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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**

Reference is made to the announcements of the Company dated 21 January 2015 and 5 November 2015.

The Board announces that on 13 April 2016, Texhong Industrial Park and Texhong Dyeing entered into the Agreement in relation to the Transaction. The Land will be used for the construction of a production base in Quang Ninh Province, Vietnam for the Group's textile dyeing and finishing investment project.

Texhong Industrial Park is a connected person of the Company by virtue of it being an associate of Mr. Hong Tianzhu, the chairman of the Group and an executive Director. Therefore, the entry into of the Agreement by and between Texhong Industrial Park and Texhong Dyeing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 5 November 2015, Texhong Industrial Park and Texhong Galaxy entered into the November Agreement in relation to the November Transaction. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the November Transaction and the Transaction will be aggregated and treated as one transaction. As all the applicable percentage ratios in respect of the November Transaction and the Transaction in aggregate 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

Reference is made to the announcements of the Company dated 21 January 2015 and 5 November 2015.

The Board announces that on 13 April 2016, Texhong Industrial Park and Texhong Dyeing entered into the Agreement in relation to the Transaction. The Land will be used for the construction of a production base in Quang Ninh Province, Vietnam for the Group's textile dyeing and finishing investment project.

THE AGREEMENT

Date

13 April 2016

Parties

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

Texhong 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%. Texhong Industrial Park is principally engaged in infrastructure development.

Consideration and payment terms

The Consideration of VND133,086,240,000 (equivalent to approximately RMB38.8 million) was calculated based on VND1,080,000 (equivalent to approximately RMB315) per square meter of the Land, which was determined after arm's length negotiation between Texhong Industrial Park and Texhong Dyeing 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) 30% of the Consideration, being VND39,925,872,000 (equivalent to approximately RMB11.6 million) shall be paid within ten days after entering into the Agreement;
- (ii) 60% of the Consideration, being VND79,851,744,000 (equivalent to approximately RMB23.3 million) shall be paid within ten days after the delivery of the Land; and
- (iii) 10% of the Consideration, being VND13,308,624,000 (equivalent to approximately RMB3.9 million) shall be paid within ten days from the submission of application to the relevant governmental bureau for land use right certificate to be issued to Texhong Dyeing 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, Texhong Industrial Park shall assist Texhong Dyeing on the application for land use right certificate and warrant that the Land shall be free of any dispute or encumbrances.

Texhong Industrial Park shall deliver the Land to Texhong Dyeing by the end of April 2016 (or such other date as shall be agreed between the parties).

INFORMATION OF THE LAND

The Land is located at Texhong Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 123,228 square meters. The land use right is for a term until 24 April 2064. The Land will be used for the construction of a production base for the Group's textile dyeing and finishing investment project. The original cost of the Land is approximately VND860,000 (equivalent to approximately RMB250) per square meter, which mainly comprised the fees paid to the government of Hai Ha District, Quang Ninh Province, Vietnam by Texhong 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 manufacture and sale of yarn, grey fabrics and garment fabrics as well as garments.

It is the Group's plan to expand its downstream business to provide an integrated platform in Vietnam by leveraging the cost advantages in Vietnam. As such, the Land is intended to be used for the construction of a dyeing factory with estimated annual capacities of 40 million meters of woven dyed fabrics. Construction of the above factory shall commence in 2016, and it is expected that the Group shall begin its phase one of full integrated industrial chain production in 2017. The Directors believe that the building of an integrated platform will alleviate the fluctuation in the profitability of the Group through in-depth industrial development.

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

LISTING RULES IMPLICATIONS

Texhong Industrial Park is a connected person of the Company by virtue of it being an associate of Mr. Hong Tianzhu, the chairman of the Group and an executive Director. Therefore, the entry into the Agreement by and between Texhong Industrial Park and Texhong Dyeing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 5 November 2015, Texhong Industrial Park and Texhong Galaxy entered into the November Agreement in relation to the November Transaction. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the November Transaction and the Transaction will be aggregated and treated as one transaction. As all the applicable percentage ratios in respect of the November Transaction and the Transaction in aggregate 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 approving the Transaction. 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 13 April 2016 and entered into between Texhong Industrial Park as transferor and Texhong Dyeing as transferee in relation to the Transaction
“associate”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“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”	VND133,086,240,000 (equivalent to approximately RMB38.8 million), being the consideration for the Transaction
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Land”	a parcel of industrial land located at Texhong Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 123,228 square meters and the infrastructure erected thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“November Agreement”	the agreement dated 5 November 2015 and entered into between Texhong Industrial Park as transferor and Texhong Galaxy as transferee in relation to the November Transaction
“November Land”	a parcel of industrial land located at Texhong Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 215,000 square meters and the infrastructure erected thereon
“November Transaction”	the acquisition of the land use right of the November Land pursuant to the November Agreement

“RMB”	Renminbi, the lawful currency of 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 Dyeing”	Texhong Dyeing And Printing Vietnam Limited (越南天虹染整責任有限公司), a company established in Vietnam and an indirect non-wholly-owned subsidiary of the Company
“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 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%
“Transaction”	the acquisition of the land use right of the Land pursuant to the Agreement
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese dong, the lawful currency of Vietnam
“%”	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = VND3,432 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, 13 April 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