

**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 Texhong Textile Group 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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**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)**

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

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A notice convening the annual general meeting of the Company to be held at 2 p.m. at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on 7 April 2014 is set out on pages 27 to 31 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof to the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Adoption Date”	the date on which the New Share Option Scheme is to be conditionally adopted by ordinary resolution of the Shareholders
“Annual General Meeting”	the annual general meeting of the Company to be held at 2 p.m. at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on 7 April 2014, the notice of which is set out on pages 27 to 31 of this circular, and any adjournment thereof
“Articles”	the articles of association of the Company adopted pursuant to a written resolution passed by the Shareholders on 21 November 2004 and as amended from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Texhong Textile Group Limited 天虹紡織集團有限公司, a company incorporated in the Cayman Islands 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
“Director(s)”	director(s) of the Company
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 21 November 2004
“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 increased by an additional number representing such number of Shares actually repurchased under the Repurchase Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

## DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue or otherwise deal with new Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the Annual General Meeting
“Latest Practicable Date”	28 February 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 Shareholders at the Annual General Meeting
“Option(s)”	option(s) granted or to be granted under the Existing Share Option Scheme or the New Share Option Scheme
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to enable them to repurchase the Shares on the Stock Exchange the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of passing the relevant resolution at the Annual General Meeting
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**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)**

*Executive Directors:*

Hong Tianzhu  
Zhu Yongxiang  
Tang Daoping  
Gong Zhao

*Independent non-executive Directors:*

Ting Leung Huel, Stephen  
Cheng Longdi  
Tao Xiaoming

*Registered office:*

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

*Head office and principal place of  
business in Hong Kong:*

Unit 9, 31st Floor  
Dorset House, Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

7 March 2014

*To the Shareholders*

Dear Sir/Madam

**PROPOSED GRANT OF GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES,  
RE-ELECTION OF DIRECTORS,  
TERMINATION OF EXISTING SHARE OPTION SCHEME AND  
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 resolutions to be proposed at the Annual General Meeting and to give you notice of the Annual General Meeting. Resolutions to be proposed at the Annual General Meeting include, inter alia: (a) ordinary resolutions on the proposed grant of each of the General Mandate, the Repurchase Mandate and the Extension Mandate; and (b) ordinary resolutions relating to the proposed re-election of the Directors, termination of Existing Share Option Scheme and adoption of New Share Option Scheme.

## **LETTER FROM THE BOARD**

### **ISSUE MANDATE**

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be granted the Issue Mandate, i.e. a general and unconditional mandate to allot, issue and deal with new Shares up to 20% of the aggregate nominal share capital of the Company in issue as at the date of passing of the relevant resolution. As at the Latest Practicable Date, a total of 884,681,173 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 176,936,234 Shares.

### **REPURCHASE MANDATE AND EXTENSION MANDATE**

At the Annual General Meeting, an ordinary resolution will also be proposed to give the Directors the Repurchase Mandate, i.e. 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 up to a maximum of 10% of the nominal share capital of the Company in issue as at the date of passing of the relevant resolution. In addition, an ordinary resolution regarding the Extension Mandate will be proposed at the Annual General Meeting to authorise the increase in the total number of new Shares which may be allotted and issued under the Issue Mandate by an additional number representing such number of Shares actually 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 end of the period within which the Company is required by the Companies Law or the Articles to hold its next annual general meeting; or (c) when revoked or varied by ordinary resolution(s) of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

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 the Appendix I to this circular.

### **RE-ELECTION OF DIRECTORS**

According to Article 108(A) of the Articles, at each annual general meeting, one third of the Directors for the time being, or if their number is not three or 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, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general Meeting at which a Director retires may fill the vacated office.

According to Article 108(B) of the Articles, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who

## LETTER FROM THE BOARD

have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

By virtue of Articles 108(A) and 108(B) of the Articles, Mr. Gong Zhao and Mr. Ting Leung Huel, Stephen will retire as Directors at the Annual General Meeting. Mr. Ting Leung Huel, Stephen being eligible, will offer himself for re-election at the Annual General Meeting. Mr. Gong Zhao will not offer himself for re-election at the Annual General Meeting.

According to Article 112 of the Articles, any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company (in the case of the filling of casual vacancy) or the next following annual general meeting of the Company (in the case of an additional Director) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

By virtue of Article 112 of the Articles, the office of Ms. Tao Xiaoming will end at the Annual General Meeting. Ms. Tao Xiaoming, being eligible, will offer herself for re-election at the Annual General Meeting.

According to Code A4.3 of Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by Shareholders. For the reason that Professor Cheng Longdi has served as an independent non-executive Director for more than nine years, he will retire as Director at the Annual General Meeting, and he, being eligible, will offer himself for re-election at the Annual General Meeting.

Particulars of Mr. Ting Leung Huel, Stephen, Ms. Tao Xiaoming and Professor Cheng Longdi are set out in Appendix II to this circular.

### **ADOPTION OF NEW SHARE OPTION SCHEME**

As the Existing Share Option Scheme will soon be expired, the Board proposes the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme for the approval by the Shareholders at the Annual General Meeting.

#### **Existing Share Option Scheme**

The Existing Share Option Scheme was adopted by the Company on 21 November 2004 for a term of 10 years and will be expired on 20 November 2014. Since the adoption of the Existing Share Option Scheme and up to the Latest Practicable Date, no Option has been granted, cancelled or lapsed under the Existing Share Option Scheme.

Under the terms of the Existing Share Option Scheme, the Company may at any time by ordinary resolution in general meeting terminate the operation of the Existing Share Option Scheme. It is proposed that the Existing Share Option Scheme is to be terminated with effect from the close of business of the day on which the resolution is passed by the Shareholders at the Annual General Meeting.

## LETTER FROM THE BOARD

### **New Share Option Scheme**

An ordinary resolution will be proposed at the Annual General Meeting for the approval of the adoption of the New Share Option Scheme with effect from the close of business of the day on which the resolution is passed by the Shareholders 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 at the Company's principal place of business in Hong Kong at Unit 9, 31st Floor, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM.

The purpose of the New Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to the Group. It will enable the Group to reward the employees, the directors and other selected participants for their contributions to the Group and to motivate them to contribute to the development of the Group. Furthermore, the Board believes that the authority given to the Board under the New Share Option Scheme to specify terms and conditions, including the minimum holding period, performance targets and subscription price, in any Option to be granted and to select the appropriate participants, will serve to protect the value of the Company as well as to achieve these purposes of retaining and motivating the participants to contribute to the Group. Accordingly, the Directors consider that it is in the interest of the Company to adopt the New Share Option Scheme.

The New Share Option Scheme will be administered by the Board. None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in such trustee (if any). With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, there are no outstanding options, warrants or convertible securities which entitle the holders to subscribe for the Shares. Assuming that there is no further change in the issued share capital between the period from the Latest Practicable Date to the Adoption Date, based on the issued share capital of the Company of 884,681,173 Shares as at the Latest Practicable Date, the number of Shares issuable pursuant to the New Share Option Scheme on the Adoption Date will be 88,468,117 Shares, representing approximately 10% of the issued share capital of the Company on the Adoption Date. Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the Annual General Meeting, 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 schemes must not in aggregate exceed 10% of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to refresh the 10% limit provided that, inter alia, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any options outstanding and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the issued share capital of the Company from time to time.

## LETTER FROM THE BOARD

### Value of the Options

The Directors consider it inappropriate to disclose the value of options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

### Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (A) the passing of an ordinary resolution to approve and adopt the New Share Option Scheme by the Shareholders in general meeting; and
- (B) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options in accordance with the terms of the New Share Option Scheme.

### Application for listing

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

### ACTIONS TO BE TAKEN

At the Annual General Meeting, ordinary resolutions will be proposed to approve, among other matters, the following:

- (a) the proposed grant of the General Mandate, Repurchase Mandate and Extension Mandate;
- (b) the proposed re-election of Directors; and
- (c) the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

To the best information of the Directors after making reasonable enquiries, no Shareholder is required to abstain from voting for any resolution proposed to be adopted at the Annual General Meeting. A form of proxy for use at the Annual General Meeting is enclosed herewith and published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.texhong.com](http://www.texhong.com). Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48

## **LETTER FROM THE BOARD**

hours before the time for 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 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 72 of the articles of association of the Company. An announcement on the poll vote results will be made by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **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.

### **RECOMMENDATION**

The Directors believe that the proposed grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate, the re-election of Directors, the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme are beneficial to the Company and the Shareholders as a whole.

The Directors believe that an exercise of the Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The Repurchase Mandate 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 exercised when the Directors believe that repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and/or gearing position of the Company compared with that as at 31 December 2013, being the date of its latest audited consolidated financial statements. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing of the Company.

## LETTER FROM THE BOARD

Accordingly, the Directors recommend Shareholders to vote in favour of the ordinary resolutions for approving the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate, the re-election of Directors and the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme at the Annual General Meeting.

### CLOSURE OF REGISTER OF MEMBERS

For determination of the entitlement to attend and vote at the Annual General Meeting, the transfer books and register of members will be closed from 3 April 2014 to 7 April 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on 2 April 2014.

For determination of the entitlement to the proposed final dividend, conditional upon the passing of the resolution approving the declaration of the proposed final dividend at the Annual General Meeting, the transfer books and register of members will be closed from 14 April 2014 to 15 April 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Boardroom Share Registrars (HK) Limited at the address stated above not later than 4:30 p.m. on 11 April 2014.

### GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Texhong Textile Group Limited**  
**Hong Tianzhu**  
*Chairman*

This Appendix I serves as an explanatory statement, as required by the Listing Rules, to provide 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 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 Latest Practicable Date, there were a total of 884,681,173 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 88,468,117 Shares which represents 10% of the aggregate nominal share capital of the Company as at the date of passing such resolution.

## **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 are 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.

## **4. FUNDING OF REPURCHASES**

In repurchasing the Company's securities, the Company may only apply funds legally available for the purpose in accordance with the Company's memorandum of association, the Articles, the Companies Law and other applicable laws of the Cayman Islands.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were 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 position as at 31 December 2013, being the date of its latest audited consolidated financial statements. 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 which in the opinion of the Directors are from time to time appropriate for the Company.

## 5. SHARE PRICES

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

	Highest HK\$	Lowest HK\$
March 2013	7.85	5.35
April 2013	9.24	7.35
May 2013	11.22	8.13
June 2013	12.70	9.03
July 2013	12.96	9.78
August 2013	16.36	12.62
September 2013	14.42	11.44
October 2013	14.72	10.68
November 2013	13.90	10.10
December 2013	12.30	9.74
January 2014	10.94	8.34
February 2014 ( <i>Note</i> )	10.54	8.44

*Note:* up to the Latest Practicable Date

## 6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising 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 (as defined in the Takeovers Code) 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.

On the basis of the respective shareholding held by Mr. Hong Tianzhu, New Green Group Limited, Trade Partner Investments Limited and Wisdom Grace Investments Limited (all being the companies controlled by Mr. Hong Tianzhu and/or Mr. Zhu Yongxiang, two of the substantial shareholders) as at the Latest Practicable Date set out below, the exercise in full of the Repurchase Mandate will not result in any of Mr. Hong Tianzhu, Mr. Zhu Yongxiang, New Green Group Limited, Trade Partner Investments Limited and Wisdom Grace Investments Limited (being presumed parties acting in concert under the Takeovers Code) obliged to make a mandatory offer under Rule 26 of the Takeovers Code. In addition, the Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Name	Number of Shares	Approximate percentage of existing shareholding	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Mr. Hong Tianzhu	5,400,000 Shares (Note 1)	0.61%	0.68%
New Green Group Limited	377,342,400 Shares (Note 2)	42.65%	47.39%
Trade Partner Investments Limited	154,600,000 Shares (Note 3)	17.48%	19.42%
Wisdom Grace Investments Limited	68,000,000 Shares (Note 4)	7.69%	8.54%
Total:		<u>68.43%</u>	<u>76.03%</u>

## Notes:

1. These 5,400,000 Shares were registered in the name of and beneficially owned by Mr. Hong Tianzhu, an executive Director.
2. These 377,342,400 Shares were registered in the name of and beneficially owned by New Green Group Limited, the entire issued share capital of which is beneficially owned by Texhong Group Holdings Limited, a company 100% beneficially owned by Mr. Hong Tianzhu, an executive Director.
3. These 154,600,000 Shares were registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 56.44% by Mr. Hong Tianzhu (an executive Director) through New Green Group Limited, as to 41.81% by Mr. Zhu Yongxiang (an executive Director) through Wisdom Grace Investments Limited, as to 1.10% by Mr. Tang Daoping (an executive Director) and as to 0.65% by Hu Zhiping (senior management of the Company).
4. These 68,000,000 Shares were registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang, an executive Director.

The Directors have no intention to 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) in the six months immediately preceding the Latest Practicable Date.

**8. GENERAL**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have 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 only exercise the power of the Company to make repurchase pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and the regulations set out in the memorandum of association of the Company and the Articles.

No 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 connected person undertaken not to sell any Shares held by him to the Company in the event that the Repurchase Mandate is granted.

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

**Mr. Ting Leung Huel, Stephen aged 60**

Mr. Ting Leung Huel, Stephen was appointed as an independent non-executive Director on 21 November 2004.

Mr. Ting is an accountant in public practice and has more than 30 years' experience in this field. Currently he is the Managing Partner and Director of Messrs Ting Ho Kwan & Chan, Certified Public Accountants (Practising) and Ting Ho Kwan & Chan CPA Limited respectively. Mr. Ting is a member of the 9th & 10th and 11th Chinese People Political & Consultative Conference, Fujian. He is currently an independent non-executive director of six other listed companies in Hong Kong, namely, China SCE Property Holdings Limited (stock code: 01966), Computer and Technologies Holdings Limited (stock code: 00046), Dongyue Group Limited (stock code: 00189), JLF Investment Company Limited (stock code: 00472), Tong Ren Tang Technologies Company Limited (stock code: 01666) and Tongda Group Holdings Limited (stock code: 00698) respectively. He is also a non-executive director of Chow Sang Sang Holdings International Limited (stock code: 00116), a listed company in Hong Kong. He was an independent non-executive director of Minmetals Resources Limited (currently known as MMG Limited) (stock code: 01208) until November 2011. Save as disclosed above, Mr. Ting did not hold directorship in other listed public companies in the last three years.

Mr. Ting entered into an appointment letter dated 21 November 2004 with the Company to act as an independent non-executive Director for an initial term of one year renewable automatically for a successive term of one year each commencing from the next day after expiry of the then current term, unless terminated by not less than three months' in writing at the end of the initial term or at any time thereafter. As at the Latest Practicable Date, he was entitled to an annual director's fee of HK\$240,000 which was determined by reference to his experience, duties and responsibilities.

As at the Latest Practicable Date, Mr. Ting did not have any interest in the shares, underlying shares or debenture in the Company within the meaning of Part XV of the SFO, nor was he related to any other directors, senior management, or substantial or controlling shareholders of the Company.

Notwithstanding that Mr. Ting has served as an independent non-executive Director since November 2004, the Board is satisfied that Mr. Ting is a person of integrity and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the re-election of Mr. Ting as an independent non-executive Director at the Annual General Meeting.

**Ms. Tao Xiaoming, aged 56**

Ms. Tao Xiaoming was appointed as an independent non-executive Director on 3 March 2014.

Ms. Tao Xiaoming is an elected fellow of The Textile Institute, the American Society of Mechanical Engineers, the Royal Academy of Arts and Design and Commerce of the United Kingdom, and has been the Chair Professor in Textile Technology at the Institute of Textiles and Clothing of the Hong Kong Polytechnic University since April 2002. She was elected as the world president of The Textile Institute for a tenure of three years from May 2007. Ms. Tao received a bachelor's degree in textile engineering from China Textile University (中國紡織大學) (currently known as Donghua University (東華大學)) of the PRC in January 1982 and a doctorate degree in textile physics from University of New South Wales in August 1987. From September 1987 to September 1988 and from October 1990 to September 1994, she had been a scientist of the Commonwealth Scientific and Industrial Research Organisation of Australia. From October 1988 to January 1990, she had been a lecturer of Donghua University. Ms. Tao was the recipient of two prestigious individual awards of the field: the honorary fellowship by The Textile Institute in November 2010 and the founder award of the Fiber Society of the United States in November 2013. With five academic monographs, over 600 research papers published and over 20 patents granted, she has been internationally recognised in particular for her pioneering work on smart textiles and clothing and textile engineering such as low-twist yarns, solospun yarns and fabric sensing technology which have been widely applied in the textile industry.

Ms. Tao entered into an appointment letter dated 3 March 2014 with the Company to act as an independent non-executive Director for an initial term of one year renewable automatically for a successive term of one year each commencing from the next day after expiry of the then current term, unless terminated by not less than three months' in writing at the end of the initial term or at any time thereafter. As at the Latest Practicable Date, she was entitled to an annual director's fee of HK\$180,000 which was determined by reference to her experience, duties and responsibilities.

As at the Latest Practicable Date, Ms. Tao did not have any interest in the shares, underlying shares or debenture in the Company within the meaning of Part XV of the SFO, nor was she related to any other Directors, senior management, or substantial or controlling shareholders of the Company. Ms. Tao did not hold directorship in other listed public companies in the last three years.

**Professor Cheng Longdi, aged 54**

Professor Cheng Longdi was appointed as an independent non-executive Director on 21 November 2004.

Professor Cheng obtained a doctorate degree in textile from Donghua University in 2002. Professor Cheng is currently a professor of Department of Textile Engineering, Donghua University and he is also the deputy director of the key laboratory of Textile Science and Technology, Ministry of Education. Professor Cheng is an academic committee member of the cotton textile profession committee of the China Society of Textile Engineering. He is also the

committee member of the expert committee of China Textile Planning Institute of Construction. He was an engineer of the China Textile Academy (formerly known as Textile Academy of Textile Ministry).

Professor Cheng entered into an appointment letter dated 21 November 2004 with the Company to act as an independent non-executive Director for an initial term of one year renewable automatically for a successive term of one year each commencing from the next day after expiry of the then current term, unless terminated by not less than three months' in writing at the end of the initial term or at any time thereafter. As at the Latest Practicable Date, he was entitled to an annual director's fee of HK\$120,000 which was determined by reference to his experience, duties and responsibilities.

As at the Latest Practicable Date, Professor Cheng did not have any interest in the shares, underlying shares or debenture in the Company within the meaning of Part XV of the SFO, nor was he related to any other Directors, senior management, or substantial or controlling shareholders of the Company. Professor Cheng did not hold directorship in other listed public companies in the last three years.

Notwithstanding that Professor Cheng has served as an independent non-executive Director since November 2004, the Board is satisfied that Professor Cheng is a person of integrity and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the reelection of Professor Cheng as an independent non-executive Director at the Annual General Meeting.

## **GENERAL**

There are no other matters concerning any of the above Directors that need to be brought to the attention of the Shareholders in relation to their re-election and there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

*This Appendix summaries the principal terms of the New Share Option Scheme and does not form, nor is 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.*

## NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved and adopted by ordinary resolution of the Shareholders at the Annual General Meeting.

### (a) Purposes of the scheme

The purpose of the New Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the New Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option 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.

### (b) Who may join

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the New Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' option as to his contribution to the development and growth of the Group.

**(c) Maximum number of Shares**

- (aa) The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option scheme of the Group) to be granted under the New Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of approval of the New Share Option Scheme ("**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, the Company may issue a circular to its shareholders and seek approval of its shareholders in general meeting to refresh the General Scheme Limit provided 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 options scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share

option scheme of the Group) previously granted under the New Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

**(d) Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

**(e) Grant of options to connected persons**

- (aa) Any grant of options under the New Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive Directors of the Company (excluding independent non-executive Director who is the grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already

granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

**(f) Time of acceptance and exercise of option**

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Share Option Scheme for the holding of an option before it can be exercised.

**(g) Performance targets**

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the New Share Option Scheme can be exercised.

**(h) Subscription price for Shares and consideration for the option**

The subscription price for Shares under the New Share Option Scheme will be a price determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the

offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

**(i) Ranking of Shares**

(aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members ("**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of the Company from time to time.

**(j) Restrictions on the time of grant of options**

No offer for grant of options shall be made after inside information has come to the Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately before 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 results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

The Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

**(k) Period of the New Share Option Scheme**

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme is adopted.

**(l) Rights on ceasing employment**

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (n) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

**(m) Rights on death, ill-health or retirement**

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

**(n) Rights on dismissal**

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

**(o) Rights on breach of contract**

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the New Share Option Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

**(p) Rights on a general offer, a compromise or arrangement**

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders 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 all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

**(q) Rights on winding up**

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in

liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

**(r) Grantee being a company wholly-owned by eligible participants**

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) sub-paragraphs (l), (m), (n) and (o) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (l), (m), (n) and (o) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

**(s) Adjustments to the subscription price**

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the New Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

**(t) Cancellation of options**

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (c) (cc) and (dd) above.

**(u) Termination of the New Share Option Scheme**

The Company may by resolution in general meeting at any time terminate the New Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

**(v) Rights are personal to the grantee**

An option is personal to the grantee and shall not be transferable or assignable.

**(w) Lapse of option**

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

- (aa) the expiry of the period referred to in paragraph (f);
- (bb) the expiry of the periods or dates referred to in paragraph (l), (m), (n), (o), (p), (q) and (r); and
- (cc) the date on which the Directors exercise the Company's right to cancel the option by reason of a breach of paragraph (v) above by the grantee.

**(x) Others**

- (aa) The New Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the shareholders in general meeting.

- (cc) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (dd) The amended terms of the New Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme shall be approved by the Shareholders in general meeting.

## NOTICE OF ANNUAL GENERAL MEETING



# 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)**

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Texhong Textile Group Limited (“**Company**”) will be held at 2 p.m. at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on 7 April 2014 to consider and, if thought fit, transact the following ordinary businesses:

1. to receive and consider the audited consolidated financial statements and the reports of the directors of the Company and the Company’s auditors for the year ended 31 December 2013;
2. to approve the declaration of a final dividend for the year ended 31 December 2013 of HK\$0.28 per share of HK\$0.10 each in the capital of the Company;
3. to re-elect, each as a separate resolution, the following person as a director of the Company:
  - (a) Mr. Ting Leung Huel, Stephen;
  - (b) Ms. Tao Xiaoming; and
  - (c) Professor Cheng Longdi;

and to authorise the board of directors of the Company to fix the directors’ remuneration;

4. to appoint the Company’s auditors and to authorise the board of directors to fix their remuneration;

and, to consider and, if thought fit, pass the following resolutions (with or without modification):

### ORDINARY RESOLUTIONS

5. “**THAT:**
  - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), the exercise by the directors of Texhong Textile Group Limited (“**Company**”) during the Relevant Period of all the powers of the Company to allot, issue and deal with the unissued shares (each, a “**Share**”) of HK\$0.10 each in the capital

## NOTICE OF ANNUAL GENERAL MEETING

of the Company and to make or grant offers, agreements and 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 (as defined in paragraph (d) below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; 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:
  - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
  - (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

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

- (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 law of the Cayman Islands to be held; or

## NOTICE OF ANNUAL GENERAL MEETING

- (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).”

6. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of Texhong Textile Group Limited (“**Company**”) during the Relevant Period of all powers of the Company to purchase shares (each, a “**Share**”) of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“**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, Chapter 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 aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as defined in paragraph (c) below) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company 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
- (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 law of the Cayman Islands to be held; or

## NOTICE OF ANNUAL GENERAL MEETING

- (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.”
7. “**THAT** conditional on the passing of resolutions numbered 5 and 6 above, the general mandate granted to the directors of Texhong Textile Group Limited (“**Company**”) pursuant to paragraph (a) of resolution numbered 5 above be and it is hereby extended by the addition to the aggregate nominal amount of the 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 aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 6 above.”
8. “**THAT** with effect from the close of business of the day on which this resolution is passed, the existing share option scheme adopted by the Company on 21 November 2004 be and is hereby terminated and cease to have any further effect and the rules of the new share option scheme (“**New Share Option Scheme**”), a copy of which having been produced to the meeting marked “A” and signed by the Chairman for the purpose of identification, be and are hereby approved and adopted to be the share option scheme of the Company and that the directors of the Company be and are hereby authorised to approve any amendments to the rules of the New Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for shares of the Company thereunder and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the New Share Option Scheme and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme.”

Hong Kong, 7 March 2014

For and on behalf of the Board  
**Texhong Textile Group Limited**  
**Hong Tianzhu**  
*Chairman*

*Registered office:*  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*  
Unit 9, 31st Floor  
Dorset House, Taikoo Place  
979 King’s Road  
Quarry Bay  
Hong Kong

## NOTICE OF ANNUAL GENERAL MEETING

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong not later than 48 hours before the time of the above meeting or any adjourned meeting.
3. For the purpose of determining members who are qualified for attending the annual general meeting, the register of members of the Company will be closed from 3 April 2014 to 7 April 2014, both days inclusive, during which no transfer of share will be effected. In order to qualify for attending the annual general meeting, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch register in Hong Kong at the address stated in note 2 above not later than 4:30 p.m. on 2 April 2014 for registration.
4. For the purpose of determining members who are qualified for the proposed final dividend, conditional on the passing of resolution no.2 set out in this notice, the register of members of the Company will be closed from 14 April 2014 to 15 April 2014, both days inclusive, during which no transfer of share will be effected. In order to qualify for the proposed final dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch register in Hong Kong at the address stated in note 2 above not later than 4:30 p.m. on 11 April 2014 for registration.
5. In relation to proposed resolutions numbered 5 and 7 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. The directors wish to state that they will exercise the powers conferred thereby to allot and issue shares of the Company in circumstances which they deem appropriate for the benefit of the Company and its shareholders as a whole.
6. In relation to proposed resolution numbered 6 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances which they deem appropriate for the benefit of the Company and its shareholders as a whole. 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 the Appendix I in this circular of which this notice of the Annual General Meeting forms part.
7. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above 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. 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.