



**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)

*Executive Directors:*

Mr. Yu Heping  
Mr. Chim Wai Kong  
Mr. Chim Wai Shing Jackson  
Mr. Xue Mangmang

*Non-Executive Directors:*

Mr. Wang Yangzu  
Mr. Qu Pingji  
Mr. Zhao Xiangdong  
Mr. Pan Tingxuan  
Ms. Ma Yun  
Mr. Chen Bo

*Independent Non-Executive Directors:*

Mr. Zhu Min Ru  
Mr. Feng Xue Ben  
Mr. Wong Siu Hong  
Ms. Xiong Ying  
Ms. Wu Xiaoqing

*Registered office:*

Scotia Centre, 4th Floor  
P.O. Box 2804  
George Town  
Grand Cayman KY1-1112  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Suites 2703-04  
27th Floor, Tower 6  
The Gateway  
Harbour City  
Kowloon

15 July 2013

*To the 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 Independent Board Committee comprising four non-executive Directors, namely Mr. Wang Yangzu, Mr. Qu Pingji, Mr. Zhao Xiangdong and Mr. Pan Tingxuan, and five independent non-executive Directors, namely Mr. Zhu Min Ru, Mr. Feng Xue Ben, Mr. Wong Siu Hong, Ms. Xiong Ying and Ms. Wu Xiaoqing, has been established by the Company to advise the Independent Shareholders in respect of the Share Offer. Since Ms. Ma Yun and Mr. Chen Bo, both are non-executive Directors, are employees of CQCECEP, they do not form part of the Independent Board Committee. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Share Offer.

Further details of the Share Offer are set out in the "Letter from GTJA Capital and Optima Capital" in this Composite Document of which this letter forms part, Appendix I to this Composite Document and the accompanying Form of Acceptance.

## **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.

### **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, Gersfalcon Holding Limited, a Shareholder holding 60,000,000 Shares as at the Latest Practicable Date, 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.

### **Further details of the Share Offer**

Further details of the Share Offer including, among others, the terms and the procedures for acceptance and settlement are set out in the "Letter from GTJA Capital and Optima Capital" contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

If a Shareholder wishes to accept the Share Offer in respect of any of his/her Share(s), he/she should complete the accompanying Form of Acceptance in accordance with the instructions set out therein. Acceptance of the Share Offer should be received as soon as possible and in any event by no later than 4:00 p.m. on Monday, 5 August 2013.

### **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 following table sets out a summary of certain audited financial information of the Group for the years ended 31 December 2011 and 31 December 2012:

	Year ended 31 December	
	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Turnover	1,373,606	1,559,223
Gross profit	415,632	484,824
Profit before taxation	313,820	356,474
Profit for the year	250,770	245,621
	As at 31 December	
	2011	2012
Consolidated net asset value	1,020,835	1,212,568

#### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

	Shareholding structure as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>
The Offeror	225,160,000	29.00
Nian's Brother Holding ( <i>Note 1</i> )	194,840,000	25.09
Better Prospect Limited ( <i>Note 2</i> )	<u>2,270,000</u>	<u>0.29</u>
Sub-total of the Offeror, CQCECEP and parties acting in concert with any of them ( <i>Note 3</i> )	422,270,000	54.38
Public	<u>354,152,000</u>	<u>45.62</u>
Total	<u><u>776,422,000</u></u>	<u><u>100</u></u>

*Notes:*

1. These 194,840,000 Shares are held by Nian's Brother Holding, the entire interest of which is wholly owned by Nian's Brother Investment Limited which in turn is held by JMJ Holdings Limited as a nominee in favour of Coutts & Co Trustees (Switzerland) Ltd.. Nian's Brother Investment Limited is provided by Coutts & Co Trustees (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Mr. WK Chim and Mr. Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, Mr. WK Chim and Mr. Chim Wai Shing Jackson are deemed to be interested in the Shares held by Nian's Brother Holding as the settlors of Nian's Brother Trust.
2. Better Prospect Limited is 100% owned by Mr. WK Chim. For the purpose of Part XV of the SFO, Mr. WK Chim is deemed to be interested in the Shares held by Better Prospect Limited.
3. Upon execution of the Shareholders Deed, the aggregate shareholding held by 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) was 422,270,000 Shares as at the Latest Practicable Date.

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

Please refer to the "Letter from GTJA Capital and Optima Capital" contained in this Composite Document for information on the Offeror.

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

Your attention is drawn to the section headed "Offeror's Intention on the Group" in the "Letter from GTJA Capital and Optima Capital" on page 6 of this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Board (i) had not entered, and did not have any intention to enter, into any agreement, arrangement, understanding or negotiation about any acquisition of assets or business (whether concluded or not), and (ii) had no assets or business injections agreed or under negotiation.

#### **COMPULSORY ACQUISITION**

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

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

The Offeror indicates that it 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.**

#### **RECOMMENDATION**

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 19 and 20 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Share Offer, and the "Letter from the Independent Financial Adviser" as set out on pages 21 to 40 of this Composite Document containing its advice to the Independent Board Committee in respect of the Share Offer. You are also advised to read the remainder of this Composite Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Share Offer.

Yours faithfully,  
For and on behalf of the Board  
**CECEP COSTIN NEW MATERIALS GROUP LIMITED**



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Chim Wai Kong  
Executive Director