



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

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181 Queen's Road Central  
Hong Kong



Unit 1501-06, 15/F Jardine House  
1 Connaught Place, Central  
Hong Kong

15 July 2013

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL GENERAL OFFER BY  
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED  
FOR AND ON BEHALF OF  
HONG KONG (RONG AN) INVESTMENT LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CECEP COSTIN NEW MATERIALS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
HONG KONG (RONG AN) INVESTMENT LIMITED,  
CECEP CHONGQING INDUSTRY CO., LTD. AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

**INTRODUCTION**

On 17 June 2013, the Offeror and the Company jointly announced that the Offeror entered into the Shareholders Deed with Nian's Brother Holding, Mr. WK Chim and Mr. Chim Wai Shing Jackson and the Share Offer to be made by GTJA Securities on behalf of the Offeror to acquire all the issued Shares of the Company not already owned or agreed to be acquired by the Offeror, CQCECEP or parties acting in concert with any of them.

The purpose of this Composite Document is to provide you, among other things, (a) a letter from GTJA Capital and Optima Capital containing details of the Share Offer, (b) a letter from the Board containing its response to the Share Offer, (c) a letter from Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Share Offer, (d) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer, (e) general information of the Offeror, and (f) financial and general information of the Group. The terms and procedures of acceptance of the Share Offer are set out in this letter, Appendix I to this Composite Document of which this letter forms part, and the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as set out in this Composite Document.

## **THE SHAREHOLDERS DEED**

In the Joint Announcement, it was disclosed that on 4 June 2013, the Shareholders Deed was entered into between the Offeror, Nian's Brother Holding, Mr. WK Chim and Mr. Chim Wai Shing Jackson, pursuant to which, (i) Nian's Brother Holding agreed not to acquire further Shares which would otherwise result in its percentage of shareholding in the Company exceeding that of the Offeror; and (ii) the Offeror and Nian's Brother Holding shall endeavour to reach a mutual agreement via full communication and negotiation in relation to significant corporate or business decisions of the Company. Notwithstanding that, Nian's Brother Holding shall vote in accordance with Offeror's directions at the general meetings of the Company, provided that such voting is in the interest of the Company and that such voting will not prejudice the interest of the Shareholders as a whole or contravene any relevant laws and regulations. The Shareholders Deed will be for a term of three years, subject to renewal.

## **MANDATORY UNCONDITIONAL GENERAL OFFER**

Immediately before the execution of the Shareholders Deed, the Offeror, CQCECEP and parties acting in concert with any of them were interested in 225,160,000 Shares, representing approximately 29.00% of the total issued share capital of the Company. Upon execution of the Shareholders Deed, the Offeror, CQCECEP and parties acting in concert with any of them (i.e. including Nian's Brother Holding, Mr. WK Chim and Mr. Chim Wai Shing Jackson) became interested in a total of 422,270,000 Shares, representing approximately 54.38% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make mandatory unconditional general offers in cash for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror, CQCECEP and parties acting in concert with any of them.

### **Principal terms of the Share Offer**

GTJA Securities is making the Share Offer, which is unconditional in all respects, for and on behalf of the Offeror in compliance with Rule 26 of the Takeovers Code on the following terms:

For every Offer Share . . . . . HK\$3.25 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date of the Shareholders Deed. The Offer Price is determined with reference to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day. The Offer Price also represents the average closing price of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days up to and including the Last Trading Day.

### **Offer Price**

The Offer Price of HK\$3.25 per Offer Share represents:

- (i) the closing price of HK\$3.25 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a premium of approximately 0.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$3.234 per Share;
- (iii) a premium of approximately 0.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading day of HK\$3.226 per Share; and
- (iv) the closing prices of HK\$3.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

#### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$3.59 per Share on 7 March 2013 and HK\$2.93 per Share on 21 December 2012 respectively.

#### **Total consideration for the Share Offer**

On the basis of the Offer Price of HK\$3.25 per Offer Share and 776,422,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at approximately HK\$2,523.4 million. Excluding (i) 422,270,000 Shares held by the Offeror, CQCECEP and parties acting in concert with any of them; (ii) 64,467,000 Shares held by Headwell Investments Limited which served an irrevocable undertaking dated 10 June 2013 to the Offeror and the Company undertaking not to accept the Share Offer in respect of its holding in 64,467,000 Shares and not to take any other action to make those Shares available for acceptance; and (iii) 60,000,000 Shares held by Gerfalcon Holding Limited which served an irrevocable undertaking dated 8 June 2013 to the Offeror and the Company undertaking not to accept the Share Offer in respect of its holding in 60,000,000 Shares and not to take any other action to make those Shares available for acceptance, and given that all outstanding Options will not be exercised and the CB will not be converted, 229,685,000 Shares will be subject to the Share Offer and accordingly, the Share Offer is valued at approximately HK\$746,476,250 based on the Offer Price.

#### **Financial resources available to the Offeror**

The Offeror will finance and satisfy the cash consideration payable under the Share Offer by the Facility granted by GTJA Securities. Under the terms of the Facility, securities including, among others, the Shares currently held by the Offeror shall be pledged to GTJA Securities for the Facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability under the Facility will depend to any significant extent on the business of the Group.

GTJA Capital and Optima Capital, the Joint Financial Advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Share Offer.

### **Effects of accepting the Share Offer**

By accepting the Share Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them including the right to receive all dividends and distributions declared, made or paid, if any, on or after the date of the Shareholders Deed. Acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such persons to the Offeror, GTJA Capital, Optima Capital and the Company that the Shares acquired under the Share Offer and sold by such person are free from all liens, claims and encumbrances and with all rights attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date of the Shareholders Deed. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Stamp duty**

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or, if higher, the market value of the Offer Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for the payment of the stamp duty in connection with such sales and purchases.

### **UNDERTAKINGS NOT TO ACCEPT THE SHARE OFFER**

Headwell Investments Limited, a Shareholder holding 65,457,000 Shares as at the Latest Practicable Date, served an irrevocable undertaking dated 10 June 2013 to the Offeror and the Company undertaking not to accept the Share Offer in respect of its holding in 64,467,000 Shares and not to take any other action to make those Shares available for acceptance. In addition, Gorfalcon Holding Limited, a Shareholder holding 60,000,000 Shares also served an irrevocable undertaking dated 8 June 2013 to the Offeror and the Company undertaking not to accept the Share Offer in respect of its holding in 60,000,000 Shares and not to take any other action to make those Shares available for acceptance.

### **IMPORTANT NOTE TO THE SHAREHOLDER(S) OUTSIDE HONG KONG**

The Share Offer is made in respect of securities of a company incorporated in Cayman Island and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offeror intends to make the Share Offer (or any mandatory unconditional general offer referred to herein) available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Share Offer (or any mandatory unconditional general offer referred to herein) to persons not resident in Hong Kong and the ability of Shareholders outside of Hong Kong to participate in the Share Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Share Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

#### **INFORMATION ON THE OFFEROR**

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. Its entire issued share capital is wholly owned by CQCECEP.

CQCECEP is a company incorporated in the PRC with limited liability and is, as at the Latest Practicable Date, owned as to approximately 87.1192% by CECEP, approximately 10.2593% by Chongqing Junbang, approximately 1.9661% by Water Resources Development Centre, and approximately 0.6554% by Chongqing Meihao.

CECEP is a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council. Water Resources Development Centre is a functional unit of the Ministry of Water Resources, the PRC. Chongqing Junbang and Chongqing Meihao are companies established in Chongqing with limited liability, and carrying on investment business.

#### **INFORMATION ON THE GROUP**

The Company is an exempted company incorporated in the Cayman Islands with limited liability, and its Shares have been listed on the Stock Exchange since 21 June 2010.

The principal activities of the Group are the production and sale of non-woven materials for industrial usage and recycled chemical fibres which are widely applied in various industries as raw materials for the manufacture of household consumer goods and industrial products. The financial information of the Group is set out in Appendix II to this Composite Document.

#### **OFFEROR'S INTENTION ON THE GROUP**

It is the intention of the Offeror that the Group will continue its existing principal business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Group or re-deploy the fixed assets or the employees of the Company. As at the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group. The Offeror considers that the entering into of the Shareholders Deed represents an opportunity for the Offeror to consolidate control of the Company and is in its long-term commercial interest.

## **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

## **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

In the event that after the completion of the Share Offer, the public float of the Company falls below 25%, the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float of not less than 25% of the issued Shares as required under the Listing Rules will be restored or maintained (as applicable) following the close of the Share Offer.

**Please note that the Stock Exchange may exercise its discretion if, upon the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, to suspend dealings in the Shares.**

## **PROCEDURE FOR ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

## **TAX IMPLICATIONS**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Offer. It is emphasised that none of the Offeror, CQCECEP and parties acting in concert with any of them, the Company and their ultimate beneficial owners and parties acting in concert with any of them, GTJA Capital, Optima Capital, GTJA Securities, Messis Capital, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Share Offer or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

## **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post or courier. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members. None of the Offeror, CQCEBP and parties acting in concert with any of them, the Company, GTJA Capital, Optima Capital, GTJA Securities, Messis Capital, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

#### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in appendices to this Composite Document which form part of this Composite Document.

You are reminded to carefully read the "Letter from the Board", "Letter from the Independent Board Committee", "Letter from the Independent Financial Adviser" and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

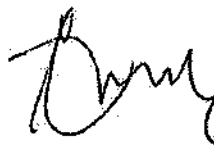
Yours faithfully,  
For and on behalf of

**Guotai Junan Capital Limited**

**Optima Capital Limited**



**Anthony Wong**  
*Executive Director/Deputy General Manager*



**Beatrice Lung**  
*Managing Director*