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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 **SUBSCRIPTION OF SHARES IN A CONNECTED SUBSIDIARY**

The Board announces that on 17 December 2015, Celestial Ease has allotted and issued, and Prosperous Time, a wholly owned subsidiary of the Company, and Weide Global have subscribed for 6,818 shares and 735 shares respectively, of US\$1 each in Celestial Ease at the Subscription Price of US\$10,792,260 and US\$1,172,556 respectively.

Celestial Ease is a connected person of the Company by virtue of its being a connected subsidiary which was indirectly owned as to 85% by the Company and 15% by Mr. Ji, an executive Director, before the Subscription. Mr. Ji is a connected person of the Company by virtue of his being an executive Director. The Subscription therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Subscription was made by Prosperous Time and Weide Global in the share capital of Celestial Ease on the same day. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Subscription will be aggregated and treated as one transaction. As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription, on an aggregated basis, exceed 0.1% but are less than 5%, the Subscription constituted a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUBSCRIPTION OF SHARES

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The Subscription Price was determined with reference to the potential investments and the working capital needs of Celestial Ease and the proportion of the respective shareholding of Prosperous Time and Weide Global in Celestial Ease.

Celestial Ease was incorporated in the BVI and was indirectly owned as to 85% by the Company and 15% by Mr. Ji, an executive Director, respectively, before the Subscription. Following the Subscription, Celestial Ease is indirectly owned as to 90.2% by the Company and 9.8% by Mr. Ji. It is principally engaged in investment holding.

Weide Global was incorporated in the BVI and is wholly owned by Mr. Ji. It is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

The Celestial Ease Group is principally engaged in the downstream textile business. It is the business development plan of the Celestial Ease Group to invest in the downstream textile business in Vietnam. Application has been made for the requisite licence and approvals as required by the Vietnamese government for such investment. The total investment amount is anticipated to be more than RMB300 million and capital injection from shareholders to enable the Celestial Ease Group to meet its cash flow needs is required. By increasing its shareholding in Celestial Ease by way of Subscription, the Group will be able to better support the business development, capture such investment opportunity and to share a larger portion of the financial result of the Celestial Ease Group.

Based on the unaudited consolidated management accounts of Celestial Ease as at 30 November 2015, the net deficit of Celestial Ease Group was approximately RMB4,600,000. Based on the unaudited consolidated management accounts of Celestial Ease for the period commencing from its date of incorporation on 12 May 2015 up to 30 November 2015, the net loss of Celestial East Group since its incorporation up to 30 November 2015 was approximately RMB4,600,000.

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

LISTING RULES IMPLICATIONS

Celestial Ease is a connected person of the Company by virtue of its being a connected subsidiary which was indirectly owned as to 85% by the Company and 15% by Mr. Ji, an executive Director, before the Subscription. Mr. Ji is a connected person of the Company by virtue of his being an executive Director. The Subscription therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Subscription was made by Prosperous Time and Weide Global in the share capital of Celestial Ease on the same day. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Subscription will be aggregated and treated as one transaction. As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription, on an aggregated basis, exceed 0.1% but are less than 5%, the Subscription

constituted a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ji had material interests in the Subscription and has abstained from voting on the board resolution. Save as disclosed above, none of the Directors had a material interest in the Subscription.

Following the Subscription, Celestial Ease has ceased to be a connected subsidiary of the Company.

DEFINITIONS

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

“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Celestial Ease”	Celestial Ease Holdings Limited (天逸控股有限公司), a company incorporated in the BVI which was indirectly owed as to 85% by the Company and 15% by Mr. Ji before the Subscription
“Celestial Ease Group”	Celestial Ease and its subsidiaries
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ji”	Mr. Ji Zhongliang, an executive Director
“PRC”	the People's Republic of China
“Prosperous Time”	Prosperous Time Holdings Limited (好景創投有限公司), a company incorporated in the BVI, a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“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
“Subscription”	the subscription of 6,818 shares and 735 shares of US\$1 each in Celestial Ease by Prosperous Time and Weide Global, respectively
“US\$”	United States dollars, the lawful currency of the United States
“Vietnam”	the Socialist Republic of Vietnam
“Weide Global”	Weide Global Limited (偉德環球有限公司), a company incorporated in the BVI and is wholly owned by Mr. Ji
“%”	per cent.

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

Hong Kong, 17 December 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
Mr. Hui Tsz Wai
Mr. Ji Zhongliang

Independent non-executive directors:

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