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天虹紡織集團有限公司
TEXHONG TEXTILE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2678)

ISSUE OF US\$200 MILLION 6.500% SENIOR NOTES DUE 2019

Reference is made to the announcement of the Company dated 5 April 2013 in respect of the Notes Issue.

The Board is pleased to announce that on 11 April 2013, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with Deutsche Bank, J.P. Morgan and Standard Chartered Bank in connection with the issue and sale of the Notes in the aggregate principal amount of US\$200 million due 2019.

The estimated net proceeds of the Notes Issue, after deducting the Initial Purchasers' discount, fees, commissions and other estimated expenses payable in connection with the Notes Issue, will amount to approximately US\$195 million. The Company intends to use approximately 50% of the net proceeds of the Notes for capital expenditures and the remaining for working capital and general corporate purposes. Pending application of the net proceeds of the Notes Issue, the Company intends to invest the net proceeds in short-term demand deposits and/or money market instruments.

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility for the listing of the Notes has been received from the Stock Exchange. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

Completion of the Purchase Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Purchase Agreement may be terminated under certain circumstances. As the Purchase Agreement may or may not be completed and the Notes Issue may or may not proceed, shareholders of the Company and prospective investors are reminded to exercise caution when dealing in the shares of the Company.

THE PURCHASE AGREEMENT

Date: 11 April 2013

Parties:

- (a) the Company as the issuer;
- (b) the Subsidiary Guarantors; and
- (c) Deutsche Bank, J.P. Morgan and Standard Chartered Bank as the Initial Purchasers

Deutsche Bank, J.P. Morgan and Standard Chartered Bank are the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes. They are also the Initial Purchasers of the Notes. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Deutsche Bank, J.P. Morgan and Standard Chartered Bank is an independent third party and not a connected person of the Company.

Sale and purchase of the Notes

Subject to the fulfillment of certain conditions precedent under the Purchase Agreement, the Company agrees to issue and sell to the Initial Purchasers, and each of the Initial Purchasers severally agrees to purchase the Notes in the respective principal amounts as set out in the Purchase Agreement.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws. The Initial Purchasers may make an offering of the Notes outside the United States in reliance upon Regulation S under the Securities Act. None of the Notes will be offered to public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

Conditions precedent of the Purchase Agreement

The obligations of the Initial Purchasers to purchase and pay for the Notes are conditional upon, among others:

- (a) the receipt by the Initial Purchasers of the requisite legal opinions, in forms and substances satisfactory to the Initial Purchasers, from legal counsels with respect to laws of the United States, the PRC, Vietnam, the Cayman Islands, the British Virgin Islands, Hong Kong, Macau and Uruguay on the Closing Date;
- (b) the receipt by the Initial Purchasers of the requisite comfort letters, in forms and substances satisfactory to the Initial Purchasers, from the independent accountants of the Company on the date of the Purchase Agreement and on the Closing Date;
- (c) subsequent to the time of execution of the Purchase Agreement, (i) no downgrading shall have occurred in the rating accorded the Notes or any other debt securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries by any nationally recognized statistical rating organization, and (ii) no such organization shall have publicly announced that it has under surveillance or review, or has changed its outlook with respect to, its rating of the Notes or of any other such debt securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries, in each case an announcement with possible negative implications;
- (d) except as disclosed in the offering memorandum for the offering of the Notes, subsequent to 31 December 2012, none of the Company or any of its subsidiaries shall have sustained any loss or interference with respect to its business or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute, slow down or work stoppage or from any legal or governmental proceedings, order or decree, which loss or interference, individually or in the aggregate, has or would be reasonably likely to have a material adverse effect on the general affairs, management, business, condition (financial or otherwise), prospects or results of operations of the Company and its subsidiaries taken as a whole (“**Material Adverse Effect**”);
- (e) the receipt by the Initial Purchasers of the certificate dated the Closing Date signed by the authorized representative of each of Standard & Poor’s Rating Group (“**S&P**”) and Moody’s Investors Service, Inc. (“**Moody’s**”) to the effect that, on the Closing Date, (i) the Notes are rated at least “BB-” by S&P and “Ba3” by Moody’s, and (ii) no notice shall have been given by S&P and Moody’s of any intended or potential downgrading of any rating of the Notes or any review for a possible downward change in any rating of the Notes;
- (f) the receipt of the approval by the Closing Date for the listing of the Notes on the Stock Exchange, subject only to official notice of issuance; and
- (g) the receipt, on or before the Closing Date, by the Initial Purchasers and their counsels of any other certificates and documents as prescribed in the Purchase Agreement.

Termination of the Purchase Agreement

The Purchase Agreement may be terminated by the Initial Purchasers prior to the Closing Date in the event that the Company shall have failed, refused or been unable to perform any obligations or satisfy any conditions on its part to be performed or satisfied under the Purchase Agreement at or prior thereto, or if at or prior to the Closing Date:

- (a) any of the Company or its subsidiaries shall have sustained any loss or interference with respect to its businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute, slow down or work stoppage or any legal or governmental proceeding, which loss or interference, in the sole judgment of the Initial Purchasers, has had or has a Material Adverse Effect, or there shall have been, in the sole judgment of the Initial Purchasers, any event or development that, individually or in the aggregate, has or could be reasonably likely to have a Material Adverse Effect (including without limitation a change in control of the Company or its subsidiaries), except in each case as described in the offering memorandum for the offering of the Notes (exclusive of any amendment or supplement thereto);
- (b) trading in securities of the Company or in securities generally on the New York Stock Exchange, American Stock Exchange, the NASDAQ Global Market, the NASDAQ Global Select Market, the Stock Exchange, the Singapore Exchange Securities Trading Limited, the London Stock Exchange shall have been suspended or materially limited or minimum or maximum prices shall have been established on any such exchange or market;
- (c) a banking moratorium shall have been declared by New York or the United States, United Kingdom, Hong Kong, Singapore or the PRC authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, United Kingdom, Hong Kong, Singapore or the PRC;
- (d) there shall have been (i) an outbreak or escalation of hostilities between the United States and any foreign power, (ii) an outbreak or escalation of any other insurrection or armed conflict involving the United States or any other national or international calamity or emergency, (iii) any material change in the financial markets of the United States, (iv) any material change in the currency exchange rates or the imposition of any material currency exchange controls or (v) a material disruption in securities settlement, payment, or clearance services in the United States, United Kingdom, Hong Kong or Singapore shall have occurred which, in the case of (i), (ii) (iii), (iv) or (v) above and in the sole judgment of the Initial Purchasers, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Notes as contemplated by the offering memorandum for the offering of the Notes; or
- (e) any securities of the Company shall have been downgraded by any nationally recognized statistical rating organization or any such organization shall have publicly announced that it has under surveillance or review, or has changed its outlook with respect to, its ratings of any securities of the Company (other than an announcement with positive implications of a possible upgrading).

Principal terms of the Notes

Notes offered

Subject to conditions to completion, the Company will issue the Notes in the aggregate principal amount of US\$200 million which will mature on 18 January 2019, unless earlier redeemed or repurchased pursuant to the terms thereof.

Offer price

The Offer Price of the Notes will be 99.423% of the principal amount of the Notes.

Interest

The Notes will bear interest from and including 18 April 2013 at the rate of 6.500% per annum, payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2013. The first payment of interest, to be made on 18 July 2013, will be in respect of the period from 18 April 2013 to 18 July 2013.

Ranking of the Notes

The Notes are (1) general obligations of the Company; (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) ranked at least *pari passu* in right of payment the 2011 Notes and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (4) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations; (5) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Indenture) and any unrestricted subsidiary; and (6) effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors to the extent of the value of the assets serving as security therefor.

Events of default

The events of default under the Notes include, among others:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest or additional amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (c) default in the performance or breach of the provisions of certain covenants described in the Indenture or the failure by the Company to make or consummate an offer to purchase in the manner described in the Indenture;
- (d) the Company or any restricted subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the holders of 25% or more in aggregate principal amount of the Notes;

- (e) there occurs with respect to any indebtedness of the Company or any restricted subsidiary having an outstanding principal amount of US\$10 million (or the dollar equivalent thereof) or more in the aggregate for all such indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (i) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (ii) a default in payment of principal of, or interest or premium on, or any other amounts in respect of, such indebtedness when the same becomes due and payable or, as the case may be, after any applicable grace period;
- (f) any final judgment or order for the payment of money in excess of US\$10 million (or the dollar equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any restricted subsidiary and shall not be paid or discharged for a period of 60 days during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against the Company or any significant subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary or for all or substantially all of the property and assets of the Company or any significant subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any significant subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any significant subsidiary (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary or for all or substantially all of the property and assets of the Company or any significant subsidiary or (iii) effects any general assignment for the benefit of creditors; or
- (i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid (other than any Subsidiary Guarantee provided by a Subsidiary Guarantor that is incorporated or established in Vietnam, which is determined to be unenforceable or invalid pursuant to the laws, regulations or rulings of Vietnam or the official position regarding the application or interpretation of such laws, regulations or rulings) or shall for any reason cease to be in full force and effect.

If an event of default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest on the Notes, to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in

the proceeding. In addition, if an event of default (other than an event of default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the holders), may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an event of default specified in clause (g) or (h) above occurs with respect to the Company or any significant subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

Covenants

The Notes and the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability, and the ability of its restricted subsidiaries to, among other things:

- (a) incur or guarantee certain additional indebtedness and issue disqualified or preferred stock;
- (b) declare dividends on its capital stock or purchase or redeem capital stock;
- (c) make investments or other specified restricted payments;
- (d) issue or sell capital stock of restricted subsidiaries;
- (e) guarantee indebtedness of the Company or restricted subsidiaries;
- (f) enter into transactions with shareholders or affiliates;
- (g) create liens;
- (h) enter into sale and leaseback transactions;
- (i) sell assets; and
- (j) engage in any business other than the existing business of the Company and its restricted subsidiaries, or any business ancillary or complementary thereto.

Optional redemption

The Notes may be redeemed in the following circumstances:

- (a) At any time and from time to time on or after 18 January 2017, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 18 January of each of the years indicated below:

Year	Redemption Price
2017	103.250%
2018	101.625%

- (b) At any time prior to 18 January 2017, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
- (c) At any time prior to 18 January 2017, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering of the Company at a redemption price of 106.500% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes shall remain outstanding after each such redemption and any such redemption shall take place within 60 days after the closing of the related equity offering.
- (d) the Company may at its option redeem, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, together with the accrued and unpaid interest (including any additional amounts), if any, to the date fixed by the Company for redemption if, as a result of (i) any change in or amendment to the laws, regulations or rulings of any jurisdiction in which the Company or an applicable Subsidiary Guarantor is organised or resident for tax purposes or any political subdivision or taxing authority thereof or therein, or (ii) any change to the existing official position regarding the application or interpretation of such laws, regulations or rulings, the Company or a Subsidiary Guarantor would be required to pay for additional amounts pursuant to the terms of the Notes, and such requirement cannot be avoided by the taking of reasonable measures by the Company or a Subsidiary Guarantor, *provided* that in the case of any additional amounts payable in respect of withholding taxes imposed by the PRC, the Notes may be redeemed for taxation reasons only if such PRC taxes are imposed at a rate in excess of 10%, and *provided* further that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company or the Subsidiary Guarantor (as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event (as defined in the Indenture), the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of purchase.

Proposed use of proceeds

The estimated net proceeds of the Notes Issue, after deducting the Initial Purchasers' discount, fees, commissions and other estimated expenses payable in connection with the Notes Issue, will amount to approximately US\$195 million. The Company intends to use approximately 50% of the net proceeds of the Notes for capital expenditures and the remaining for working capital and general corporate purposes. Pending application of the net proceeds of the Notes Issue, the Company intends to invest the net proceeds in short-term demand deposits and/or money market instruments.

Listing and rating

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility for the listing of the Notes has been received from the Stock Exchange. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

The Notes are expected to be assigned a rating of "Ba3" by Moody's and "BB-" by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Company.

Completion of the Purchase Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Purchase Agreement may be terminated under certain circumstances. As the Purchase Agreement may or may not be completed and the Notes Issue may or may not proceed, shareholders of the Company and prospective investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2011 Notes”	the US\$200,000,000 7.625% senior notes due 2016 issued by the Company
“Board”	board of Directors
“Closing Date”	18 April 2013 or such other date as shall be agreed between the Company and the Initial Purchasers
“Company”	Texhong Textile Group Limited (天虹紡織集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deutsche Bank”	Deutsche Bank AG, Singapore Branch, one of the joint bookrunners and joint lead managers in respect of the Notes Issue
“Directors”	directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indenture”	the indenture to be entered into between the Company, the Subsidiary Guarantors and the Trustee that specify the terms and conditions of the Notes including the interest rate of the Notes and maturity date
“Initial Purchasers”	Deutsche Bank, J.P. Morgan and Standard Chartered Bank
“J.P. Morgan”	J.P. Morgan Securities plc, one of the joint bookrunners and joint lead managers in respect of the Notes Issue
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Notes”	the 6.500% senior notes to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company
“Offer Price”	99.423% of the principal amount of the Notes, the price at which the Notes will be sold
“PRC”	People’s Republic of China

“Purchase Agreement”	the agreement dated 11 April 2013 entered into between the Company, the Subsidiary Guarantors and the Initial Purchasers in relation to the Notes Issue
“Standard Chartered Bank”	Standard Chartered Bank, one of the joint bookrunners and joint lead managers in respect of the Notes Issue
“Securities Act”	the United States Securities Act of 1933, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantee(s)”	the guarantee(s) of the obligations of the Company under the Indenture and the Notes to be provided by the Subsidiary Guarantor(s) pursuant to the Indenture and the Notes
“Subsidiary Guarantor(s)”	certain subsidiaries of the Company which provide the Subsidiary Guarantee pursuant to the Indenture and the Notes
“Trustee”	DB Trustees (Hong Kong) Limited
“United States”	United States of America
“USD” or “US\$”	United States dollars

By order of the Board
Texhong Textile Group Limited
Hong Tianzhu
Chairman

Hong Kong, 12 April 2013

As at the date of this announcement, the Board comprises the following Directors:

Executive directors:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang
Mr. Tang Daoping
Mr. Gong Zhao

Independent non-executive directors:

Ms. Zhu Lanfen
Prof. Cheng Longdi
Mr. Ting Leung Huel, Stephen