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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: 03778)**

## **PROPOSED ISSUE OF REDEEMABLE FIXED COUPON NOTES AND REDEEMABLE FIXED COUPON CONVERTIBLE BOND**

On 11 July 2016, the Company, the Individual Guarantor, the Investor and the Agent entered into the Investment Agreement pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for (i) the Notes with an aggregate principal amount of up to HK\$50,000,000 due 2018; and (ii) the Convertible Bond in the principal amount of up to HK\$110,000,000 due 2018, which carries Conversion Rights to convert up to 227,000,000 Conversion Shares at the Conversion Price (being the initial price of HK\$0.45 per Conversion Share which is subject to adjustment) during the Conversion Period. Both the Notes and the Convertible Bond will be secured by the Share Mortgage and guaranteed by the Individual Guarantor.

The Conversion Shares to be issued upon exercise of the Conversion Rights will be issued under the General Mandate.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the Conversion Rights. No listing of the Convertible Bond will be sought on the Stock Exchange or any other stock exchanges.

***As completion of the subscription of the Notes and the Convertible Bond is subject to certain conditions, the subscription of the Notes and the Convertible Bond may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.***

## THE INVESTMENT AGREEMENT

Date: 11 July 2016 (after trading hours of the Stock Exchange)

Issuer: The Company

Individual Guarantor: Mr. Zheng Hong

Agent: CCB International Overseas Limited

Investor: CCB International Overseas Limited

The Investor is a limited liability company incorporated in Hong Kong. It is an indirectly and wholly-owned special purpose vehicle of CCB International (Holdings) Limited (“CCBI”). CCBI is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties.

Subject matter: The Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for (i) the Notes with an aggregate principal amount of up to HK\$50,000,000 due 2018; and (ii) the Convertible Bond in the principal amount of up to HK\$110,000,000 due 2018, which carries Conversion Rights to convert up to 227,000,000 Conversion Shares at the Conversion Price (being the initial price of HK\$0.45 per Conversion Share which is subject to adjustment) during the Conversion Period.

## **Conditions Precedent for the Subscription**

The Investor's obligations to subscribe for any Note or the Convertible Bond under the Investment Agreement are conditional upon the following, in form and substance satisfactory to the Investor:

- (i) the execution and delivery of the Investment Agreement and the Share Mortgage and any other documents relating to the Subscription as set out in a schedule of the Investment Agreement on or prior to the date of the notice of issuance of the Notes and the Convertible Bond from the Company, or otherwise waived by the Investor;
- (ii) the representations and warranties of each Obligor contained in any of the transaction documents to which it is a party being correct, accurate and not misleading;
- (iii) no default is outstanding or would result from the issuance by the Company of the Notes or the Convertible Bond to the Investor;
- (iv) the Shares deposited into a designated collateral account maintained in the name of the Mortgagor represents at least 41.07% of the entire issued capital of the Company;
- (v) satisfactory commercial, financial and legal due diligence of each Obligor, the Group and their respective business;
- (vi) approval of the transactions contemplated under the transaction documents from the investment committee of the Investor have been obtained and such approval not being revoked;
- (vii) the Investor is satisfied with the results of all necessary "know your customer" requirements and other anti-money laundering checks;
- (viii) the Individual Guarantor remains to be a Director, the controlling shareholder of the Company and has the power to direct the management and policies of the Company, whether through ownership of voting capital, by control or otherwise;
- (ix) Mr. Zheng Yongxiang remains as an executive Director; and
- (x) the total net assets of the Company is not less than RMB450,000,000 (or its equivalent in any other currency).

The Investor's obligations to subscribe for the Convertible Bond are further conditional upon:

- (i) the listing approval granted by the Stock Exchange for the listing of and permission to deal in the Conversion Shares having been obtained; and
- (ii) the Investor having received evidence that the Company has sufficient authorised but unissued shares in its share capital which is authorised to be issued pursuant to the General Mandate to enable it to perform its obligations under the Convertible Bond Instrument when the Conversion Rights are exercised in full.

In the event that any of the above conditions is not satisfied or waived, the Investor shall not have any obligation to subscribe for any Note or the Convertible Bond or have any other obligations under the Investment Agreement, and, the Investor may, in its absolute discretion, terminate the Investment Agreement whereupon the Investment Agreement shall lapse and become null and void. The Investor may, at its absolute discretion, waive compliance with any or all of the conditions precedent set out above as the Investor may deem fit provided always that no such waiver shall prejudice the Investor's rights under the Investment Agreement.

### **Completion of the Subscription**

Upon satisfaction or waiver (as the case may be) of the conditions precedents, the Company shall deliver to the Investor, at least five Business Days (or such shorter period as the Investor may agree) prior to a proposed issue date, a duly completed notice of issuance notifying the Investor of the proposed issue date and the principal amount of the Notes or the Convertible Bond. Completion of the issuance and subscription for each Note or the Convertible Bond shall take place on the relevant issue date for such Note or Convertible Bond as set out in the notice of issuance delivered by the Company or at such other time as the Company and the Investor may agree.

### **Covenants and Undertakings**

Pursuant to the Investment Agreement, each Obligor agrees that the Individual Guarantor shall procure that the Mortgagor will not dispose of any of the Shares held by it, and to be bound by other customary covenants and undertakings.

## **PRINCIPAL TERMS OF THE NOTES AND THE CONVERTIBLE BOND**

### **The Notes**

The principal terms of the Notes are summarized below:

Issuer:	The Company
Principal amount:	Up to HK\$50,000,000, with a denomination of HK\$10,000,000 for each Note

Term:	24 months from and including the date of issue of the first Note
Form:	The Notes will be issued upon Completion in registered form.
Interest rate:	11% per annum, accrued from day to day on a 365-day year basis payable in arrears with successive interest periods of 3 months from (and including) the date of issue of the Notes to (but excluding) the Final Maturity Date or if earlier, the exercise of the Noteholder's redemption rights or the Company's early redemption rights.
Default interest:	20% per annum of the overdue amount from its due date up to the date of actual payment
Status:	The Notes constitute direct, unconditional and secured obligations of the Company and shall at all times rank <i>pari passu</i> without any preference among the Notes and the Convertible Bond.
Guarantee:	<p>The Individual Guarantor has unconditionally and irrevocably:</p> <ul style="list-style-type: none"> <li>(a) guaranteed the punctual performance by the Company of all its obligations under the Notes and other transaction documents;</li> <li>(b) undertaken with each holder of a Note that, whenever the Company does not pay any amount when due under or in connection with the Notes or any other transaction documents, he will immediately on demand pay that amount as if he were the principal obligor in respect of that amount; and</li> <li>(c) agreed with each holder of a Note that he will be liable as a principal debtor and primary obligor to indemnify that holder of the Notes (to the fullest extent permitted by applicable law) in respect of any loss it incurs as a result of the</li> </ul>

Company failing to pay any amount expressed to be payable by it under the Notes or any other transaction documents on the date when it ought to have been paid, in each case in accordance with the terms of the Investment Agreement.

Security:	The Notes will have the benefit of the security constituted by the Share Mortgage and any other document evidencing or creating security interest over any asset to secure the obligations of the Company in relation to the issue of the Notes and the Convertible Bond.
Redemption on maturity:	The Company shall redeem all outstanding principal amount of the Notes on the Final Maturity Date. The redemption price payable by the Company to the Noteholder on the Final Maturity Date is equal to an aggregate price of (i) the outstanding principal amount on the Final Maturity Date, (ii) all accrued and unpaid interest (including any default interest) on such outstanding principal amount of the Notes, and (iii) all other outstanding amounts payable by the Company to the Noteholders.
Company's early redemption right:	Provided that no event of default is outstanding and a Mandatory Redemption Event has not occurred, the Company may, prior to the Final Maturity Date from the date immediately after the date falling 6 months from the date of the Investment Agreement if such request for redemption is agreed by the Noteholder and the Agent, redeem the outstanding principal amount of the Notes, with all amounts of accrued but unpaid interest, and without penalty.
Noteholder's redemption right for decline in Collateral Value:	Upon the occurrence of a Mandatory Redemption Event and issuance of a notice of redemption by the Agent, the Company must redeem such amount of the Notes issued to the Noteholder, and if all the Notes are redeemed, redeem such amount of the Convertible Bond issued to the Convertible Bond Holder; and/or deposit such amount of cash or any other shares or securities acceptable to the Agent into a designated

collateral account, such that, immediately after such redemption or deposit, the Collateral Value Ratio as determined by the Agent will be more than one to one. Such mandatory redemptions must be made with (i) the outstanding principal amount of the Notes, (ii) all accrued but unpaid interest (including any default interest) on such portion of the Notes then outstanding and (iii) such amount as would result in an internal rate of return of 20% per annum on the face value of the Notes to be redeemed calculated from the issue date of the Notes to the date of such redemption.

Noteholder's redemption right for events of default:

The Company must redeem all or such portion of the Notes (as determined by the Noteholder) upon the issuance of a notice of redemption by the Noteholder after the occurrence of an event of default at the redemption price of (i) the outstanding principal amount of the Notes, (ii) all accrued but unpaid interest (including any default interest) on such portion of the Notes then outstanding and (iii) such amount as would result in an internal rate of return of 20% per annum on the face value of the Notes to be redeemed calculated from the issue date of the Notes to the date of such redemption.

### **The Convertible Bond**

The principal terms of the Convertible Bond are summarized below:

Issuer:	The Company
Principal amount:	Up to HK\$110,000,000
Number of Conversion Shares:	Upon the exercise of the Conversion Rights in full, as agreed by the parties to the Investment Agreement, a maximum of 227,000,000 Conversion Shares will be issued, representing approximately 18.1% of the existing issued share capital of the Company and approximately 15.3% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares.

If, based on the conversion amount as indicated by the Convertible Bond Holder and the Conversion Price, the number of Shares to be issued upon the exercise of the Conversion Rights exceeds 227,000,000, the Company shall transfer a cash settlement amount in respect of such portion of Shares (which exceeds 227,000,000) to an account designated by the Convertible Bond Holder.

Term:	24 months from and including the date of issue of the Convertible Bond
Conversion Price:	The Convertible Bond carries the right to convert Shares at an initial Conversion Price of HK\$0.45 per Conversion Share, subject to anti-dilution adjustments in circumstances of share consolidation or subdivision, capitalization of profits or reserve, capital distributions, rights issues of Shares or options over Shares, issues of other securities, modification of rights of conversion, exchange and subscription, issues of Shares below then current market price, and buy-back of Shares.
Conversion Period	The Conversion Rights may be exercised at any time during the term of the Convertible Bond.
Form:	The Convertible Bond will be issued upon Completion in registered form.
Interest rate:	8% per annum, accrued from day to day on a 365-day year basis payable in arrears with successive interest periods of 3 months from (and including) the date of issue of the Convertible Bond to (but excluding) the Final Maturity Date or if earlier, the exercise of the Convertible Bond Holder's redemption rights or the Company's early redemption rights.
Default interest:	20% per annum of the overdue amount from its due date up to the date of actual payment
Status:	The Convertible Bond constitutes direct, unconditional and secured obligations of the Company and shall at all times rank <i>pari passu</i> without any preference with the Notes.



Guarantee: The Individual Guarantor has unconditionally and irrevocably:

- (a) guaranteed the punctual performance by the Company of all its obligations under the Convertible Bond and other transaction documents;
- (b) undertaken with the Convertible Bond Holder that, whenever the Company does not pay any amount when due under or in connection with the Convertible Bond or other transaction documents, he will immediately on demand pay that amount as if he were the principal obligor in respect of that amount; and
- (c) agreed with the Convertible Bond Holder that he will be liable as a principal debtor and primary obligor to indemnify the Convertible Bond Holder (to the fullest extent permitted by applicable law) in respect of any loss it incurs as a result of the Company failing to pay any amount expressed to be payable by it under the Convertible Bond or any other transaction documents on the date when it ought to have been paid, in each case in accordance with the terms of the Investment Agreement.

Security: The Convertible Bond will have the benefit of the security constituted by the Share Mortgage and any other document evidencing or creating security interest over any asset to secure the obligations of the Company in relation to the issue of the Notes and the Convertible Bond.

Rights of the Conversion Shares: The Conversion Shares to be issued upon the exercise of the Conversion Rights will rank pari passu in all respects with all other fully paid and issued Shares.

Redemption on maturity: The Company shall redeem all outstanding principal amount of the Convertible Bond on the Final Maturity Date. The redemption price payable by the Company to the Convertible Bond Holder on the Final Maturity Date is equal to an aggregate price of (i) the outstanding principal amount on the Final Maturity

Date, (ii) all accrued and unpaid interest and unpaid default interest (if any) on such outstanding Convertible Bond, (iii) such amount as would result in an internal rate of return of 10% per annum on the face value of such portion of the Convertible Bond to be redeemed calculated from the issue date of the Convertible Bond to the date of such redemption and (iv) all other outstanding amounts payable by the Company to the Convertible Bond Holder.

Company's early redemption right:

Provided that no event of default is outstanding and a Mandatory Redemption Event has not occurred, the Company may redeem such portion of the Convertible Bond prior to the Final Maturity Date if such request for redemption is agreed by the Convertible Bond Holder and the Agent. Such redemptions must be made with (i) the principal amount outstanding of such portion of the Convertible Bond, (ii) all accrued but unpaid interest (including any default interest) on such portion of the Convertible Bond, and (iii) such amount as would result in an internal rate of return of 10% per annum on the face value of such portion of the Convertible Bond to be redeemed calculated from the issue date of the Convertible Bond to the date of such redemption.

Convertible Bond Holder's redemption right for decline in Collateral Value:

Upon the occurrence of a Mandatory Redemption Event and issuance of a notice of redemption by the Agent, the Company must redeem such amount of the Notes issued to the Noteholder, and if all the Notes are redeemed, redeem such amount of the Convertible Bond issued to the Convertible Bond Holder; and/or deposit such amount of cash or any other shares or securities acceptable to the Agent into a designated collateral account, such that, immediately after such redemption or deposit, the Collateral Value Ratio as determined by the Agent will be more than one to one. Such mandatory redemptions must be made with (i) the outstanding principal amount of such portion of the Convertible Bond, (ii) all accrued but unpaid interest (including any default interest) on such portion of the

Convertible Bond and (iii) such amount as would result in an internal rate of return of 20% per annum on the face value of such portion of the Convertible Bond to be redeemed calculated from the issue date of the Convertible Bond to the date of such redemption.

Convertible Bond Holder's redemption right for events of default:

The Company must redeem all or such portion of the Convertible Bond (as determined by the Convertible Bond Holder) upon the issuance of a notice of redemption by the Convertible Bond Holder after the occurrence of an event of default at the redemption price of (i) the outstanding principal amount of the Convertible Bond, (ii) all accrued but unpaid interest (including any default interest) on such portion of the Convertible Bond and (iii) such amount as would result in an internal rate of return of 20% per annum on the face value of such portion of the Convertible Bond to be redeemed calculated from the issue date of the Convertible Bond to the date of such redemption.

### **Basis of the Conversion Price**

The initial Conversion Price of HK\$0.45 per Conversion Share represents:

- (i) a discount of approximately 18.2% to the closing price of HK\$0.55 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.1% to the average of the closing prices of HK\$0.556 per Share for the last five consecutive trading days for the Shares including the Last Trading Day; and
- (iii) a premium of approximately 8.7% over the audited net asset value per Share attributable to the Shareholders of approximately HK\$0.414 as at 31 December 2015.

The Conversion Price was determined after arm's length negotiations between the Company and the Investor, taking into account the recent trading prices of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

### **General Mandate for issue of the Conversion Shares**

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 7 June 2016 subject to the limit of 250,470,000 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). Thus, the Convertible Bond subscription is not subject to the approval of the Shareholders.

The 227,000,000 Conversion Shares, to be allotted and issued upon full exercise of the Conversion Rights, will utilise approximately 90.6% of the General Mandate.

### **Events of default under the Note Instrument and the Convertible Bond Instrument**

The major events of default under the Note Instrument and the Convertible Bond Instrument include, among others:

- (a) an Obligor does not pay on the due date any amount payable by it or him under the transaction documents in the manner required under the transaction documents;
- (b) an Obligor does not comply with or is in default in the performance of any terms, covenants or undertakings contained in any transaction document;
- (c) a representation or warranty made or deemed to be repeated by an Obligor in any transaction document or in any document delivered by or on behalf of an Obligor under any transaction document is incorrect or misleading when made or deemed to be repeated;
- (d) any of the following occurs in respect of an Obligor or a member of the Group:
  - (i) any of its financial indebtedness is not paid when due;
  - (ii) any of its financial indebtedness becomes prematurely due and payable, is placed on demand, or is capable of being declared by or on behalf of a creditor to be prematurely due and payable or of being placed on demand, as a result of an event of default or any provision having a similar effect; or
  - (iii) any commitment for its financial indebtedness is cancelled or suspended as a result of an event of default or any provision having a similar effect;
- (e) the Company or a member of the Group (i) is or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or insolvent, (ii) admits its inability to pay its debts as they fall due, (iii) suspends making payments on any of its debts or announces an intention to do so, (iv) by reason of actual or anticipated financial difficulties, begins negotiations with any creditor for the rescheduling or restructuring of any of its indebtedness, (v) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities); or (vi) any of its indebtedness is subject to a moratorium;

- (f) the Individual Guarantor (i) is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or bankrupt, (ii) admits his inability to pay its debts as they fall due, (iii) suspends making payments on any of his debts or announces an intention to do so, (iv) commits an act of bankruptcy, (v) by reason of actual or anticipated financial difficulties, begins negotiations with one or more of his creditors with a view to rescheduling any of his indebtedness, (vi) the value of his assets is less than his liabilities (taking into account contingent and prospective liabilities), or (vii) any of his indebtedness is subject to a moratorium;
- (g) in respect of the Company, a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution for, to petition for or to file documents with a court or any registrar for, its winding-up, administration, judicial management, or dissolution or any such resolution is passed;
- (h) any person presents a petition, or files documents with a court or any registrar, in respect of the Company, for its winding-up, administration, judicial management, or dissolution, or in respect of an Individual Guarantor, for his bankruptcy;
- (i) in respect of the Company, an order for its winding-up, administration, judicial management, dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
- (j) any security interest is enforced over any of the assets of the Company or member of the Group, or the Individual Guarantor;
- (k) in respect of the Company or a member of the Group or the Individual Guarantor, any liquidator, trustee in bankruptcy, judicial custodian, judicial manager, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it/him or any of its/his assets;
- (l) a bankruptcy order is made against the Individual Guarantor or he is otherwise adjudicated bankrupt;
- (m) the Company or a member of the Group ceases, or threatens to cease, to carry on business except as a result of any disposal allowed under the Investment Agreement;
- (n) it is or becomes unlawful for any Obligor to perform any of its or his obligations under the transaction documents;
- (o) it is or become unlawful in any applicable jurisdiction for the Investor to perform any of its obligations under a transaction document or to hold any Note or the Convertible Bond;

- (p) the Individual Guarantor (i) is not or ceases to be a Director, (ii) is not or ceases to be the controlling shareholder of the Company, (iii) does not or ceases to have the power to direct the management and policies of the Company, whether through ownership of voting capital, by control or otherwise;
- (q) Mr. Zheng Yongxiang is not or ceases to be an executive Director;
- (r) the Individual Guarantor ceases to beneficially own, directly or indirectly, 100 per cent. of the issued share capital of the Mortgagor;
- (s) the Shares cease to be listed on the Stock Exchange or the Shares are suspended from trading on the Stock Exchange for more than 10 consecutive trading days;
- (t) the total net assets of the Company is at any time less than RMB450,000,000 (or its equivalent in any other currency);
- (u) any event or series of events occurs which, in the reasonable opinion of the Investor, has or is reasonably likely to have a material adverse effect.

#### **Application for listing of the Conversion Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the Conversion Rights. No listing of the Convertible Bond will be sought on the Stock Exchange or any other stock exchanges.

#### **SHARE MORTGAGE**

The Mortgagor has entered into the Share Mortgage, pursuant to which the Mortgagor has mortgaged 514,305,000 Shares held by it as continuing security for the payment, discharge and performance of all the obligations and liabilities of each Obligor under the Investment Agreement, the Note Instrument and the Convertible Bond Instrument. The Company has undertaken to be responsible for the costs and expenses involved in the Share Mortgage.

#### **REASONS FOR THE ISSUE OF THE NOTES AND THE ISSUE OF THE CONVERTIBLE BOND**

It is expected that gross proceeds of HK\$50 million and HK\$110 million will be raised by the issue of the Notes and the issue of Convertible Bond respectively and the net proceeds will amount to approximately HK\$159 million. It is intended that the net proceeds will be used to repay a subsidiary's bond payables.

The Directors (including the independent non-executive Directors) consider that the terms of the Investment Agreement in relation to the issue of the Notes and the Convertible Bond and the respective terms of the Note Instrument and Convertible Bond Instrument are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES OF THE COMPANY 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.

## **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

Assuming there being no other changes in the share capital of the Company, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after exercise of the Conversion Rights in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such conversion rights) are as follows:

	<b>As at the date of this announcement</b>		<b>Immediately after exercise of the Conversion Rights in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such conversion rights)</b>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Popular Trend Holdings Limited ( <i>Note 1</i> )	514,305,000	41.07	514,305,000	34.77
Flourish Talent Group Limited ( <i>Note 2</i> )	135,135,000	10.79	135,135,000	9.13
Da Yu Investments Limited	67,567,500	5.40	67,567,500	4.57
Mr. Zheng Yongxiang ( <i>Note 3</i> )	23,509,200	1.88	23,509,200	1.59
Convertible Bond Holder	–	–	227,000,000	15.34
Other public Shareholders	511,833,300	40.86	511,833,300	34.60
<b>Total</b>	<b>1,252,350,000</b>	<b>100.00</b>	<b>1,479,350,000</b>	<b>100.00</b>

*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 BBS, JP, the non-executive Director.
- (3) Mr. Zheng Yongxiang is an executive Director.

Assuming there being no other changes in the share capital of the Company and assuming that there will not be any change in the issued share capital of the Company before the exercise of the Conversion Rights, immediately after exercise of the Conversion Rights in full, the Convertible Bond Holder will become a substantial shareholder (as defined under the Listing Rules) of the Company.

#### **LISTING RULES IMPLICATIONS OF THE SHARE MORTGAGE AND THE GUARANTEE BY THE INDIVIDUAL GUARANTOR**

Pursuant to Rule 13.17 of the Listing Rules, the Company has a general disclosure obligation when the Mortgagor, a controlling shareholder of the Company, entered into the Share Mortgage to secure the obligations of the Company by a mortgage over the Shares held by the Mortgagor, being 514,305,000 Shares (the “Mortgaged Shares”). As of the date of this announcement, the Mortgaged Shares represent approximately 41.07% of the entire issued share capital of the Company. To facilitate the execution and enforcement of the Share Mortgage, the Mortgaged Shares are being deposited by the Mortgagor into a designated collateral account, being an account opened with CCB International Securities Limited in the name of the Mortgagor. The Company will make continuing disclosure in its subsequent interim and annual reports for so long as the above disclosure under Rule 13.17 of the Listing Rules continue to exist pursuant to the requirements of Rule 13.21 of the Listing Rules.

The Share Mortgage and the guarantee by the Individual Guarantor for the Notes and the Convertible Bond constitute financial assistance received by the Group from connected persons which is fully exempt from shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules as such financial assistance is conducted on normal commercial terms or better; and it is not secured by the assets of the Group.

***As completion of the subscription of the Notes and the Convertible Bond is subject to certain conditions, the subscription of the Notes and the Convertible Bond may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.***



## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless otherwise stated:

“Agent”	CCB International Overseas Limited, a limited liability company incorporated in Hong Kong, as the agent for the Investor
“Board”	the board of Directors
“Business Day(s)”	a day other than Saturday or Sunday on which banks are open for business in Hong Kong
“Collateral Value”	on any day on which the Stock Exchange is generally open for trading in shares, an amount equals to the product of (i) the number of the Shares held by the Mortgagor secured in favour of the Agent on that date; and (ii) the market price of a Share on that date
“Collateral Value Ratio”	the ratio of the Collateral Value to an amount that is equal to the total principal amount of the Notes and the Convertible Bond outstanding
“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
“Completion”	completion of the issue of the Notes and the issue of the Convertible Bond
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period from the date of issue of the Convertible Bond to the Final Maturity Date (both days inclusive)
“Conversion Price”	the initial conversion price of HK\$0.45 per Conversion Share upon the exercise of the Conversion Rights (subject to adjustment)
“Conversion Rights”	the rights of the Convertible Bond Holder to convert all or a portion of the Convertible Bond into Shares credited as fully paid and free from any security interest at any time prior to the Final Maturity Date

“Conversion Share(s)”	up to 227,000,000 new Shares to be allotted and issued upon exercise in full of the Conversion Rights
“Convertible Bond”	the redeemable 8 per cent fixed coupon convertible bond in the principal amount of up to HK\$110,000,000 due in 2018
“Convertible Bond Holder”	holder of the Convertible Bond
“Convertible Bond Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Convertible Bond
“Director(s)”	the directors of the Company
“Final Maturity Date”	(a) in relation to a Note, the date falling 24 months from the issue date of the first Note  (b) in relation to the Convertible Bond, the date falling 24 months from the issue date of the Convertible Bond
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company convened and held on 7 June 2016
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party independent of the Company and connected persons of the Company
“Individual Guarantor”	Mr. Zheng Hong, an executive Director and the chairman of the Company
“Investment Agreement”	an investment agreement dated 11 July 2016 in relation to the Subscription, entered into by the Company, the Individual Guarantor, the Investor and the Agent
“Investor”	CCB International Overseas Limited, a limited liability company incorporated in Hong Kong

“Last Trading Day”	11 July 2016, being the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Mandatory Redemption Event”	on any day on which the Stock Exchange is generally open for trading in shares from the date of issue of the Notes or the Convertible Bond (as the case may be) to but excluding the Final Maturity Date, the Collateral Value Ratio on that date is less than one to one
“Mortgagor”	Popular Trend Holdings Limited, a company incorporated in the British Virgin Islands, a controlling shareholder (as defined under the Listing Rules) of the Company, the entire issued share capital of which is owned by Mr. Zheng Hong
“Noteholder”	the person(s) in whose name the Notes are registered
“Note Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Notes
“Note(s)”	the redeemable 11 per cent fixed coupon secured notes in the aggregate principal amount of up to HK\$50,000,000 due in 2018, with a denomination of HK\$10,000,000 for each Note
“Obligor(s)”	the Company, the Mortgagor or the Individual Guarantor
“PRC”	the People’s Republic of China
“Share Mortgage”	a share mortgage between the Mortgagor and the Agent in respect of a mortgage over 514,305,000 Shares held by the Mortgagor as continuing security for the payment, discharge and performance of all the obligations and liabilities of each Obligor under the transaction documents
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Subscription”

the subscription of the Notes and the Convertible Bond

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

Hong Kong, 11 July 2016

*As at the date of this announcement, the Board comprises Mr. Zheng Hong, Mr. Zheng Yongxiang as the executive Directors; Mr. Sze Irons BBS, JP, as the non-executive Director; Ms. Zhang Baixiang, Mr. Nie Jian Xin and Mr. Ng Wing Ka as the independent non-executive Directors.*