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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)**

**CONTINUING CONNECTED TRANSACTIONS**  
**POWER MASTER SUPPLY AGREEMENT**

Reference is made to the announcements of the Company dated 21 January 2015 and 5 November 2015 in relation to the acquisition of land use rights in Vietnam for the construction of production base.

The Board announces that on 28 January 2016, Texhong Industrial Park and Texhong Galaxy entered into the Agreement pursuant to which Texhong Industrial Park shall provide and supply electricity to Texhong Galaxy for its use on the Land for a term of three years with effect from 28 January 2016.

Texhong Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman and an executive Director of the Company. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the transactions contemplated under the Agreement are expected to be less than 5% but the total consideration (on an annual basis) is expected to be more than HK\$3,000,000, the provision and supply of electricity under the Agreement will be subject to the reporting, announcement and annual review requirements, but exempt from the independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

**INTRODUCTION**

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## **PRINCIPAL TERMS OF THE AGREEMENT**

### **Date**

28 January 2016

### **Parties**

- (a) Texhong Industrial Park as supplier; and
- (b) Texhong Galaxy as customer.

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

### **Fees**

Texhong Industrial Park shall procure the supply of electricity to Texhong Galaxy at government-prescribed prices in accordance with its registered use. Texhong Galaxy shall maintain a bank guarantee in the sum of VND8,143,000,000 in favour of Texhong Industrial Park during the term of the Agreement and up to at least one month upon termination of the Agreement. Such bank guarantee shall be cancelled within two days upon early termination of the Agreement. The fees payable by Texhong Galaxy shall be settled every ten days and shall be payable within seven days after the date of the relevant invoice issued by Texhong Industrial Park.

### **Term and termination**

The Agreement shall have a term of three years commencing from 28 January 2016, unless terminated earlier upon ten days' written notice by either party.

### **Proposed annual caps**

The Directors anticipate that the aggregate annual fee payable by Texhong Galaxy to Texhong Industrial Park under the Agreement shall not exceed RMB79 million (equivalent to approximately HK\$93.7 million), RMB107 million (equivalent to approximately HK\$126.9 million) and RMB112 million (equivalent to approximately HK\$132.8 million) for the years ending 31 December 2016, 31 December 2017 and 31 December 2018, respectively. These annual caps have been estimated by the Directors (i) by reference to the Group's estimated demand for supply of electricity for the manufacture of yarns and grey fabrics for each of the years ending 31 December 2016, 31 December 2017 and 31 December 2018, respectively; and (ii) on the assumption that the sourcing costs for the electricity service will increase at an annual inflation rate of 5%.

### **Reasons for and benefits of the continuing connected transactions**

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

As the fees will be based on the actual usage by Texhong Galaxy as determined by separate meters for measuring the amount of electricity consumed by Texhong Galaxy at government-prescribed prices, the Directors consider that it would be for the commercial benefit of the Group to source electricity service from Texhong Industrial Park instead of incurring capital expenditure or additional cost for construction of its own facility.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Agreement have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Agreement and the annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Texhong Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman and an executive Director of the Company. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the transactions contemplated under the Agreement are expected to be less than 5% but the total consideration (on an annual basis) is expected to be more than HK\$3,000,000, the provision and supply of electricity under the Agreement will be subject to the reporting, announcement and annual review requirements, but exempt from the independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

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

## **DEFINITIONS**

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

“Agreement”	the power master supply agreement dated 28 January 2016 and entered into between Texhong Industrial Park as supplier and Texhong Galaxy as customer in relation to the provision and supply of electricity
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Texhong Textile Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	two parcels of industrial land located at Hai Ha District of Quang Ninh Province in Vietnam with a site area of approximately 225,000 square meters and 215,000 square meters, respectively, and the infrastructure erected thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“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
“Texhong Industrial Park”	Texhong Industrial Park Vietnam Limited (天虹工業園區越南有限公司) (formerly known as 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 and an executive Director of the Company as to 78% and Mr. Zhu Yongxiang, the co-chief executive officer and an executive Director of the Company as to 22%
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese dong, the lawful currency of Vietnam
“%”	per cent.

*For the purpose of this announcement, the exchange rates of HK\$1.00 = RMB0.8434 and RMB1.00 = VND3,403 have been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, RMB and VND have been, could have been or may be converted at such rates or any other exchange rate.*

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

Hong Kong, 28 January 2016

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