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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Weaving Materials Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED DECLARATION OF FINAL DIVIDEND,
GRANT OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting of China Weaving Materials Holdings Limited to be held at the Conference Room, 2nd Floor, the Office Building, Jinyuan Textile Company Limited, Jiangxi, Fengtian Development Zone, Fengxin County, Jiangxi Province, the PRC, at 10:30 a.m. on Friday, 25 June 2021 is set out on pages N1 to N6 of this circular.

Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and deposit the same with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the commencement of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

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DEFINITIONS

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

“2020 Annual Report”	the annual report of the Company for the financial year ended 31 December 2020 dispatched to the Shareholders in accordance with the Listing Rules
“Adoption Date”	the date on which the New Share Option Scheme is adopted, conditionally or unconditionally by the Company
“Annual General Meeting”	the annual general meeting of the Company to be held at the Conference Room, 2nd Floor, the Office Building, Jinyuan Textile Company Limited, Jiangxi, Fengtian Development Zone, Fengxin County, Jiangxi Province, the PRC, at 10:30 a.m. on Friday, 25 June 2021, or any adjournment hereof
“Articles”	the articles of association of the Company adopted on 3 December 2011
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day(s)”	has the meaning ascribed to it under the Listing Rules
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Eligible Person(s)”	any full time or part time employee (including senior executives, officers and managers), directors (including executive, non-executive and independent non-executive directors) and any consultant(s) of the Company or any of its subsidiaries who, as determined by the Board, have contributed or will contribute to the growth and development of the Group

DEFINITIONS

“Existing Share Option Scheme”	the share option scheme adopted by the Company on 3 December 2011
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that the total number of Shares which may be allotted and issued under the Issue Mandate may be extended by an addition of an amount representing the total number of Shares repurchased under the Repurchase Mandate
“Final Dividend”	the proposed final dividend of HK\$2.0 cents (equivalent to approximately RMB1.66 cents) per Share as recommended by the Board
“Grantee(s)”	any Eligible Person(s) who accept(s) an Offer in accordance with the terms of the New Share Option Scheme, or (where the context so permits) any person(s) who is/are entitled to any Option in consequence of the death of the original Grantee(s) (including without limitation his/her/their legal representative(s))
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with unissued Shares not exceeding 20% of the total number of Shares in issue as at the date of passing the relevant resolution at the Annual General Meeting
“Latest Practicable Date”	17 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which is set out in Appendix III to this circular

DEFINITIONS

“Notice”	the notice convening the Annual General Meeting as set out on pages N1 to N6 of this circular
“Offer”	an offer of the grant of an Option made in accordance with the New Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Person, which must be a business day
“Option(s)”	right(s) to subscribe for Shares pursuant to the New Share Option Scheme
“Option Period”	the period within which an Option shall be exercised, to be notified by the Board to each Grantee in respect of each Option
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase the Shares on the Stock Exchange not exceeding 10% of the total number of Shares in issue as at the date of passing the relevant resolution at the Annual General Meeting
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Premium Account”	the share premium account of the Company, the amount standing to the credit of which was approximately RMB73,903,000 as at 31 December 2020 based on the audited consolidated financial statement of the Company as at that date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per share at which a Grantee may subscribe for Shares on exercise of an Option

DEFINITIONS

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong as amended from time to time
“%”	per cent.

LETTER FROM THE BOARD

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)

Executive Director:

Mr. Zheng Yongxiang

Non-executive Director:

Mr. Zheng Hong (*Chairman*)

Independent non-executive Directors:

Ms. Zhang Baixiang

Mr. Xu Yiliang

Mr. Li Guoxing

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Unit 806, 8/F, Capital Centre

151 Gloucester Road

Wanchai

Hong Kong

25 May 2021

To the Shareholders,

Dear Sir/Madam,

**PROPOSED DECLARATION OF FINAL DIVIDEND,
GRANT OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The primary purpose of this circular is to provide you with information regarding the proposed (i) declaration of the Final Dividend; (ii) grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate (collectively the “**Mandates**”); (iii) the re-election of the retiring Directors; and (iv) the adoption of the New Share Option Scheme; and to seek your approval of the resolutions to these matters at the Annual General Meeting.

LETTER FROM THE BOARD

DECLARATION OF FINAL DIVIDEND

Reference is made to the announcement of the Company dated 30 March 2021 regarding the annual results of the Group for the year ended 31 December 2020.

Subject to approval of the Shareholders at the Annual General Meeting, the Board recommended the payment of the Final Dividend of HK\$2.0 cents (equivalent to approximately RMB1.66 cents) per Share.

As at the Latest Practicable Date, the Company had 1,252,350,000 Shares in issue. Based on the number of issued Shares as at the Latest Practicable Date, the Final Dividend, if declared and paid, will amount to approximately HK\$25,047,000 (equivalent to approximately RMB20,736,000). Subject to the fulfillment of the conditions set out in the section headed “Conditions of the Payment of the Final Dividend out of the Share Premium Account” below, the Final Dividend is intended to be paid out of the Share Premium Account pursuant to Article 134 of the Articles.

As at 31 December 2020, based on the audited consolidated financial statements of the Company, the amount standing to the credit of the Share Premium Account was approximately RMB73,903,000. Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB53,167,000 standing to the credit of the Share Premium Account.

Conditions of the Payment of the Final Dividend out of the Share Premium Account

The payment of the Final Dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

- (a) the passing of the ordinary resolution by the Shareholders declaring and approving the payment of the Final Dividend out of the Share Premium Account pursuant to Article 134 of the Articles; and
- (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Final Dividend is paid, unable to pay its debts as they fall due in the ordinary course of business.

Subject to the fulfillment of the above conditions, it is expected that the Final Dividend will be paid in cash on or about 21 July 2021 to those Shareholders whose names appear on the register of members of the Company at close of business on 7 July 2021, being the record date for determination of entitlements to the Final Dividend.

The conditions set out above cannot be waived. If the conditions set out above are not satisfied, the Final Dividend will not be paid.

LETTER FROM THE BOARD

Reasons for and effect of the Payment of the Final Dividend out of the Share Premium Account

As the business and operations of the Group have generated positive earnings and cash flow, the Board considers it appropriate to distribute the Final Dividend in recognition of the Shareholders' support.

The Company is a holding company and a significant part of the Group's business is carried out through operating subsidiaries of the Company at which level earnings are retained. As such, the Company may not have sufficient retained earnings to pay the Final Dividend at the holding company level. Having taken into account a number of factors including cash flow and financial condition of the Company, the Board considers it appropriate and proposes that the Final Dividend be paid out of the Share Premium Account in accordance with Article 134 of the Articles. The Board considers such an arrangement to be in the interests of the Company and its Shareholders as a whole.

The Board believes that the payment of the Final Dividend will not have any material adverse effect on the financial position of the Group and does not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

ISSUE MANDATE

At the Annual General Meeting, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to exercise the powers of the Company to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of total number of Shares in issue as at the date of passing of the relevant resolution at the Annual General Meeting. As at the Latest Practicable Date, a total of 1,252,350,000 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue a maximum of 250,470,000 Shares.

REPURCHASE MANDATE

At the Annual General Meeting, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, Shares with an aggregate nominal value not exceeding 10% of the total number of Shares in issue as at the date of passing of the relevant resolution at the Annual General Meeting. Subject to the passing of the proposed resolution granting the Repurchase Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 125,235,000 Shares.

LETTER FROM THE BOARD

Under the Listing Rules, the Company is required to give to its Shareholders all information which is reasonably necessary to enable Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the Annual General Meeting. An explanatory statement for such purpose is set out in Appendix I to this circular.

EXTENSION MANDATE

In addition, an ordinary resolution will also be proposed at the Annual General Meeting to extend the Issue Mandate by an addition of an amount representing the total number of Shares repurchased under the Repurchase Mandate.

The Repurchase Mandate and the Issue Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the applicable laws of the Cayman Islands to be held; or (c) revocation or variation by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

RE-ELECTION OF DIRECTORS

Pursuant to Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Pursuant to Article 84(2) of the Articles, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

As such, each of Mr. Zheng Yongxiang and Ms. Zhang Baixiang will retire at the Annual General Meeting and, being eligible, will offer himself/herself for re-election.

Particulars of Mr. Zheng Yongxiang and Ms. Zhang Baixiang are set out in Appendix II of this circular.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme, which became effective on 22 December 2011 and will expire on 21 December 2021, was adopted for the purpose of recognising and acknowledging the contributions that eligible persons had made or may have made to the Group. As at the Latest Practicable Date, no option had been granted under the Existing Share Option Scheme. In view of the upcoming expiry of the Existing Share Option Scheme, the Board recommends the Shareholders to adopt the New Share Option Scheme and terminate the Existing Share Option Scheme subject to and upon adoption of the New Share Option Scheme so that the Company may grant Options to selected Eligible Persons as incentive or reward for their contribution to the Group. According to the terms of the Existing Share Option Scheme, the Company may by resolution in general meeting at any time terminate the Existing Share Option Scheme and in such event no further option shall be offered but the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme.

The New Share Option Scheme is conditional upon:

- (a) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued upon the exercise of the Options under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution to approve and adopt the New Share Option Scheme by the Shareholders at the Annual General Meeting pursuant to the Listing Rules.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme.

Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole. The scheme will provide the Company with flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons. By acquiring ownership interest in the Company, the following principal objectives can be achieved:

- (1) to optimise the performance and efficiency of the Eligible Persons for the benefit of the Group as well as to recruit and retain high caliber personnel for the Group; and
- (2) to align the interests of the Eligible Persons and the Shareholders.

LETTER FROM THE BOARD

Other than employees and directors of the Group, Eligible Persons also include consultants who are not employees of the Group, but who may otherwise contribute to the business affairs, development and growth of the Group. The Company may engage external consultants from time to time who possess certain expertise that is not available within the Group or to provide services for specific projects or tasks. The inclusion of any consultants provides the Board with sufficient flexibility to incentivise and/or reward consultants by granting Options to consultants when needed. The Directors consider that such inclusion is appropriate as the services of such consultants would also contribute to the success of the Group. Accordingly, it is desirable for, and in the interest of, the Company to be able to align the interests and objectives of such parties with those of the Group by granting share options to them, as and when the Directors determine appropriate on a case-by-case basis, in order to promote the Group's business and to maintain good business relationships with such parties.

Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before it can be exercised. Such discretion allows the Board to provide incentives to Grantees to remain employed or engaged with the Group during the minimum period and thereby enabling the Group to benefit from the continued services of such Grantees during such period. This discretion, coupled with the power of the Board to impose any performance target as it considers appropriate before any Option can be exercised, enables the Group to incentivise the Grantees. Subject to the Listing Rules, the Board also has discretion in determining the Subscription Price in respect of any Option. The Directors are of the view that the flexibility given to the Board in granting Options to the Grantees and in particular, imposing minimum holding period and performance targets before an Option can be exercised, and the discretion given to the Board in determining the Subscription Price will place the Group in a better position to attract and retain valuable human resources. This serves the purpose of the New Share Option Scheme.

Value of the Options

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders and to certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the Subscription Price, Option Period, any performance targets set and other relevant variables.

Scheme mandate limit

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme, pursuant to Rule 17.03 of the Listing Rules, the total number of Shares which may be issued upon the exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme. The Board shall not grant any Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company to acquire or subscribe for Shares exceeding, in aggregate, 30% of the total number of Shares in issue from time to time. As at the Latest Practicable Date, there were no outstanding options granted under the Existing Share Option Scheme.

LETTER FROM THE BOARD

Maximum number of Shares

Based on 1,252,350,000 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the number of Shares in issue before the Annual General Meeting, the maximum number of Shares which may be issued upon the exercise of Options to be granted under the New Share Option Scheme are 125,235,000 Shares, being 10% of the number of Shares in issue as at the date of approval of the New Share Option Scheme.

Adoption of the New Share Option Scheme

An ordinary resolution to approve and adopt the New Share Option Scheme will be proposed at the Annual General Meeting. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

A copy of the New Share Option Scheme will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the registered office of the Company at Room 806, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong from the date of this circular until the date of the Annual General Meeting.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the proposed adoption of the New Share Option Scheme and no Shareholder is required to abstain from voting at the Annual General Meeting for approving the New Share Option Scheme.

The Company will comply with all applicable requirements under Chapter 17 of the Listing Rules in respect of the operation of the New Share Option Scheme. As at the Latest Practicable Date, the Company has no plan to grant any Options under the New Share Option Scheme.

Further, as at the Latest Practicable Date, there are no trustees for the New Share Option Scheme.

ANNUAL GENERAL MEETING

The Notice is set out on pages N1 to N6 of this circular.

The 2020 Annual Report incorporating the audited consolidated financial statements of the Group for the year ended 31 December 2020 and the reports of the Directors and the auditor thereon has been dispatched to the Shareholders in accordance with the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and deposit the same with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the commencement of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

VOTING BY POLL AT THE ANNUAL GENERAL MEETING

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the Annual General Meeting will therefore demand a poll for every resolution put to the vote of the Annual General Meeting pursuant to Article 66 of the Articles.

RECOMMENDATION

The Directors believe that the proposed declaration of the Final Dividend, grants of the Mandates, re-election of the retiring Directors named above and adoption of the New Share Option Scheme are in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that the Shareholders vote in favour of the resolutions for approving the declaration of the Final Dividend, the grant of the Mandates, the re-election of the retiring Directors and the adoption of the New Share Option Scheme at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 June 2021.

LETTER FROM THE BOARD

For the purpose of determining the Shareholders who are entitled to the proposed Final Dividend, which is subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Monday, 5 July 2021 to Wednesday, 7 July 2021 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 July 2021.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
For and on behalf of the Board of
China Weaving Materials Holdings Limited
Zheng Hong
Chairman

This Appendix I serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information as to the proposed Repurchase Mandate.

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchase of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 1,252,350,000 Shares in issue. Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 125,235,000 Shares, which represents 10% of the entire issued share capital of the Company as at the date of passing the resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the applicable laws of the Cayman Islands to be held; or
- (iii) revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

3. REASONS FOR THE REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to repurchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders as a whole.

4. FUNDING OF REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for the purpose in accordance with the Articles and the Companies Law.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company (as compared with the financial position of the Company as at 31 December 2020 as disclosed in its latest financial statements contained in the 2020 Annual Report). However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company. The amount of premium payable on a repurchase of Shares may only be paid out of either the profits or out of the share premium of the Company or out of the capital of the Company.

5. SHARE PRICES

The Shares are trading on the Stock Exchange and the highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the following months immediately preceding the Latest Practicable Date are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
May 2020	0.31	0.23
June 2020	0.30	0.21
July 2020	0.31	0.248
August 2020	0.39	0.265
September 2020	0.49	0.37
October 2020	0.48	0.39
November 2020	0.70	0.32
December 2020	0.355	0.32
January 2021	0.50	0.345
February 2021	0.50	0.315
March 2021	0.49	0.44
April 2021	0.48	0.425
1 May 2021 to the Latest Practicable Date	0.48	0.435

6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a Shareholder's proportionate interest in the voting rights of the Company increases when the Company exercises its powers to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 or Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, as far as the Directors are aware, substantial shareholders of the Company having an interest in 10% or more in the issued share capital of the Company are as follows:

Name of Shareholder	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Zheng Hong	Interest in a controlled corporation	514,305,000 ^(Note)	41.07%

Note: These Shares are held by Popular Trend Holdings Limited, the entire issued share capital of which is owned by Mr. Zheng Hong.

As at the Latest Practicable Date, to the best knowledge of the Directors, the controlling shareholders (as defined in the Listing Rules) of the Company, namely Mr. Zheng Hong and Popular Trend Holdings Limited (the "**Controlling Shareholders**"), together control the exercise of 41.07% voting rights in the general meeting of the Company.

In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the attributable interest of the Controlling Shareholders in the Company would increase to approximately 45.63% of the issued share capital of the Company. As a result, Mr. Zheng Hong and Popular Trend Holdings Limited (and persons acting in concert with each of them) may be required to make a mandatory offer under Rule 26 of the Takeovers Code. The Company has no intention to repurchase Shares to such extent as such that an obligation to make a general offer under the Takeovers Code will be triggered.

The Directors will not exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the previous six months preceding the Latest Practicable Date.

8. GENERAL

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates has any present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the regulations set out in the Articles.

No core connected person of the Company has notified the Company that he has a present intention to sell any Shares to the Company nor has any such core connected person undertaken not to sell any Shares held by him to the Company in the event that the Repurchase Mandate is granted.

The details of the Directors eligible and offering themselves for re-election at the Annual General Meeting are set out below:

Mr. Zheng Yongxiang

Zheng Yongxiang (鄭永祥), aged 52, was appointed as an executive Director on 4 May 2011. Mr. Zheng Yongxiang has over 19 years of experience in the textile industry. He has been a director of Jinyuan Textile Company Limited, Jiangxi (“**Jiangxi Jinyuan**”), Jolly Success International Limited, Treasure Resource Corporation Limited, Jiangxi Xinyuan Special Fibres Company Limited (江西鑫源特種纖維有限公司) since 2005, 2011, 2013 and 2014 respectively. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Mr. Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal People’s Government in 2008 and was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 Years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. He was the Chairman of Federation of Industry and Commerce of Fengxin County, Jiangxi Province (江西省奉新縣工商業聯合會) from 2012 to 2015. Mr. Zheng Yongxiang is a representative of Jiangxi Fengxin County People’s Congress (江西省奉新縣人民代表大會). Mr. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Mr. Zheng Yongxiang is the elder brother of Mr. Zheng Hong, the chairman and a non-executive Director.

Save as disclosed above, Mr. Zheng has not held any other directorships in other listed public companies in the past three years and does not hold any other position with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Zheng was interested or deemed to be interested, within the meaning of Part XV of the SFO, in 79,785,200 Shares, representing approximately 6.37% of the issued share capital of the Company. Save as aforementioned, Mr. Zheng was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

Mr. Zheng has entered into a service contract with the Company for a term of three years commencing from 3 December 2020 and may be terminated by not less than three months’ prior notice in writing served by either party on the other. Mr. Zheng’s emoluments recorded in 2020 was approximately RMB1,093,000, including salaries and contribution to pension scheme, with reference to his experience, workload and time devoted to the Group.

Ms. Zhang Baixiang

Zhang Baixiang (張百香), aged 60, was appointed as an independent non-executive Director on 27 November 2014. Ms. Zhang has over 34 years of experience in corporate accounting and taxation. Ms. Zhang has been a corporate accountant in the PRC since 1993 and a PRC tax advisor since 1995. Ms. Zhang held various positions in the National Tax Bureau of the Fengxin County, Jiangxi Province (江西省奉新縣國稅局) including Accountant, Taxation Accountant and Chief Officer from 1982 to 2010. Ms. Zhang graduated with a diploma with specialisation in taxation from the Cadres' Academy of Finance and Management in Jiangxi (江西財經管理幹部學院) in 1987 and with a degree in Economic Management from the Distance Learning Academy of the Central Parties' School (中央黨校函授學院) in 2013.

Save as disclosed above, Ms. Zhang has not held any other directorships in other listed public companies in the past three years and does not hold any other position with the Company and other members of the Group.

As at the Latest Practicable Date, Ms. Zhang was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

Ms. Zhang has signed an appointment letter with the Company for a term of three years commencing on 27 November 2020 and may be terminated by not less than one month's prior notice in writing served by the Company. Ms. Zhang's emoluments recorded in 2020 was approximately RMB88,000 with reference to his experience, workload and time devoted to the Group.

Others

Save as disclosed above, there is no other information relating to the above Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

The following summarises the principal terms of the New Share Option Scheme to be conditionally approved by the Shareholders at the Annual General Meeting but such summary does not form part of, nor is it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material respect with such terms as summarised in this Appendix and the Listing Rules and any other applicable laws.

(A) WHO MAY JOIN

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group, to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (C) below. It is expected that grantees of Options will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the Options granted and in turn benefiting the Company and the Shareholders as a whole.

(B) PURPOSES OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is an incentive scheme to recognise the contributions of the Eligible Persons to the growth of the Group by rewarding and compensating them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group. By acquiring ownership interest in the Company, the following principal objectives can be achieved:

- (1) to optimise the performance and efficiency of the Eligible Persons for the benefit of the Group as well as to recruit and retain high calibre personnel for the Group; and
- (2) to align the interests of the Eligible Persons and the Shareholders.

(C) SUBSCRIPTION PRICE AND ACCEPTANCE PERIOD

The Subscription Price shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date.

APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

Provided that where the Board proposes to grant Options under paragraphs (E)(ii) or (F)(ii) below, the date of the meeting of the Board proposing the relevant grant shall be deemed to be the Offer Date for the purpose of calculating the Subscription Price.

The Eligible Person must accept any such Offer notified to him or her within ten (10) business days from the Offer Date, failing which it shall be deemed to have been declined. Upon acceptance of the Offer, the Grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(D) NUMBER OF SHARES SUBJECT TO THE NEW SHARE OPTION SCHEME

- (i) Subject to the provisions of paragraph (D)(ii) below,
 - (1) the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed ten (10) per cent. (the “**Scheme Mandate Limit**”) of the Shares in issue at the date of approval of the New Share Option Scheme (assuming no further Shares will be issued or repurchased on or prior to the date of approval of the New Share Option Scheme, such ten (10) per cent. shall represent 125,235,000 Shares based on 1,252,350,000 issued Shares as at the Latest Practicable Date) unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph(s) (D)(i)(2) and/or (3) below;
 - (2) the Company may seek approval of the Shareholders in general meetings to refresh the Scheme Mandate Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not exceed ten (10) per cent. of the Shares in issue as at the date of such Shareholders’ approval. The Company must issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders; and
 - (3) the Company may seek separate approval of the Shareholders in general meetings to grant Options over and above the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is then obtained. The Company must issue a circular containing the information required under Note 1 to Rule 17.03(3) of the Listing Rules to the Shareholders in connection with such grant.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

- (ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed thirty (30) per cent. of the Shares in issue from time to time. No option may be granted under the New Share Option Scheme and any other option scheme(s) of the Company if such limit is exceeded.
- (iii) If the Company conducts a share consolidation or subdivision after the 10% limit has been approved by the Shareholders in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

(E) MAXIMUM ENTITLEMENT OF EACH GRANTEE

- (i) Unless the approval of the Shareholders as contemplated under paragraph (E)(ii) below is obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised and outstanding options) in any 12-month period must not exceed one (1) per cent. of the Shares in issue.
- (ii) Where the Board proposes to grant an option to an Eligible Person under the New Share Option Scheme and/or any other share option scheme(s) of the Company and such further grant would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares (a) already issued under all the options previously granted to him or her which have been exercised; (b) issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised; and (c) which were subject to options previously granted to him or her but for the time being having been cancelled in the past 12-month period up to and including the date of such further grant, exceeding one (1) per cent. of the Shares in issue for the time being, such further grant shall be separately approved by the Shareholders in general meetings (with such Eligible Person and his or her close associates (or his or her associates if such Eligible Person is a connected person) abstaining from voting). The relevant requirements under the Note to Rule 17.03(4) of the Listing Rules and other applicable statutory regulations or rules must be complied with.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

(F) MAXIMUM ENTITLEMENT OF EACH GRANTEE WHO IS A CONNECTED PERSON

In addition to the approval of the Shareholder as set out in paragraphs (D)(i) and (E)(ii) above,

- (i) each grant of option to an Eligible Person who is a Director, chief executive or substantial shareholder of the Company or any of their respective associates, under the New Share Option Scheme and any other share option scheme(s) must be approved by the independent non-executive Director(s) (excluding the independent non-executive Director who is the grantee of the option); and
- (ii) where the Board proposes to grant any Option to an Eligible Person who is a substantial Shareholder or an independent non-executive Director or any of their respective associates, and such Option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant:
 - (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
 - (2) having an aggregate value (on the assumption that all such options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, in excess of HK\$5,000,000.00,

such further grant of Options must be approved by the Shareholders. The Company must send a circular to its shareholders containing the information required under Rule 17.04(3) of the Listing Rules. The proposed Grantee, his or her associates and all core connected persons of the Company must abstain from voting at the general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular to be sent to the Shareholders. The Company must comply with Rules 13.40, 13.41 and 13.42 of the Listing Rules. Shareholders' approval as required under Rule 17.04(1) is also required for any change in the terms of Options granted to any Eligible Persons who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

(G) RESTRICTION ON TIME OF GRANT OF OPTIONS, EXERCISE PERIOD AND PERFORMANCE TARGET

Restriction on the time of grant of Options

The Company may not grant any Options after inside information has come to the Company's knowledge, until such inside information has been announced in accordance with the Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of the Company's interim, quarterly, half-year or annual results; and (ii) the deadline for the Company to publish its interim, quarterly, half-year or annual results announcement, and ending on the date of the results announcement. No Options may be granted during any period of delay in publishing a results announcement.

Exercise period

Subject to paragraphs (I), (J), (K) and (L) and unless otherwise determined by the Board and notified to the Grantee on or before the Offer Date, an Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period, subject to any restrictions or conditions on the exercise of the Options as the Board may determine.

The Option Period shall be notified by the Board to each Grantee upon grant of each Option, provided that it shall commence on a date not earlier than the Offer Date and not be more than ten (10) years from the Offer Date.

Performance target

There is no provision in the New Share Option Scheme to require a Grantee to fulfil any performance target or to hold the Option for a certain period before exercising the Option, but the Board may at its absolute discretion and from time to time provide such requirements in the Offer.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

(H) NON-TRANSFERABILITY

An Option shall be personal to the Grantee and shall not be assignable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to determine any outstanding Option or part thereof granted to such Grantee, whereupon the Option outstanding or part thereof shall be deemed to have lapsed.

(I) RIGHTS ON CEASING TO BE AN ELIGIBLE PERSON

- (i) Where the Grantee of an Option ceases to be an Eligible Person for any reason other than his or her death or termination of his or her employment or engagement or cessation of his or her directorship on one or more of the grounds set out in paragraph (P)(v) below, the Grantee may (if the date of cessation of employment or engagement or directorship is on or after the commencement of the Option Period) exercise the Option at any time on or before the date which is three (3) months after the date of cessation, to the extent exercisable as at the date of cessation but not so exercised, which date of cessation shall be the last actual working day with or for the relevant entity whether salary or compensation is paid in lieu or not, and the Board's decision in that regard shall be conclusive.
- (ii) Where the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment or engagement or cessation of his or her directorship set out in paragraph (P)(v) below occurs, the legal personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent not already exercised) within six (6) months from the date of death.

(J) WINDING-UP

In the event a notice is given by the Company to the Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(K) GENERAL OFFER

- (i) If a general offer (whether by way of takeover offer, share repurchase offer or otherwise in a like manner) is made to all the Shareholders (or all Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company shall use its reasonable efforts to procure that such offer is extended to all Grantees (on the same terms, mutatis mutandis, and assuming that such Grantee will become, by exercise of the Options granted to them (to the extent not already exercised), Shareholders). If the general offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee shall be entitled to exercise the Option in full or in part (to the extent not already exercised) at any time within such period as shall be notified by the Company, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to the Companies Law and gives notices in writing to any holders of Shares that he intends to exercise such rights, Options (to the extent not already exercised) shall be and remain exercisable until one (1) month from the date of such notice.

- (ii) If a general offer by way of scheme of arrangement is made to all the Shareholders with the scheme having been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her legal personal representative(s)) may thereafter (but before such time as may be specified by the Company in a notice to the Grantee) exercise the Option to its full extent or to the extent specified in his or her notice to the Company.

(L) COMPROMISE OR ARRANGEMENT WITH MEMBERS OR CREDITORS

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company under the Companies Law, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement and the Grantee may by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two (2) business days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event not later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
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Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued Shares on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) (provided that the Option Period shall accordingly be extended by the length of the period of suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(M) ADJUSTMENT

- (i) Subject to paragraph (M)(ii) below, in the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company while any Option remains exercisable, such corresponding alterations (if any) shall be made to:

- (1) the number of Shares subject to the Options already granted; and/or
- (2) the Subscription Price,

provided that any such alteration shall be made on the basis that:

- (1) the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as it was before such event; and
- (2) the number of issued Shares to which Grantee is entitled as a percentage of the total number of issued Shares after such alteration shall remain the same as that to which he or she was entitled before such alteration,

and provided further that the supplementary guidance issued by the Stock Exchange on 5 September 2005 and other notes or guidance issued by the Stock Exchange from time to time shall be complied with. Any adjustments required under Rule 17.03(13) of the Listing Rules must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). In respect of any such alterations (save those made on a capitalisation issue), an independent financial adviser or the auditors of the Company must confirm to the Directors in writing that such alterations satisfy the requirements set out in the Note to Rule 17.03(13) of the Listing Rules.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

- (ii) For the avoidance of doubt, the issue by the Company of securities as consideration for or in connection with a transaction will not be regarded as a circumstance requiring adjustment.
- (iii) The capacity of the independent financial adviser or the auditors of the Company in paragraph (M)(i) is that of expert and not of arbitrator and its certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

(N) ALTERATION OF RULES

- (i) Subject to paragraph (N)(iii) below, the provisions of the New Share Option Scheme other than those relating to the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” may be altered from time to time in any respect by resolution of the Board. Other specified provisions of the New Share Option Scheme relating to, among other things, the matters set out in Rule 17.03 of the Listing Rules and the definitions of “Eligible Person”, “Grantee” and “Option Period” cannot be altered to the advantage of the Grantees or prospective Grantees save with the prior approval of the Shareholders in general meeting.
- (ii) No alteration of the New Share Option Scheme shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.
- (iii) Any alteration to the terms and conditions of the New Share Option Scheme which is of a material nature or any change to the terms of Options granted shall be approved by the Shareholders, save where such alteration takes effect automatically under the existing terms of the New Share Option Scheme.
- (iv) Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.
- (v) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
SHARE OPTION SCHEME**

(O) RANKING OF THE SHARES

The Shares to be allotted and issued upon exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly will entitle the holders to have the same voting, transfer and other rights, including those arising on liquidation of the Company, and to participate in all dividends or other distributions paid or made on or after the date of allotment of the Shares upon exercise of the Option or, if that date falls on a day when the register of members of the Company is closed, then the first day of the re-opening of the register of members, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date is before the date of allotment of the Shares upon exercise of the Option.

(P) LAPSE OF OPTION

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (I) or (L);
- (iii) subject to the competent court not making an order the effect of which is to prohibit the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph (K)(i);
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (K)(ii);
- (v) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his or her employment or engagement or cessation of his or her directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has become insolvent or has committed an act of bankruptcy or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment or engagement at common law or pursuant to any applicable laws or under the Grantee's service or engagement contract with the relevant entity. A resolution of the Board to the effect that the employment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

**APPENDIX III SUMMARY OF THE PRINCIPAL TERMS OF THE NEW
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- (vi) the date of occurrence of any event(s), if any, whereby the relevant Option will lapse as prescribed under the Offer;
- (vii) subject to paragraph (J), the date of commencement of the winding-up of the Company; and
- (viii) where the Grantee commits a breach of paragraph (H), the date which the Board shall designate in the exercise of the Company's right to determine the Option thereunder.

(Q) CONDITIONS

The New Share Option Scheme is conditional on (i) the passing of the necessary resolution by the Shareholders in general meeting to approve and adopt the New Share Option Scheme; and (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares falling to be issued pursuant to the exercise of Options granted under the New Share Option Scheme.

(R) TERM OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period of ten (10) years commencing from the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the New Share Option Scheme may, however, continue to be exercisable in accordance with their terms of issue, and the provisions of the New Share Option Scheme shall remain in full force and effect in respect thereof.

(S) CANCELLATION OF OPTIONS

Any cancellation of Options granted but not exercised shall require approval of the Board. Where the Board cancels Options and issues new ones to the same Eligible Person, the issue of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (D)(i).

(T) EARLY TERMINATION

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme. In such event, no further Options will be offered but the Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the New Share Option Scheme will remain in full force and effect.

NOTICE OF THE ANNUAL GENERAL MEETING

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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “**Annual General Meeting**”) of China Weaving Materials Holdings Limited (the “**Company**”) will be held at the Conference Room, 2nd Floor, the Office Building, Jinyuan Textile Company Limited, Jiangxi, Fengtian Development Zone, Fengxin County, Jiangxi Province, the PRC, at 10:30 a.m. on Friday, 25 June 2021, to consider and, if thought fit, transact the following business:

ORDINARY BUSINESS

1. to receive and approve the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and the auditor of the Company for the year ended 31 December 2020;
2. to declare a final dividend of HK2.0 cents per ordinary share of HK\$0.10 each in the share capital of the Company (each, a “**Share**”) out of the share premium account of the Company for the year ended 31 December 2020 (the “**Final Dividend**”) to the shareholders of the Company;
3. to re-elect Mr. Zheng Yongxiang as an executive director of the Company;
4. to re-elect Ms. Zhang Baixiang as an independent non-executive director of the Company;
5. to authorise the board of directors of the Company to fix the remuneration of the Company’s directors;
6. to re-appoint RSM Hong Kong as the Company’s auditor and to authorise the board of directors of the Company to fix their remuneration;

and, as additional ordinary business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions (with or without modification);

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7. “THAT:

- (a) subject to paragraph (c) below, pursuant to The Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with the unissued shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements or options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options which might require the exercise of the aforesaid powers after the expiry of the Relevant Period;
- (c) the total number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options and otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under all share option schemes of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (i) 20 per cent. of the total number of Shares in issue as at the date of the passing of this resolution; and
 - (ii) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the total number of Shares repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the total number of Shares in issue as at the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of; or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

8. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase (or agree to repurchase) Shares of HK\$0.10 each in the capital of the Company on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the total number of Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the total number of issued shares as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

- 9. “**THAT** conditional on the passing of resolutions numbered 7 and 8 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution numbered 7 above be and is hereby extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the total number of Shares repurchased or agreed to be repurchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 8 above.”

SPECIAL BUSINESS

and, as special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution (with or without modification);

- 10. **THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any Shares or any part thereof to be issued pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”, the rules of which are summarised in the circular dated 25 May 2021 of the Company and contained in the document marked “A” produced to the Annual General Meeting and for the purposes of identification, signed by the chairman of the Annual General Meeting), the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including without limitation:
 - (a) administering the New Share Option Scheme and granting options under the New Share Option Scheme;

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- (b) modifying and/or amending the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment and the requirements of the Listing Rules;
- (c) issuing and allotting from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme, subject to a maximum amount of 10% of the total number of issued Shares as at the date of approval of the New Share Option Scheme;
- (d) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the New Share Option Scheme; and
- (e) the existing share option scheme adopted by the Company on 3 December 2011 (the “**Existing Share Option Scheme**”) be terminated upon the New Share Option Scheme becoming unconditional such that thereafter no further options shall be offered under and/or pursuant to the Existing Share Option Scheme but the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme.”

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

The PRC, 25 May 2021

As at the date of this notice, the directors of the Company are Mr. Zheng Yongxiang as the executive directors; Mr. Zheng Hong as the non-executive director; Ms. Zhang Baixiang, Mr. Xu Yiliang and Mr. Li Guoxing as the independent non-executive directors.

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 806, 8/F, Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

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Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or, if he is the holder of two or more Shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the Annual General Meeting or any adjournment thereof.
3. For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 June 2021.
4. For the purpose of determining the Shareholders who are entitled to the proposed Final Dividend, which is subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Monday, 5 July 2021 to Wednesday, 7 July 2021 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 July 2021.
5. In relation to proposed resolutions numbered 7 and 9 above, approval is being sought from the Shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Listing Rules.
6. In relation to proposed resolution numbered 8 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase Shares in circumstances which they deem appropriate for the benefit of the Shareholders. An explanatory statement containing the information necessary to enable the Shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to the circular of which this notice of the Annual General Meeting forms part.
7. In the case of joint holders of a Share, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the Annual General Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.