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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)

INSIDE INFORMATION, UPDATE ON FINANCIAL SITUATION, APPOINTMENT OF EXECUTIVE DIRECTORS AND CHIEF EXECUTIVE OFFICER

This announcement is made by CECEP COSTIN New Materials Group Limited (the “**Company**”) pursuant to Rules 13.09 and 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

UPDATE ON FINANCIAL SITUATION

Reference is made to the Company’s announcements dated 22 and 30 August 2016, 22 and 30 September 2016, 14, 20 and 27 October 2016, 11 and 29 November 2016 and 13 and 16 December 2016 and 5 and 11 January 2017 (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements.

In addition to the defaults in repayments of borrowings as disclosed in the Announcements, certain subsidiaries of the Company in the PRC were unable to repay certain borrowings of approximately RMB24.4 million that have fallen due and resulted in the defaults in repayments. The total amount of borrowings that have fallen due owed by the Company’s subsidiaries in the PRC is approximately RMB715.2 million as at the date of this announcement. As a result of such defaults in payments to the PRC creditors, the total amount of bank balances of the Group being frozen by these PRC creditors amounted to approximately RMB2.2 million as at the date of this announcement and cannot be withdrawn. The total amount of borrowings that have fallen due owed by the Company and its subsidiaries in Hong Kong is approximately HK\$224.9 million as at the date of this announcement. As a result of such defaults in payments to the Hong Kong creditors, the total amount of bank balances of the Group being frozen by these Hong Kong creditors amounted to approximately

HK\$0.4 million as at the date of this announcement and cannot be withdrawn. The Company is currently assessing the impact of the above and any potential default on other borrowings. As a result, it may further trigger cross-default of other borrowings, which may in turn have material adverse impact on the financial position of the COSTIN Group.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTORS

The Board announces that Mr. Xu Zhou (“**Mr. Xu**”) has been appointed as an executive director and the chief executive officer of the Company with effect from 24 January 2017.

Mr. Xu Zhou

Mr. Xu Zhou (許舟), aged 52, is an engineer with over 24 years of working experience in management. Mr. Xu joined China Energy Conservation and Environmental Protection Group* (“**CECEP**”) (中國節能環保集團公司), a controlling shareholder of the Company, in 2007. Since 2009, Mr. Xu serves as the general manager of Fujian Guoneng New Construction Material Company Limited* (福建國能新型建築材料有限公司) and also serves as the general manager and director of Fujian CECEP New Material Company Limited* (福建中節能新型材料有限公司), and serves as the Secretary of Party Committee since 2016. Mr. Xu serves as the chairman of Fujian CECEP Quancheng Investment Company Limited* (福建中節能泉城投資有限公司) since 2012. Mr. Xu graduated from History undergraduate major of the Central China Normal University in 1993.

Mr. Xu has entered into a service contract with the Company for an initial term of three years commencing from 24 January 2017, which may be terminated by either party thereto by giving to the other three months’ prior notice in writing and is subject to retirement by rotation in accordance with the articles of association of the Company. Pursuant to the articles of association of the Company, Mr. Xu shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election. Mr. Xu will be entitled to a director’s fee of HK\$180,000 per annum, which is determined with reference to his duties and responsibility with the Company.

As at the date of this announcement, Mr. Xu does not have any interest in the shares of the Company which is required to be disclosed under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Xu does not hold any other positions in the Company or any of its subsidiaries and did not hold other directorship in any other listed companies in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Xu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Xu confirmed that there is no information that needs to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and there are no other matters relating to his appointment that need to be brought to the attention of the shareholders of the Company.

The Board further announces that Mr. Yang Yonghui (“**Mr. Yang**”) has been appointed as an executive director of the Company with effect from 24 January 2017.

Mr. Yang Yonghui

Mr. Yang Yonghui (楊永卉), aged 45, has over 17 years of experience in accounting and financial management. Mr. Yang joined CECEP, a controlling shareholder of the Company, in 2001. From 2003 to 2005, Mr. Yang served as a manager in the investment management department of China Environmental Protection Company* (中國環境保護公司), and from 2005 to 2006, served as the assistant to general manager and the manager of the investment development department. From 2006 to 2010, Mr. Yang served as the deputy director (副主任) of the finance department of CECEP Investment Company* (中國節能投資公司). From 2010 to 2012, Mr. Yang served as the deputy general manager and chief accountant of CECEP Asset Management Company* (中節能資產經營有限公司). Since 2012, Mr. Yang served as the deputy general manager of CECEP (Shenzhen) Investment Group Company Limited* (中節能(深圳)投資集團有限公司). Mr. Yang graduated from Visual Communication Design undergraduate major of the Central China Normal University in 2015.

Mr. Yang has entered into a service contract with the Company for an initial term of three years commencing from 24 January 2017, which may be terminated by either party thereto by giving to the other three months’ prior notice in writing and is subject to retirement by rotation in accordance with the articles of association of the Company. Pursuant to the articles of association of the Company, Mr. Yang shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election. Mr. Yang will be entitled to a director’s fee of HK\$144,000 per annum, which is determined with reference to his duties and responsibility with the Company.

As at the date of this announcement, Mr. Yang does not have any interest in the shares of the Company which is required to be disclosed under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Yang does not hold any other positions in the Company or any of its subsidiaries and did not hold other directorship in any other listed companies in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Yang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Yang confirmed that there is no information that needs to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and there are no other matters relating to his appointment that need to be brought to the attention of the shareholders of the Company.

The Board would like to extend its warm welcome to Mr. Xu and Mr. Yang for joining the Board.

The Company will keep its shareholders and investors informed of developments in relation to the borrowings, the Investigation, the COSTIN Group's financial position and other matters by way of further announcement(s) as and when appropriate.

SUSPENSION OF TRADING OF THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 3:17 p.m. on 15 August 2016. Trading in the shares of the Company 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.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
CECEP COSTIN New Materials Group Limited
Chan Kwok Yuen Elvis
Company Secretary

Hong Kong, 24 January 2017

As at the date of this announcement, the Board comprises four executive Directors, Mr. Xue Mangmang, Mr. Xu Zhou, Mr. Wang Li, and Mr. Yang Yonghui; two non-executive Directors, Mr. Zeng Wu and Ms. Ma Yun; and three independent non-executive Directors, Mr. Feng Xue Ben, Mr. Wong Siu Hong and Mr. Xu Qinghua.

* *For identification purpose only*