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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 TRANSACTIONS FRAMEWORK SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on 5 July 2013, the PRC Subsidiaries entered into the Framework Sale and Purchase Agreement with Billion Fujian, whereby (1) the PRC Subsidiaries agreed to purchase from Billion Fujian, and Billion Fujian agreed to sell to the PRC Subsidiaries, polyester filament yarns and waste polyester filament yarns; and (2) Billion Fujian agreed to purchase from the PRC Subsidiaries, and the PRC Subsidiaries agreed to sell to Billion Fujian, non-woven materials, for a term of three years from 1 January 2013 to 31 December 2015. The annual caps for the COSTIN Purchases contemplated under the Framework Sale and Purchase Agreement shall not be more than RMB69,500,000 (equivalent to approximately HK\$87,200,000), RMB73,000,000 (equivalent to approximately HK\$91,600,000) and RMB76,500,000 (equivalent to approximately HK\$96,000,000) for each of the three financial years ending 31 December 2013, 2014 and 2015, respectively; and the annual caps for the COSTIN Sales contemplated thereunder shall not be more than RMB500,000 (equivalent to approximately HK\$628,000) for each of the three financial years ending 31 December 2013, 2014 and 2015.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CECEP Chongqing is indirectly interested in approximately 29% of the issued share capital of the Company and thus is a substantial shareholder and a connected person of the Company.

As at the date of this announcement, CECEP Chongqing is also a substantial shareholder of Billion Industrial and controls the composition of a majority of the board of directors of Billion Industrial, which is the holding company of Billion Fujian. Therefore, Billion Fujian is an associate of CECEP Chongqing and a connected person of the Company pursuant to the Listing Rules.

Accordingly, the transactions contemplated under the Framework Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that the parties of the COSTIN Purchases and the COSTIN Sales and the nature of the transactions thereunder are the same, the Board considers that the annual caps for the COSTIN Purchases and the COSTIN Sales shall be aggregated pursuant to Chapter 14A of the Listing Rules when determining which category the transactions fall. Therefore, the aggregate annual caps for the transactions contemplated under the Framework Sale and Purchase Agreement shall not be more than RMB70,000,000 (equivalent to approximately HK\$87,900,000), RMB73,500,000 (equivalent to approximately HK\$92,200,000) and RMB77,000,000 (equivalent to approximately HK\$96,600,000) for each of the three financial years ending 31 December 2013, 2014 and 2015, respectively. As each of the applicable percentage ratios (other than the profits ratio) of the aggregate annual caps of the transactions under the Framework Sale and Purchase Agreement is more than 0.1% but does not exceed 5%, the continuing connected transactions under the Framework Sale and Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

### **The Framework Sale and Purchase Agreement**

#### ***Date***

5 July 2013

#### ***Parties***

- (1) the PRC Subsidiaries
- (2) Billion Fujian

#### ***Term***

For the period commencing from 1 January 2013 and ending on 31 December 2015 (both days inclusive).

### *Nature of the transactions*

Pursuant to the Framework Sale and Purchase Agreement, (1) the PRC Subsidiaries agreed to purchase from Billion Fujian, and Billion Fujian agreed to sell to the PRC Subsidiaries, polyester filament yarns and waste polyester filament yarns; and (2) Billion Fujian agreed to purchase from the PRC Subsidiaries, and the PRC Subsidiaries agreed to sell to Billion Fujian, non-woven materials.

### *Particulars of the Framework Sale and Purchase Agreement*

Pursuant to the Framework Sale and Purchase Agreement, the PRC Subsidiaries and Billion Fujian shall enter into a separate agreement for each purchase order to set out the transaction details, including without limitation, the product specification, price, volume, time of delivery and payment terms. The product price shall be determined based on the prevailing market price at the time when the separate agreement is entered into.

### **HISTORICAL TRANSACTIONS**

The Group entered into the Former Framework Agreement with Billion Fujian on 18 October 2012 for procurement of polyester filament yarns and waste polyester filament yarns from Billion Fujian. The Group purchased products of approximately RMB10.1 million (equivalent to approximately HK\$12.7 million) from Billion Fujian during the term of the Former Framework Agreement. The Former Framework Agreement expired on 31 December 2012. Since then the PRC Subsidiaries and Billion Fujian had commenced negotiation on entering into another framework agreement, but the parties could not agree on the appropriate annual caps for the transaction amounts for each of the three financial years ending 31 December 2013, 2014 and 2015. Upon reaching an agreement on the annual caps, the Group entered into the Framework Sale and Purchase Agreement with Billion Fujian on 5 July 2013. The Company made this announcement immediately after the Framework Sale and Purchase Agreement was entered into.

For the period from 1 January 2013 to the date of the Framework Sale and Purchase Agreement, the value of products purchased by the PRC Subsidiaries from Billion Fujian was approximately RMB21.9 million (equivalent to approximately HK\$27.5 million), and the value of products purchased by Billion Fujian from the PRC Subsidiaries was approximately RMB13,000 (equivalent to approximately HK\$16,000). The applicable percentage ratios (other than the profits ratio) for the aggregate value of the transactions between the parties as set out above were more than 0.1% but less than 5%. Therefore, the historical transactions were exempt from independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Rule 14A.34 of the Listing Rules. The historical transactions have been approved and ratified by the Board and the parties have also extended the term of the Framework Sale and Purchase Agreement to include the historical transactions.

## **ANNUAL CAPS**

The annual caps for the COSTIN Purchases under the Framework Sale and Purchase Agreement shall not be more than RMB69,500,000 (equivalent to approximately HK\$87,200,000), RMB73,000,000 (equivalent to approximately HK\$91,600,000) and RMB76,500,000 (equivalent to approximately HK\$96,000,000) for each of the three financial years ending 31 December 2013, 2014 and 2015, respectively.

The annual caps for the COSTIN Sales under the Framework Sale and Purchase Agreement shall not be more than RMB500,000 (equivalent to approximately HK\$628,000) for each of the three financial years ending 31 December 2013, 2014 and 2015.

The annual caps were determined based on (a) the historical sale and purchase quantities of the relevant products between the parties; (b) the current market price of the relevant products; and (c) the expected demand of the products by each of the parties during the term of the Framework Sale and Purchase Agreement.

## **RENEWAL**

The Framework Sale and Purchase Agreement is renewable by the PRC Subsidiaries and Billion Fujian in writing prior to its expiration, subject to compliance with the Listing Rules and all applicable laws and regulations.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK SALE AND PURCHASE AGREEMENT**

The Group consumes polyester filament yarns and waste polyester filament yarns in its production process and the entering into of the Framework Sale and Purchase Agreement will enable the Group to have a stable supply of good quality raw materials for its production. Further, the entering into of the Framework Sale and Purchase Agreement can facilitate the procurement of polyester filament yarns and waste polyester filament yarns by the Group from Billion Industrial Group in the future, with the aim of enhancing business cooperation between the Group and Billion Industrial Group.

Billion Fujian utilises non-woven materials in its production process and the entering into of the Framework Sale and Purchase Agreement will enable the Group to supply raw materials to Billion Fujian, which will enhance the revenue and profit of the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Framework Sale and Purchase 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 Sale and Purchase Agreement has been entered into after arm's length negotiations and on normal commercial terms, and the terms of the Framework Sale and Purchase Agreement and the related annual caps are fair and reasonable and 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, Mr. Pan Tingxuan, Ms. Ma Yun and Mr. Chen Bo are Directors nominated by CECEP Chongqing, and Mr. Yu Heping, Mr. Xue Mangmang, Ms. Ma Yun and Mr. Chen Bo are also directors of Billion Industrial, to avoid any potential conflict of interest, each of the above eight Directors has abstained from voting on the relevant board resolutions approving the Framework Sale and Purchase 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 approximately 29% of the issued share capital of the Company and thus a connected person of the Company pursuant to the Listing Rules. CECEP Chongqing is also a substantial shareholder of Billion Industrial and controls the composition of a majority of the board of directors of Billion Industrial, which is the holding company of Billion Fujian. As such, Billion Fujian 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 Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that the parties of the COSTIN Purchases and the COSTIN Sales and the nature of the transactions thereunder are the same, the Board considers that the annual caps for the COSTIN Purchases and the COSTIN Sales shall be aggregated pursuant to Chapter 14A of the Listing Rules when determining which category the transactions fall. Therefore, the aggregate annual caps for the transactions contemplated under the Framework Sale and Purchase Agreement shall not be more than RMB70,000,000 (equivalent to approximately HK\$87,900,000), RMB73,500,000 (equivalent to approximately HK\$92,200,000) and RMB77,000,000 (equivalent to approximately HK\$96,600,000) for each of the three financial years ending 31 December 2013, 2014 and 2015, respectively. As each of the applicable percentage ratios (other than the profits ratio) of the aggregate annual caps of the transactions under the Framework Sale and Purchase Agreement is more than 0.1% but does not exceed 5%, the continuing connected transactions under the Framework Sale and Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE GROUP**

Each of Xinhua Co., Gerfalcon Fujian and Gerfalcon Jinjiang 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. Gerfalcon Fujian is principally engaged in manufacturing of filtration materials and non-woven materials, and provisions of information technology and management supporting services. Gerfalcon Jinjiang is principally engaged in wholesale of filtration materials 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 BILLION INDUSTRIAL AND BILLION FUJIAN

Billion Industrial, the issued shares of which are listed on the main board of the Stock Exchange, is a company incorporated in the Cayman Islands with limited liability and an investment holding company. Billion Fujian is a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of Billion Industrial. It is principally engaged in the development and manufacturing of differentiated polyester filament yarns in the PRC.

### DEFINITIONS

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

“Billion Fujian”	福建百宏聚織科技實業有限公司 (Fujian Billion Polymerisation Fiber Technology Industrial Co., Ltd. <sup>#</sup> ), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of Billion Industrial
“Billion Industrial”	Billion Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 2299)
“Billion Industrial Group”	Billion Industrial and its subsidiaries (including for the avoidance of doubt, Billion Fujian)
“Board”	the board of Directors
“CECEP Chongqing”	重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd. <sup>#</sup> ), a company established in the PRC with limited liability and a substantial shareholder of the Company
“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
“COSTIN Purchases”	the purchases of polyester filament yarns and waste polyester filament yarns by the PRC Subsidiaries from Billion Fujian pursuant to the Framework Sale and Purchase Agreement
“COSTIN Sales”	the sales of non-woven materials by the PRC Subsidiaries to Billion Fujian pursuant to the Framework Sale and Purchase Agreement

“Director(s)”	the director(s) of the Company
“Former Framework Agreement”	the sale and purchase framework agreement dated 18 October 2012 entered into between the PRC Subsidiaries and Billion Fujian in relation to the sale and purchase of polyester filament yarns and waste polyester filament yarns for the period commencing from 17 September 2012 and ended on 31 December 2012
“Framework Sale and Purchase Agreement”	the sale and purchase framework agreement dated 5 July 2013 entered into between the PRC Subsidiaries and Billion Fujian in relation to the sale and purchase of polyester filament yarns, waste polyester filament yarns and non-woven materials
“Gerfalcon Fujian”	海東青非織工業(福建)有限公司 (Gerfalcon Nonwoven Industrial (Fujian) Co. Ltd. <sup>#</sup> ), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Gerfalcon Jinjiang”	晉江海東青貿易有限公司 (Gerfalcon Trade Co., Ltd. Jinjiang <sup>#</sup> ), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“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
“PRC Subsidiaries”	collectively, Xinhua Co., Gerfalcon Fujian and Gerfalcon Jinjiang
“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 issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Xinhua Co.” 福建鑫華股份有限公司 (Fujian Xinhua Share Co., Ltd.<sup>#</sup>), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company

“%” per cent.

<sup>#</sup> *The English name is translated for reference only.*

*Conversion of RMB into HK\$ are for illustration purpose only, at the rate of RMB1.00 to HK\$1.255. No representation is made that any amounts of 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, 5 July 2013

*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; six non-executive Directors, namely Wang Yangzu, Qu Pingji, Zhao Xiangdong, Pan Tingxuan, Ma Yun and Chen Bo; and five independent non-executive Directors, namely Zhu Min Ru, Feng Xue Ben, Wong Siu Hong, Xiong Ying and Wu Xiaoqing.*