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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)

CONTINUING CONNECTED TRANSACTION SALE AND PURCHASE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 November 2012, Xinhua Co. entered into the Framework Agreement with CECEP whereby CECEP or its subsidiaries agreed to purchase and Xinhua Co. agreed to sell non-woven materials, filtration materials, and recycled chemical fibres. The Framework Agreement is with effect from 9 November 2012 to 31 December 2012, and the annual cap for the transactions contemplated thereunder shall not be more than RMB20,000,000 (equivalent to approximately HK\$24,600,000).

As at the date of this announcement, CECEP Chongqing is a substantial Shareholder indirectly interested in 29% issued share capital of the Company and thus a connected person of the Company pursuant to the Listing Rules. CECEP is the controlling shareholder of CECEP Chongqing, as such, CECEP is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A.13(1) of the Listing Rules.

As the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual consideration to be paid by the Group for the transactions under the Framework Agreement in aggregate do not exceed 5%, the continuing connected transactions under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE FRAMEWORK AGREEMENT

Date

9 November 2012

Parties

- (1) CECEP, as purchaser
- (2) Xinhua Co., as seller

Term

For a period commencing from 9 November 2012 and ending on 31 December 2012.

Nature of the transactions

CECEP or its subsidiaries agreed to purchase and Xinhua Co. agreed to sell non-woven materials, filtration materials, and recycled chemical fibres pursuant to the Framework Agreement.

Particulars of the Framework Agreement

Pursuant to the Framework Agreement, CECEP or its subsidiaries and Xinhua Co. will enter into a separate agreement for each purchase order to set out the transaction details. The product price shall be determined based on the then market price at the time the separate agreement is entered into. The parties agree that the sale and purchase of the non-woven materials, filtration materials, and recycled chemical fibres under the Framework Agreement shall be in compliance with the relevant applicable laws and regulations, the parties' business need and their own approval conditions and procedures.

ANNUAL CAP

The transactions contemplated under the Framework Agreement are subject to the maximum aggregate annual value of RMB20,000,000 (equivalent to approximately HK\$24,600,000).

The annual cap is determined based on (a) the current price of the products to be purchased; and (b) the expected demand of the products by CECEP Group during the term of the Framework Agreement. The Directors confirmed that the value of materials procured by CECEP Group from Xinhua Co. from 25 April 2012 up to the date of the Framework Agreement was below the *de minimis* threshold under the Listing Rules and such transactions are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

CECEP has become connected persons of the Company upon completion of acquisition of 29% of the issued share capital of the Company by CECEP Chongqing through its wholly-owned subsidiary on 25 April 2012. The Group has been manufacturing and selling non-woven materials, filtration materials, and recycled chemical fibres in its ordinary and usual course of business before and since 25 April 2012, the transactions between the Group and CECEP have become connected transactions and subject to compliance with Chapter 14A of the Listing Rules. The Directors confirm that the transactions conducted since 25 April 2012 and up to the date of the Framework Agreement constituted *de minimis* transactions under Rule 14A.33 of the Listing Rules and therefore were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

The Group's principal activities are the manufacture and sales of non-woven materials, filtration materials, and recycled chemical fibres and the entering into of the Framework Agreement will enable the Group to have expand its customer base and enhance the selling of its products. Further, the entering into of the Framework Agreement can facilitate the selling of non-woven materials, filtration materials, and recycled chemical fibres by the Group to CECEP Group in the future, with the aim of enhancing business cooperation between the Group and CECEP Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Framework Agreement have been conducted in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Framework Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the Framework Agreement and the related annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Since each of Mr. Yu Heping, Mr. Xue Mangmang, Mr. Wang Yangzu, Mr. Qu Pingji, Mr. Zhao Xiangdong and Mr. Pan Tingxuan are Directors nominated by CECEP Chongqing, to avoid any potential conflict of interest, each of the above six Directors has abstained from voting on the relevant board resolutions approving the Framework Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CECEP Chongqing is a substantial Shareholder indirectly interested in 29% issued share capital of the Company and thus a connected person of the Company pursuant to the Listing Rules. CECEP is the controlling shareholder of CECEP Chongqing, as such, CECEP is an associate of CECEP Chongqing and therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A.13(1) of the Listing Rules.

As the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual consideration for the transactions under the Framework Agreement in aggregate do not exceed 5%, the continuing connected transactions under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

Xinhua Co. is a company established in the PRC and a wholly-owned subsidiary of the Company. Xinhua Co. is principally engaged in manufacturing and sales of recycled chemical fibers and non-woven materials.

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

INFORMATION ON CECEP

CECEP is a state-owned enterprise incorporated in the PRC and is principally engaged in investment holding. The subsidiaries of CECEP are principally engaged in three major business areas: (i) energy conservation and emission reduction services, (ii) environment protection (including but not limited to treatment of waste water, solid waste and waste gas) and (iii) clean technology and new energy.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“CECEP”	中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group [#]), a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CECEP Chongqing”	重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd. [#]), a company established in the PRC with limited liability, a substantial shareholder and controls the composition of a majority of the board of directors of the Company
“CECEP Group”	CECEP and its subsidiaries
“Company”	CECEP 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

“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the sale and purchase framework agreement dated 9 November 2012 entered into between CECEP and Xinhua Co. in relation to the sale and purchase of non-woven materials, filtration materials, and recycled chemical fibres
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Xinhua Co.”	福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian [#]), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent.

Translation of RMB into HK\$ are for illustration purpose only, at the rate of RMB1.00 to HK\$1.23. No representation is made that any amounts RMB or HK\$ could have been or could be converted at that rate or at any rate at all.

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

Hong Kong, 9 November 2012

As at the date of this announcement, the Board comprises four executive Directors, namely Yu Heping, Chim Wai Kong, Chim Wai Shing Jackson and Xue Mangmang; four non-executive Directors, namely Wang Yangzu, Qu Pingji, Zhao Xiangdong and Pan Tingxuan; and three independent non-executive Directors, namely Zhu Min Ru, Feng Xue Ben and Wong Siu Hong.

The English name is translated for reference only.