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China Weaving Materials Holdings Limited

中國織材控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3778)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Guotai Junan Securities (Hong Kong) Limited

On 20 November 2014, after trading hours, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to 126,000,000 Placing Shares, at the Placing Price and the Company agreed to allot and issue the Placing Shares at the Placing Price. The Placing Shares will be allotted and issued under the General Mandate.

If all of the Placing Shares are placed, they represent (i) approximately 12.44% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately after the completion of the Placing.

The Placing is conditional upon, among other things, the Stock Exchange granting or agreeing to grant a listing of and permission to deal in the Placing Shares.

Assuming 126,000,000 Placing Shares have been placed, the net proceeds to be received by the Company from the Placing will amount to approximately HK\$99.6 million. It is intended that the net proceeds from the Placing will be used to finance the Group's acquisition of Huachun as disclosed in the announcement of the Company dated 30 September 2014 and as general working capital of the Group.

Completion of the Placing is subject to fulfilment of certain conditions and the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

I. THE PLACING AGREEMENT

Date

20 November 2014 (after trading hours)

Parties

- (i) the Company; and
- (ii) the Placing Agent.

The Placing and Number of Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has agreed to place, on a best efforts basis, up to 126,000,000 new Shares, representing (i) approximately 12.44% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately after the completion of the Placing.

The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$12,600,000.

Placing Price

The Placing Price of HK\$0.80 per Placing Share represents:

- (i) a discount of approximately 8.05% to the closing price of HK\$0.87 per Share as quoted on the Stock Exchange on 20 November 2014, being the date of the Placing Agreement;
- (ii) a discount of approximately 7.83% to the average closing price of the Shares of approximately HK\$0.8680 per Share as quoted on the Stock Exchange from 13 November 2014 to 19 November 2014, both dates inclusive, being the last five trading days immediately prior to the date of this announcement; and
- (iii) a discount of approximately 5.77% to the average closing price of the Shares of approximately HK\$0.8490 per Share as quoted on the Stock Exchange from 6 November 2014 to 19 November 2014, both dates inclusive, being the last ten trading days immediately prior to the date of this announcement.

The net Placing Price, after deduction of placing commission and all other fees and expenses, is estimated to be approximately HK\$0.7908 per Placing Share.

Placing Agent

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of the Company and not connected persons (as defined in the Listing Rules) to the Company.

The Placees

The Placing Agent has agreed to procure that there will be not less than six placees (in total), being professional or institutional investors. The Placees (and their beneficial owners) will be independent of the Company and its connected persons (as defined in the Listing Rules). None of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the Placing.

Rights and Ranking of the Placing Shares

The Placing Shares will be sold free of any encumbrances and third-party rights and rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

Conditions of the Placing

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant a listing of and permission to deal in the Placing Shares, and upon the Company obtaining all necessary written consents and approvals from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable. If the above conditions are not satisfied by 19 December 2014 or such later date as the Company and the Placing Agent may agree, the obligations of the Placing Agent and the Company under the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against the other in relation to the Placing Agreement (save for any antecedent breaches thereto).

Completion

Completion of the Placing shall take place on the date which is three Business Days immediately after the satisfaction of the conditions set out in the paragraph headed “Conditions of the Placing” in this announcement or such later date as the Company and the Placing Agent may agree (the “**Closing Date**”).

Termination

The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing to the Company at any time on or prior to the Closing Date, if there has come to the notice of the Placing Agent any of the following events:

- (i) if there develops, occurs, or comes into force any new law or regulation or change in existing laws or regulations which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect the financial position of the Group; or
- (ii) if there develops, occurs, or comes into force any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions, securities market condition or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by Hong Kong or elsewhere of a national emergency or other calamity or crisis, the effect of which in the opinion of the Placing Agent is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
- (iii) if there develops, occurs, or comes into force the declaration of a banking moratorium by Hong Kong authorities, or any moratorium, suspension or material restriction on trading in securities generally, or the establishment of minimum prices, on the Stock Exchange; or
- (iv) any material breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement;
- (v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Placing Agreement, render any of the representations, warranties and undertakings untrue or incorrect; or
- (vi) a breach of, or failure to perform, any other provision of the Placing Agreement on the part of the Company; or
- (vii) any change or development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the opinion of the Placing Agent is so material and adverse as to make it impractical or inadvisable to proceed with the Placing; or
- (viii) the Placing Agent has only successfully placed part of (but not all) the Placing Shares pursuant to the Placing Agreement before the date of the completion of the Placing.

Undertakings

Among other things, the Company has undertaken to the Placing Agent that it will not, without the written consent of the Placing Agent, before completion of the Placing on the Closing Date:

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (i) above,

except for any Shares which may be issued pursuant to the terms of any employee share option scheme of the Company (and in such case the Company shall notify the Placing Agent in writing immediately upon receipt of any notice of exercise in relation thereto).

Mandate to issue new Shares

The Placing Shares will be issued pursuant to the General Mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 12 May 2014, which authorized the Directors to allot and issue up to 202,500,000 Shares (representing 20% of the issued share capital of the Company as at such date).

The General Mandate has not been utilized prior to entering into the Placing Agreement.

II. EFFECT OF THE PLACING ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and immediately after the Placing is summarised as follows:

	As at the date of this announcement		Immediately after completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Popular Trend Holdings Limited <i>(Note 1)</i>	467,550,000	46.18	467,550,000	41.07
Flourish Talent Group Limited <i>(Note 2)</i>	122,850,000	12.13	122,850,000	10.79
Mr. Zheng Yongxiang <i>(Note 3)</i>	21,092,000	2.08	21,092,000	1.85
Public Shareholders				
Placees	–	–	126,000,000	11.07
Other public Shareholders	401,008,000	39.61	401,008,000	35.22
Total	1,012,500,000	100.00	1,138,500,000	100.00

Notes:

- (1) Popular Trend Holdings Limited is wholly-owned by Mr. Zheng Hong, the chairman and an executive Director of the Company.
- (2) Flourish Talent Group Limited is wholly-owned by Mr. Sze Irons, JP, the non-executive Director.
- (3) Mr. Zheng Yongxiang is an executive Director.

III. REASONS FOR THE PLACING AND USE OF PROCEEDS

Assuming 126,000,000 Placing Shares have been placed, the gross proceeds from the Placing will amount to approximately HK\$100.8 million and the net proceeds from the Placing, after deduction of commission and other expenses of the Placing, will amount to approximately HK\$99.6 million. It is intended that the net proceeds will be used to finance the Group's acquisition of Huachun as disclosed in the announcement of the Company dated 30 September 2014 and as general working capital of the Group.

The Directors consider the terms of the Placing Agreement including the Placing Price, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

V. APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the grant of listing of and permission to deal in the Placing Shares.

Completion of the Placing is subject to fulfilment of certain conditions and the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

VI. DEFINITIONS

"Board"	means the board of Directors
"Business Day"	means any day (excluding Saturdays, Sundays and public holidays) on which commercial banks generally are open for business in Hong Kong
"Company"	China Weaving Materials Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 12 May 2014, authorizing the Directors to allot and issue Shares up to 20% of the issued share capital of the Company as at that date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Huachun”	Jiangxi Huachun Color Spinning Technology Development Co., Ltd* (江西華春色紡科技發展有限公司), a limited liability company established in the PRC on 30 April 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	professional or institutional investor to be procured by the Placing Agent to purchase the Placing Shares pursuant to the terms and condition of the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 20 November 2014 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.80 per Placing Share
“Placing Shares”	up to 126,000,000 new Shares to be placed under the Placing

“PRC”	People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“trading day”	has the meaning ascribed to it in the Listing Rules

By Order of the Board
China Weaving Materials Holdings Limited
Zheng Hong
Chairman

Hong Kong, 20 November 2014

As at the date of this announcement, the Board comprises Mr. Zheng Hong, Mr. Zheng Yong Xiang as the executive Directors; Mr. Sze Irons, JP, as the non-executive Director; Ms. Chan Mei Bo, Mabel, Mr. Nie Jian Xin and Mr. Ng Wing Ka as the independent non-executive Directors.