

**COSTIN NEW MATERIALS GROUP LTD:
THE PROSPECTUS RAISES MANY QUESTIONS**

It is evident that Senior Management of Costin New Materials Group Ltd () (Code: 2228, Main Board, The Stock Exchange of Hongkong Ltd) ran into a little financial trouble, back in the middle of 2007, and was forced to seek additional funds from *'friends'*.

This is clearly pointed out in the Global Offering Prospectus of Costin New Materials Group Ltd, dated June 8, 2010.

And, ironically, it is those *'friends'* who are the *'Selling Shareholders'* in the **Initial Public Offering (IPO)**.

More about this matter, later on.

The Flotation

Costin New Materials Group Ltd pitched its story in its Global Offering Prospectus when it Offered 240 million, 10-cent Shares at a Share Price Offer Range of between \$HK2.36 and \$HK3.26.

Of those 240 million Shares on Offer, 200 million Shares are New Shares, while 40 million Shares are those, Offered by the Selling Shareholders, to wit: Modern Creative Group Ltd.

Modern Creative Group Ltd is beneficially owned by Messrs Liu Shu Fa () (50 percent) and Wang Juan () (50 percent), both of whom are Substantial Shareholders of Costin New Materials Group Ltd.

Management has stated, at Page 216 of the Global Offering Prospectus, that it is, now, desirous of obtaining additional funding for its expansion programme.

At the midway point of the Share Price Offer Range, that is \$HK2.81, it is estimated that the Company will net about \$HK528.80 million.

That amount of money will be utilised as follows:

1. About 43.20 percent of the net proceeds of the IPO, that is about \$HK228.40 million, *'to be used in connection with the establishment of the production facilities for the production of non-woven fabrics for use as the composite synthetic leather ...'*;
2. About 37 percent of the net proceeds of the IPO, that is about \$HK195.70 million, *'to be used in connection with the establishment of the production facilities for the production of non-woven fabrics for use as filtration materials ...'*;
3. About 8.40 percent of the net proceeds of the IPO, that is about \$HK44.40 million, *'to be used in connection with the expansion of the Group's existing technology centre and the establishment of the research centre for new materials ...'*;
4. About 2.30 percent of the net proceeds of the IPO, that is about \$HK12.20 million, to be used for the construction of ancillary facilities; and,

5. About 9.10 percent of the net proceeds of the IPO, to be used as General Working Capital.

The business of Costin New Materials Group Ltd, by now should be quite obvious: It produces non-woven fabrics and chemical fibres ... [CLICK TO ORDER FULL ARTICLE](#)

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