

STRUCTURE OF THE GLOBAL OFFERING

OFFERING PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.73 and is expected to be not less than HK\$0.60 per Offer Share. Based on the maximum Offer Price of HK\$0.73 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee, one board lot of 4,000 Shares will amount to a total of HK\$2,949.44.

The Offer Price is expected to be determined by our Company and the Sole Lead Manager (on behalf of the Underwriters) on or before the Price Determination Date.

If, based on the level of interests expressed by prospective professional, institutional and/or other investors during the book-building process, the Sole Lead Manager (on behalf of the Underwriters, and with the consent of our Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer cause the notice of the reduction of the indicative Offer Price range to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on the website of the Stock Exchange at www.hkexnews.hk or our Company's website at www.chinaweavingmaterials.com. Such notice will also include any financial information which may change as a result of any such reduction.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Lead Manager (on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse.

CONDITIONS

Acceptance of all applications for the Global Offering will be conditional upon:

- (a) *the Listing Committee of the Stock Exchange granting a listing of, and permission to deal in the Shares (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;*
- (b) *the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on or about the Price Determination Date; and*
- (c) *the obligations of the Underwriters under the Hong Kong Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Lead Manager on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise,*

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement. If these conditions are not fulfilled, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares" in this Prospectus. In the meantime, such monies will be held in separate bank accounts with the receiving bankers or other licensed bank(s) in Hong Kong.

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OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Global Offering

The Global Offering consists of the International Placing and the Hong Kong Public Offer. The 250,000,000 Shares initially offered will comprise 225,000,000 Shares being offered under the International Placing and 25,000,000 Shares being offered under the Hong Kong Public Offer. The 250,000,000 Shares being offered under the Global Offering will represent 25% of our Company's share capital immediately after completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme.

Subject to possible reallocation on the basis set forth below, 25,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offer. The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 250,000,000 Shares offered pursuant to the Global Offering, 225,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will be placed with professional, institutional investors and/or other investors in Hong Kong and elsewhere under the International Placing. The International Placing will be offered in Hong Kong and other jurisdictions outside the United States in offshore transactions.

In connection with the Global Offering, our Company has granted to the Sole Lead Manager the Over-allotment Option which is exercisable by the Sole Lead Manager (on behalf of the International Underwriters) no later than 30 days from 15 December 2011, being the last date for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares (representing 15% of the number of Shares initially being offered under the Global Offering) to cover over-allocations in the International Placing. The Sole Lead Manager may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme, the Offer Shares will represent approximately 27.7% of our Company's enlarged issued share capital.

If the Sole Lead Manager decide to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Placing. The International Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the International Placing and the basis of allotment and the levels of applications in the Hong Kong Public Offer are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) or on the website of the Stock Exchange at www.hkexnews.hk or our Company's website at www.chinaweavingmaterials.com on or before 21 December 2011.

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The Hong Kong Public Offer

Our Company is initially offering 25,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the Global Offering, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offer (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription amount of HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription amount of more than HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 12,500,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offer is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 75,000,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offer will be 100,000,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 125,000,000 Shares, representing 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

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In addition, if the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as it deems appropriate. Conversely, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

Guotai Junan Securities (Hong Kong) Limited is the Sole Global Coordinator of the Hong Kong Public Offer which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreement.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

International Placing

Our Company is initially offering 225,000,000 Shares as the International Placing Shares, representing 90.0% of the total number of Shares initially being offered in the Global Offering (subject to the Over-allotment Option), for subscription by way of the International Placing subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer. The International Placing is fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement.

The International Underwriters are soliciting from prospective professional, institutional investors and/or other investors' indications of interest in acquiring International Placing Shares in the International Placing. Prospective professional, institutional investors and/or other investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, individual retail investors should apply for Shares in the Hong Kong Public Offer, as individual retail investors applying for International Placing Shares, including individual retail investors applying through banks and other institutions, will not be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and its shareholders as a whole.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of our Company, conditionally place the International Placing Shares with professional, institutional and/or other investors in Hong Kong and other regions. The International Placing shall be subject to the Global Offering restrictions set out in the section headed "Information about this Prospectus and the Global Offering" in this Prospectus.

The International Placing is conditional on the same conditions as set out in the section "Conditions" above. The total number of International Placing Shares to be sold and transferred or allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section "The Hong Kong Public Offer" above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

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OVER-ALLOTMENT AND STABILISATION

The Over-allotment Option

In connection with the Global Offering, our Company intends to grant to the Sole Lead Manager the Over-allotment Option, which will be exercisable by the Sole Lead Manager (on behalf of the International Underwriters) no later than 30 days from 15 December 2011, being the last date for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, in connection with over-allocations in the International Placing, if any, to be issued and all issued on the same terms and conditions as the Shares subject to be offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent 3.6% of our Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilisation Action

In connection with the Global Offering, the Sole Lead Manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period. Such transactions, if commenced, may be discontinued at any time. The Sole Lead Manager have been or will be appointed as stabilising managers for purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Sole Lead Manager and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. An announcement will be made to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

Following any over-allotment of Shares in connection with the Global Offering, the Sole Lead Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares representing 15% of the Shares initially available under the Global Offering.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Lead Manager (or their affiliate(s)) may choose to borrow Shares from Popular Trend under stock borrowing arrangements or acquire Shares from other sources, or a combination of these means, including exercise of the Over-allotment Option. Such stock borrowing arrangements include the Stock Borrowing Agreement.

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The possible stabilising action which may be taken by the Sole Lead Manager in connection with the Global Offering may involve (among other things): (i) over-allocation of Shares, (ii) purchases of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Lead Manager may, in connection with any stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Lead Manager will maintain such a position;
- liquidation of any such long position by the Sole Lead Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which is expected to expire on 14 January 2012, being the 30th day after the date expected to be the latest date for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.