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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)

CONSTRUCTION OF A NEW WORKSHOP

This announcement is made by China Weaving Materials Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

CONSTRUCTION OF A NEW WORKSHOP

The board of directors (the “**Directors**”) of the Company (the “**Board**”) is pleased to announce that it has approved the construction of a new workshop (the “**Phase 4 Workshop**”) by the wholly owned subsidiary of the Group, Jinyuan Textile Company Limited, Jiangxi (“**Jinyuan**”) on the existing land bank of the Group located at the Industrial Park, Fengxin County, Jiangxi Province, PRC.

The designed production capacity of the Phase 4 Workshop is 50,000 spindles. The total construction area is approximately 20,000 square metres and the construction cost is estimated to be approximately RMB 17 million. Jinyuan will enter into procurement agreements with various equipment suppliers in the PRC and overseas for the production facilities (the “**Agreements**”). The aggregate cost of production equipment involved is expected to be no less than RMB 80 million. Shareholders and potential investors of the Company should note that if any of the Agreements, when entered into, constitutes a notifiable transaction for the Company under Chapter 14 of the Listing Rules, the Company shall comply with the relevant disclosure and/or shareholders’ approval requirements of the Listing Rules, where appropriate. Further announcement(s) will be made by the Company if the relevant Agreements are entered into and the transactions thereunder are notifiable transaction(s) under Chapter 14 of the Listing Rules.

The construction of the Phase 4 Workshop is expected to commence in the third quarter of 2021 and expected to be completed by the third quarter of 2022, with commercial production expected to commence by the fourth quarter of 2022. Depending on the market conditions, the Phase 4 Workshop is expected to produce yarn products under the Group’s existing product portfolio. The investment will be funded partly by internally generated funds and partly by bank loans.

REASONS FOR THE NEW INVESTMENT

The existing production capacity of the Group is approximately 730,000 spindles and the Group has been operating at near full capacity in the past few years. The degree of automation of certain production lines of the Group which were installed in earlier years is not as high as the latest production lines. As the labour cost in the PRC has been increasing and recruitment has been difficult due to the shortage of labour, a higher degree of production automation will achieve cost savings and increase the efficiency of the Group. The Phase 4 Workshop to be constructed will introduce new production lines with a high degree of automation which would achieve cost saving and improvement of efficiency for the Group. Upon the completion and full deployment of the Phase 4 Workshop, certain older production lines of the Group could be released for revamp. Furthermore, the Board is optimistic about the market conditions of the textile market when the pandemic is over. The increased capacity of the Phase 4 Workshop could cater for additional demand should any opportunities arise. Taking into account the abovementioned factors, the Board considers that the investment in the Phase 4 Workshop is in the interest of the Group and the shareholders of the Company as a whole.

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

The PRC, 13 July 2021

As at the date of this announcement, the Board comprises Mr. Zheng Yongxiang as the executive Director; Mr. Zheng Hong as the non-executive Director; and Ms. Zhang Baixiang, Mr. Xu Yiliang and Mr. Li Guoxing as the independent non-executive Directors.