by Xinhua Company to Hua Xin Plastic in arrears on a monthly basis	Any party may terminate the Third Rental Agreement by two months' notice in advance

## **The annual caps**

Based on the monthly rentals payable by Xinhua Company under the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement, the Directors expect the total annual rentals payable by Xinhua Company under each of the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement for the three years ending 31 December 2014 will not exceed the respective maximum annual caps as below:

### **For each of the three years ending 31 December 2012, 2013 and 2014**

Estimated maximum annual cap for the First Rental Agreement	RMB847,129.20 (exclusive of water and electricity charges)
Estimated maximum annual cap for the Second Rental Agreement	RMB553,242.00 (exclusive of water and electricity charges)
Estimated maximum annual cap for the Third Rental Agreement	RMB840,000.00

## **The Listing Rules implications**

Xinhua Company is company established in the PRC and is a wholly-owned subsidiary of the Company.

Hua Xin Weaving is ultimately owned as to approximately 99.75% by Chim Wai Kong and 0.25% by Chim Wai Shing Jackson, both being executive Directors and controlling shareholders of the Company. Hua Xin Plastic is ultimately wholly-owned by Chim Wai Kong, an executive Director and controlling shareholder of the Company. Therefore, Hua Xin Weaving and Hua Xin Plastic are connected persons of the Company within the meaning of Rule 14A.11 of the Listing Rules. Accordingly, the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentages ratios (as defined in the Listing Rules) for the rentals of the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement (in aggregate) on an annual basis are less than 5%, pursuant to Rule 14A.34(1) of the Listing Rules, the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement are subject to the annual review, reporting and announcement requirements and are exempted from the independent shareholders' approval requirements under the Listing Rules. Details of the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

## **RENTAL AGREEMENT ENTERED INTO WITH CONNECTED PERSONS WHERE THE GROUP IS A LANDLORD**

### **Major terms of the rental agreement**

On 11 January 2012, Xinhua Company and Hua Xin Weaving entered into the Supplemental Rental Agreement to amend the terms of the 2011 Rental Agreement. Further details of the 2011 Rental Agreement are set out in the announcement of the Company dated 16 March 2011. Details of the Supplemental Rental Agreement are as follows:

#### ***Date***

11 January 2012

#### ***Parties***

Landlord: Xinhua Company

Tenant: Hua Xin Weaving

#### ***The 2011 Properties***

Xinhua Company agreed to reduce the rental area of the 2011 Properties leased to Hua Xin Weaving under the 2011 Rental Agreement from 20,290.68 sq.m. to 15,351.84 sq.m. with effect from 1 January 2012.

#### ***The monthly rental***

The monthly rental payable by Hua Xin Weaving under the 2011 Rental Agreement will be reduced from RMB223,197.48 (exclusive of other outgoings) to RMB168,870.24 (exclusive of other outgoings) accordingly.

#### ***Others***

Other terms of the 2011 Rental Agreement will remain unchanged.

#### **The annual caps**

Based on the monthly rental payable by Hua Xin Weaving under the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement), the Directors expect that the total annual rental (exclusive of other outgoings) payable by Hua Xin Weaving to Xinhua Company under the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) will not exceed the maximum cap of RMB2,026,442.88 for each of two the year ending 31 December 2012 and 2013 respectively.

## **The Listing Rules implications**

As Hua Xin Weaving is a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules, accordingly, the Supplemental Rental Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentages ratios (as defined in the Listing Rules) for the rentals of the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) on an annual basis are less than 5%, pursuant to Rule 14A.34(1) of the Listing Rules, the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirements under the Listing Rules. Details of the 2011 Rental Agreement (as amended by the Supplemental Rental Agreement) will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

## **REASONS FOR ENTERING INTO THE RENTAL AGREEMENTS**

The reason for the Group to lease the First Properties, the Second Properties and the Third Property is that these properties are physically located near the premises of the Group and it would be convenient for the Group to carry out its day-to-day operations.

The independent property valuer to the Group has reviewed the First Rental Agreement, the Second Rental Agreement, the Third Rental Agreement and the Supplemental Rental Agreement and confirmed that the rentals payable thereunder are fair and reasonable and consistent with the current market rents for similar premises in similar location. The Directors, including the independent non-executive Directors, consider that the First Rental Agreement, the Second Rental Agreement and the Third Rental Agreement were entered into in the ordinary course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The reason for the Group to enter into the Supplemental Rental Agreement is that Xinhua Company needs additional factory area to cope with its production requirement. The Directors, including the independent non-executive Directors, consider that the Supplemental Rental Agreement was entered into in the ordinary course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **BUSINESS OF THE GROUP**

The Group is principally engaged in the research and development, production and sales of non-woven materials and recycled chemical fibres which are mainly targeted for industrial applications.

## **BUSINESS OF HUA XIN WEAVING**

The principal business of Hua Xin Weaving is manufacturing and trading of fashion garments and woven products.

## **BUSINESS OF HUA XIN PLASTIC**

The principal business of Hua Xin Plastic is recollection of waste tyres.

## **APPROVAL BY THE BOARD**

The Board approved the terms of the Rental Agreements, the continuing connected transactions contained therein and the associated annual caps by written resolutions dated 11 January 2012. Chim Wai Kong and Chim Wai Shing Jackson, who have a material interest in the continuing connected transactions contemplated under the Rental Agreements, abstained from voting on the board resolutions approving the same. Chim Fo Che and Hong Ming Qu, who are associates of Chim Wai Kong and Chim Wai Shing Jackson, have also abstained from voting on the board resolutions approving the Rental Agreements.

## **DEFINITIONS**

“2011 Properties”	six buildings with an aggregate floor area of 20,290.68 sq.m. owned by Xinhua Company and located at Xinhua Industrial Garden, Niancuopu, Longhu Town, Jinjiang City, Fujian Province, the PRC
“2011 Rental Agreement”	the rental agreement dated 16 March 2011 pursuant to which Xinhua Company has agreed to lease the 2011 Properties to Hua Xin Weaving at a monthly rental of RMB223,197.48 (exclusive of other outgoings) for a term of 3 years commencing from 1 January 2011
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	COSTIN New Materials Group Limited (海東青新材料集團有限公司*), an exempted company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange (stock code: 2228)
“Director(s)”	the director(s) of the Company
“First Properties”	three buildings with an aggregate floor area of approximately 7,059.41 sq.m. owned by Hua Xin Weaving and located at Xinhua Industrial Garden, Niancuopu, Longhu Town, Jinjiang City, Fujian Province, the PRC

“First Rental Agreement”	the rental agreement dated 11 January 2012 pursuant to which Hua Xin Weaving has agreed to lease the First Properties to Xinhua Company at a monthly rental of RMB70,594.10 (exclusive of water and electricity charges) for a term of 36 months commencing from 1 January 2012
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Xin Plastic”	Jinjiang Wah Hing Plastic & Rubber Products Co., Ltd. (晉江華鑫塑料橡膠製品有限公司), which is ultimately wholly-owned by Chim Wai Kong
“Hua Xin Weaving”	Huaxin Weaving Development Co., Ltd. Jinjiang (晉江市華鑫織造發展有限公司), which is ultimately owned as to approximately 99.75% by Chim Wai Kong and 0.25% by Chim Wai Shing Jackson
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rental Agreements”	the First Rental Agreement, the Second Rental Agreement, the Third Rental Agreement and the Supplemental Rental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Properties”	two buildings with an aggregate floor area of approximately 3,374.16 sq.m. owned by Hua Xin Plastic and located at Xinhua Industrial Garden, Niancuopu, Longhu Town, Jinjiang City, Fujian Province, the PRC
“Second Rental Agreement”	the rental agreement dated 11 January 2012 pursuant to which Hua Xin Plastic has agreed to lease the Second Properties to Xinhua Company at a monthly rental of RMB46,103.50 (exclusive of water and electricity charges) for a term of 36 months commencing from 1 January 2012

“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Rental Agreement”	the supplemental rental agreement dated 11 January 2012 pursuant to which Xinhua Company agreed to, among others, reduce the rental area of the 2011 Properties leased to Hua Xin Weaving under the 2011 Rental Agreement from 20,290.68 sq.m. to 15,351.84 sq.m. with effect from 1 January 2012
“Third Property”	one building with a floor area of approximately 7,700.58 sq.m. owned by Hua Xin Plastic and located at Xinhua Industrial Garden, Niancuopu, Longhu Town, Jinjiang City, Fujian Province, the PRC
“Third Rental Agreement”	the rental agreement dated 11 January 2012 pursuant to which Hua Xin Plastic has agreed to lease the Third Property to Xinhua Company at a monthly rental of RMB70,000.00 for a term of 3 years commencing from 1 January 2012
“Xinhua Company”	福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian), a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 11 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.*

\* *For identification purposes only*