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CECEP COSTIN NEW MATERIALS GROUP LIMITED (IN PROVISIONAL LIQUIDATION)

中國節能海東青新材料集團有限公司 (臨時清盤中)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2228)

QUARTERLY UPDATE ON STATUS OF RESUMPTION

Financial Adviser to the Company



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

This announcement is made by CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) (the “**Company**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of the Company dated 19 January 2018 and 13 July 2018 respectively (the “**Announcements**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise specified.

BUSINESS OPERATION

Shares of the Company (the “**Shares**”) were suspended from trading on the Stock Exchange since 15 August 2016 and has no on-going operations since the commencement of the provisional liquidation.

As disclosed in the Announcements, it is proposed that a scheme of arrangement (“**Creditors Schemes**”) will be entered into between the Company and its creditors as part of the Resumption Proposal (subject to the necessary approvals), pursuant to which, amongst other things, the Company will transfer the entire equity interests of all the existing subsidiaries of the Company to a special vehicle, such that those companies will cease to be subsidiaries of the Company upon completion of the Creditors Schemes.

RESUMPTION CONDITIONS

The Company was placed into the third delisting stage on 24 January 2018. According to the letter from the Stock Exchange dated 12 January 2018, the Company was required to submit a viable resumption proposal to address the following issues (“**Resumption Conditions**”):

- a) demonstrate that the Company has sufficient operations or assets of sufficient value as required under Rule 13.24;
- b) conduct an appropriate investigation on the misappropriation of funds by Mr. Chim and disclose the findings of the investigation, assess the impact on the Company’s financial and operational positions, and take appropriate remedial actions;
- c) have the winding up petitions against the Company (and its subsidiaries), where applicable, withdrawn or dismissed and the provisional liquidators discharged;
- d) demonstrate that there is no reasonable regulatory concern about management integrity;
- e) publish all outstanding financial results and address any audit qualifications; and
- f) inform the market about all material information of the Company.

RESUMPTION PROPOSAL

As mentioned in the Announcements, on 9 July 2018, the Company submitted the Resumption Proposal to the Stock Exchange in support of the resumption of trading in the Shares (the “**Resumption**”). The foundation of the Resumption Proposal is a definitive Restructuring Agreement dated 16 May 2018 for the proposed acquisition by the Company of target companies which are engaged in property investment business in Hong Kong (the “**Acquisition**”). The Acquisition will constitute a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules.

The Resumption Proposal also sets out detailed plans on satisfying the Resumption Conditions, including:

- a) proposed Acquisition of target companies which would satisfy Rule 13.24. Rule 13.24 requires an issuer to carry out a sufficient level of operations or have tangible assets of sufficient value or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the issuer’s securities. On resumption, the Company will meet the requirements of Rule 13.24 as to operations (proven by the track record profits) and assets (proven by the net assets and their nature);
- b) the Company has submitted to the Stock Exchange an investigation report on 13 November 2017 and an announcement dated 24 July 2018 was published to disclose the key investigation findings about the Misappropriation by Mr. Chim. An internal control consultant will be appointed to review the internal control procedures of the Company and the Target Group, which will become the only operating subsidiaries of the Company upon Resumption;
- c) upon approval from the creditors of the Creditors Schemes and completion of all the transactions contemplated in the Resumption Proposal, the Joint Provisional Liquidators will apply to the courts in Cayman Islands and Hong Kong for the winding up petitions against the Company and its subsidiaries to be discharged;
- d) all existing directors of the Company will resign prior to Resumption, and new directors who are intended to meet the requirements under the Listing Rules will be appointed. The Investor had already identified five candidates and will carefully consider the composition of the Board to ensure that the directors are people who meet the required levels of skill, care and diligence; and can be expected to act honestly and in good faith in the interest of the Company as a whole;

- e) the Investor will procure the Company to appoint various professional parties, including a sponsor, legal advisers, reporting accountants, and an internal control consultant, upon the Listing Committee's in-principle approval to allow the Company to continue the resumption process by preparing a formal new listing application. All the outstanding financial results will be included in the circular (with audit qualification addressed) and will be published after the Company has obtained the in-principle approval from the Listing Committee of the circular; and
- f) the Company will issue announcements in compliance with the Listing Rules to keep shareholders and investors up to date from time to time going forward.

RECENT PROGRESS

The Company is currently working closely with the financial advisor in responding to queries from the Stock Exchange with respect to the Resumption Proposal.

Further announcements will be made by the Company to update shareholders of the Company and the investing public regarding the progress of the Resumption Proposal and the listing status of the Company as and when appropriate pursuant to the requirements of the Listing Rules.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 3:17 p.m. on 15 August 2016. Trading in the Shares will continue to be suspended until further notice and full satisfaction of the resumption conditions and such other further conditions that may be imposed by the Stock Exchange.

The transactions contemplated under the Restructuring Agreement and the Resumption Proposal, including the Acquisition, are subject to a number of conditions precedent which may or may not be satisfied. Accordingly, the transactions contemplated under the Restructuring Agreement and the Resumption Proposal may or may not proceed.

The publication of this announcement does not indicate that the Resumption Proposal will be completed, nor does it indicate any decision or conclusion from the Stock Exchange or warrant any approval from the Stock Exchange on the resumption of trading in the shares of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares or securities of the Company.

For and on behalf of
CECEP COSTIN New Materials Group Limited
(In Provisional Liquidation)
Man Chun So
Yat Kit Jong
Simon Conway
Joint Provisional Liquidators
Acting as agents without personal liability

Hong Kong, 1 August 2018

As at the date of this announcement, the board of directors comprises two executive directors, Mr. Xu Zhou, and Mr. Yang Yonghui.