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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)

FINANCE LEASE ARRANGEMENT

DISCLOSEABLE TRANSACTION AND

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 18 March 2014, the Company entered into the Master Lease Agreement with the Lessor, pursuant to which the Lessor shall from time to time lease and the Company shall take on lease the Equipment with not more than five individual leases entered into under the Master Lease Agreement. The leases shall be for a maximum term of 84 months commencing from the date of the Master Lease Agreement for Equipment at the principal lease amount not exceeding US\$50 million. In addition and as one of the conditions precedent for the Lessor to purchase the Equipment and lease the Equipment to the Company, the Company shall also pay the difference between the purchase price of the Equipment and the principal lease amount as Advance Rental Payments, which is expected to amount to approximately US\$23.2 million, together with interest on the lease payment and other fees payable to the Lessor.

As the applicable percentage ratios of the Master Lease Agreement and the transactions contemplated thereunder exceed 5% but less than 25%, the Master Lease Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

FINANCE LEASE ARRANGEMENT

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amount as Advance Rental Payments, which is expected to amount to approximately US\$23.2 million, together with interest on the lease payment and other fees payable to the Lessor.

Set out below are the details of the Master Lease Agreement:

Date of agreement

18 March 2014

Parties

Lessor: the Lessor

Lessee: the Company

Guarantors: Texhong Textile (Hong Kong) Limited, Texhong Textile (Hong Kong) Holdings Limited and Sunray Macao Commercial Offshore Limited, which are all wholly owned subsidiaries of the Company

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Equipment

The aggregate purchase price for the Equipment is expected to be approximately US\$73.2 million. The Equipment shall be purchased by the Lessor from China Texmatech Co., Limited and, as one of the conditions precedent for the Lessor to purchase the Equipment and lease the Equipment to the Company, the Advance Rental Payments, in an amount equal to the difference between the purchase price of the Equipment and the commitment of US\$50 million, will be paid and financed by the Company as advance lease payment, such that after the payment of part of the purchase price by the Company, the principal lease amount under the Master Lease Agreement would not exceed US\$50 million. Any interests, transportation, assembly, duties, taxes, levies and commissioning costs and expenses for the Equipment shall also be borne by the Company. The Equipment shall be relocated by the Company into Vietnam.

Lease period

84 months after the date of the Master Lease Agreement.

Interest

Interest will be charged on the lease payment at the rate of LIBOR plus 2.75% per annum.

Lease payments

The Company shall pay the lease payment and interest by instalments every six months and three months respectively commencing from the commencement date of the individual leases provided that the Lessor shall have the right to adjust the period of the first instalment such that the rental periods of all individual leases may end on the same date.

Other fees

The Company shall pay to the Lessor a commitment fee, an arrangement fee and all costs and expenses incurred by the Lessor in connection with the negotiation, preparation, printing and execution of the Master Lease Agreement and other transaction documents.

The lease payments and other fees were determined after arm's length negotiations between the Lessor and the Company with reference to the prevailing market practice.

Equipment ownership

During the lease period, the ownership of the Equipment belongs to the Lessor. The Company shall have the option to purchase the Equipment at the price of US\$1 on the last day of the lease period if any and all outstanding amounts under the Master Lease Agreement and other transaction documents have been paid by the Company and no event of default has occurred and is continuing on the last day of the lease period.

Guarantee

Texhong Textile (Hong Kong) Limited, Texhong Textile (Hong Kong) Holdings Limited and Sunray Macao Commercial Offshore Limited, which are all wholly owned subsidiaries of the Company, have agreed to guarantee the payment obligations of the Company arising under the Master Lease Agreement.

REASONS AND BENEFITS FOR THE FINANCE LEASE ARRANGEMENT

The Equipment will be used by the Group for expansion of its production capacity in Vietnam as part of the Group's development plan. The Directors are of the view that the Master Lease Agreement would broaden the Company's financing channels, and would allow the Group to optimize its asset and debt structure through increasing the percentage of long term loan of the Group.

The Directors are of the view that the terms of the Master Lease Agreement are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacturing and sale of yarn, grey fabrics and garment fabrics.

INFORMATION OF THE LESSOR

The Lessor, Australia And New Zealand Banking Group Limited, is engaged in banking and financial services.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios of the Master Lease Agreement and the transactions contemplated thereunder exceed 5% but less than 25%, the Master Lease Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

The Master Lease Agreement contains an undertaking that the Company shall ensure and procure that Mr. Hong Tianzhu, the chairman and an executive Director, shall remain the chairman of the Company. A breach of such requirement will constitute an event of default under the Master Lease Agreement, and as a result, the Lessor shall have the right to, among others, cancel and terminate the Master Lease Agreement and any lease thereunder, demand that the Equipment be returned to the Lessor and declare that all amounts accrued or outstanding under the Master Lease Agreement to be immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other banking/credit facilities available to the Group and, as a possible consequence, these other facilities may also be declared to be immediately due and payable.

As at the date of this announcement, Mr. Hong Tianzhu and his associates together own approximately 60.74% of the voting share capital of the Company. Mr. Hong is a controlling shareholder of the Company for the purpose of the disclosure obligation under Rule 13.18 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions will, unless the context requires otherwise, have the following meanings:

“Advance Rental Payments”	an amount equal to the purchase price of the Equipment minus the commitment of approximately US\$50 million under the Master Lease Agreement, as notified by the Lessor to the Company under the Master Lease Agreement, which is expected to amount to approximately US\$23.2 million
“Board”	the board of Directors
“Company”	Texhong Textile Group Limited, a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Equipment”	various textile equipment, and includes any accessories, replacements, additions, improvements, attachments, tools, spare parts and any other items to be used with such equipment, which are to be leased by the Lessor to the Company under the Master Lease Agreement
“Group”	the Company and its subsidiaries
“Lessor”	Australia And New Zealand Banking Group Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Agreement”	the master lease agreement dated 18 March 2014 and entered into between the Lessor as lessor, the Company as lessee and certain subsidiaries of the Company as guarantors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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. Tao Xiaoming
Prof. Cheng Longdi
Mr. Ting Leung Huel, Stephen

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

Hong Kong, 18 March 2014