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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)

CONNECTED TRANSACTION

ACQUISITION OF LAND USE RIGHT IN VIETNAM FOR CONSTRUCTION OF PRODUCTION BASE

The Board announces that on 21 January 2015, Haiha Industrial Park and Texhong Galaxy entered into the Agreement in relation to the Transaction. The Land will be used for constructing production base of the Group in Quang Ninh Province, Vietnam for the manufacture of yarn.

Haiha Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman of the Group and an executive Director. The entering into of the Agreement between Haiha Industrial Park and Texhong Galaxy therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios in respect of the Transaction are less than 5%, pursuant to Chapter 14A of the Listing Rules, the Transaction is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 21 January 2015, Haiha Industrial Park and Texhong Galaxy entered into the Agreement in relation to the Transaction. The Land will be used for constructing production base of the Group in Quang Ninh Province, Vietnam for the manufacture of yarn.

THE AGREEMENT

Date

21 January 2015

Parties

- (a) Haiha Industrial Park as transferor; and
- (b) Texhong Galaxy as transferee.

Haiha Industrial Park was established in Vietnam and is ultimately owned by Mr. Hong Tianzhu, the chairman of the Group and an executive Director as to 78% and Mr. Zhu Yongxiang, the co-chief executive officer of the Group and an executive Director as to 22%. Haiha Industrial Park is principally engaged in infrastructure development.

Consideration and payment terms

The Consideration of VND210,020,175,000 (equivalent to approximately RMB61.1 million) was calculated based on VND933,423 (equivalent to approximately RMB272) per square metre of the Land, which was determined after arm's length negotiation between Haiha Industrial Park and Texhong Galaxy with reference to the prevailing market price of the land around the area.

The Consideration shall be paid in cash and shall be settled by the Group in the following manner:

- (i) 65% of the Consideration, being VND136,513,113,750 (equivalent to approximately RMB39.7 million) shall be paid within ten days after entering into the Agreement and the delivery of the Land; and
- (ii) 35% of the Consideration, being VND73,507,061,250 (equivalent to approximately RMB21.4 million) shall be paid within ten days from the issuance of land use right certificate by the relevant governmental bureau to Texhong Galaxy in respect of the Land.

The Consideration will be financed by the internal resources of the Group.

Other principal terms of the Agreement

Under the Agreement, Haiha Industrial Park shall warrant that the Land is free of any dispute or encumbrances.

Haiha Industrial Park shall deliver the Land to Texhong Galaxy by the end of January 2015 (or such other date as shall be agreed between the parties).

INFORMATION OF THE LAND

The Land is located at Texhong Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 225,000 square meters. The land use right is for a term until 24 April 2064. The Land will be used for constructing the production base of the Group for the manufacture of yarn. The original cost of the Land is approximately VND826,000 (equivalent to approximately RMB240) per square meter, which mainly comprised of the fees paid to the government of Hai Ha District, Quang Ninh Province, Vietnam by Haiha Industrial Park, the cost of resumption and the cost of construction of the infrastructure on the Land.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

The Directors believe that the Transaction is in line with the strategy of the Group to improve its profitability by, among others, fully leverage the cost advantages in Vietnam. In addition, Texhong Galaxy will also be able to enjoy certain tax incentives by operating its production base on the Land. It is expected that construction of the first phase of the new production base on the Land will be completed by end of 2015 and commercial production will commence by the first quarter of 2016.

The Directors (including the independent non-executive Directors) are of the view that the terms of Transaction are on normal commercial terms and fair and reasonable as far as the Company and the Shareholders are concerned and thus the Transaction is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Haiha Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman of the Group and an executive Director. The entering into of the Agreement between Haiha Industrial Park and Texhong Galaxy therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios in respect of the Transaction are less than 5%, pursuant to Chapter 14A of the Listing Rules, the Transaction is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Hong Tianzhu and Mr. Zhu Yongxiang had material interests in the Transaction and have abstained from voting on the board resolution. Save as disclosed above, none of the Directors had a material interest in the Transaction.

DEFINITIONS

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

“Agreement”	the agreement dated 21 January 2015 and entered into between Haiha Industrial Park as transferor and Texhong Galaxy as transferee in relation to the Transaction
“associate”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Texhong Textile Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	VND210,020,175,000 (equivalent to approximately RMB61.1 million), being the consideration for the Transaction
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Haiha Industrial Park”	Texhong Haiha Industrial Park Vietnam Company Limited (越南天虹海河工業區有限公司), a company established in Vietnam which is ultimately owned by Mr. Hong Tianzhu, the chairman of the Group and an executive Director as to 78% and Mr. Zhu Yongxiang, the co-chief executive officer of the Group and an executive Director as to 22%
“Land”	a parcel of industrial land located at Texhong Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 225,000 square meters and the infrastructure erected thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Texhong Galaxy”	Texhong Galaxy Technology Limited (天虹銀河科技有限公司), a company established in Vietnam and an indirect wholly-owned subsidiary of the Company
“Transaction”	the acquisition of the land use right and infrastructure of the Land pursuant to the Agreement
“VND”	Vietnamese dong, the lawful currency of Vietnam

For the purpose of this announcement, the exchange rate of RMB1.00 = VND3,435 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in RMB and VND have been, could have been or may be converted at such rate or any other exchange rate.

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

Hong Kong, 21 January 2015

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

Executive directors:

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

Independent non-executive directors:

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