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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)

**PLACING OF EXISTING SHARES AND
TOP-UP SUBSCRIPTION OF NEW SHARES**

Placing Agents



On 12 October 2016 (after trading hours), the Placing Agreement was entered into among the Vendor, the Company and the Placing Agents, pursuant to which each of the Placing Agents has agreed to place, on a best effort basis, up to 30,318,827 Placing Shares held by the Vendor to not less than six independent third parties who are independent of and not connected with the Vendor and any party acting in concert with it, the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, at HK\$9.50 per Placing Share.

Under the Subscription Agreement dated 12 October 2016 and entered into between the Vendor (as subscriber) and the Company, the Vendor has conditionally agreed to subscribe for the Subscription Shares (the number of which shall be equivalent to the number of the Placing Shares actually sold by the Vendor under the Placing) at HK\$9.50 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “Conditions of the Subscription”.

This price represents (i) a discount of approximately 8.65% to the closing price of HK\$10.40 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 9.18% to the average closing price of approximately HK\$10.46 per Share as quoted on the Stock Exchange for the last five trading days immediately before the Last Trading Day and (iii) a discount of approximately 8.57% to the average closing price of approximately HK\$10.39 per Share as quoted on the Stock Exchange for the last ten trading days immediately before the Last Trading Day.

The Placing Shares represent approximately 3.43% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 3.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor (through itself and its controlled corporation, Trade Partner Investments Limited) will decrease from 61.57% to 58.14% immediately after completion of the Placing and will increase to approximately 59.53% immediately after completion of the Subscription.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 18 April 2016. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Assuming that the Placing Shares are fully placed under the Placing, the gross proceeds and net proceeds from the Subscription are estimated to be approximately HK\$288 million and HK\$281 million respectively. The Company intends to retain the net proceeds as capital expenditure required for the Group's projects in Vietnam and as general working capital of the Group.

THE PLACING

The Placing Agreement dated 12 October 2016 was entered into by and among the Vendor, the Company and the Placing Agents after trading hours.

Vendor:

The Vendor is a company incorporated in the British Virgin Islands which is indirectly wholly owned by Mr. Hong Tianzhu. Mr. Hong Tianzhu is the chairman of the Board and an executive Director.

The Vendor is a controlling Shareholder of the Company (within the meaning of the Listing Rules) which is interested in 544,742,400 Shares (including the Placing Shares) through itself and its controlled corporation, Trade Partner Investments Limited, representing 61.57% of the existing issued share capital of the Company as at the date of this announcement.

Placing Agents:

- (i) DBS; and
- (ii) China Galaxy.

Number of Placing Shares:

Each of the Placing Agents has agreed to procure, on a best effort basis, placees for the purchase of up to 30,318,827 Shares owned by the Vendor, representing 3.43% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 3.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Placing price:

HK\$9.50 per Placing Share.

This price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agents with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 8.65% to the closing price of HK\$10.40 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 9.18% to the average closing price of approximately HK\$10.46 per Share as quoted on the Stock Exchange for the last five trading days immediately before the Last Trading Day; and (iii) a discount of approximately 8.57% to the average closing price of approximately HK\$10.39 per Share as quoted on the Stock Exchange for the last ten trading days immediately before the Last Trading Day.

The Directors consider that the placing price is fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Placees:

It is expected that the Placing Shares will be placed to not less than six independent professional institutional or other investors who shall be determined solely by the Placing Agents.

Independence of the Placees and the Placing Agents:

Under the Placing Agreement, each of the Placing Agents had undertaken that:

- (a) it will ensure that there will be not less than six placees;
- (b) it will use its best endeavours to ensure that the placees are independent of and not connected with or acting in concert with the Vendor or its associates (as such term is defined in the Listing Rules) or the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of its or their respective associates; and

- (c) it will use its best endeavours to ensure that none of the placees will become controlling or substantial shareholder immediately after the Placing and it will ensure that the Vendor will not, as a result of the Placing, cease to be the controlling or single largest shareholder of the Company.

Completion of the Placing:

The completion of the Placing will take place at 10:00 a.m. on 17 October 2016 (being the third Business Day immediately following the date of the Placing Agreement) (or such later time and/or date as the Vendor and the Placing Agents may agree in writing) but shall in any event within 14 days from the date of the Placing Agreement.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendor free from all liens, charges and encumbrances together with all rights attaching to the Placing Shares as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid in respect of the Placing Shares on or after the date of the Placing Agreement.

Termination:

Pursuant to the Placing Agreement, any of the Placing Agents may terminate the Placing Agreement without liability to the Vendor and the other Placing Agent by giving notice in writing to the Vendor, provided that such notice is received prior to 9:30 a.m. on the date of completion of the Placing, upon the occurrence of any of the following at any time at or prior to 9:30 a.m. on the date of completion of the Placing:

- (A) any material breach of any of the representations and warranties set out in Clause 6.1 of the Placing Agreement comes to the knowledge of the Placing Agents or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing Agreement; or
- (B) if the Shares are suspended by the Stock Exchange for a period of ten consecutive trading days (other than any temporary suspension of trading of Shares as a result of clearance of announcement or circulars in connection with the Placing or any other activities or transactions falling under Chapter 13, 14 or 14A of the Listing Rules) or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or
- (C) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Placing Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or the Cayman Islands; or

- (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong or the Cayman Islands, the local, national or international financial, political, military, industrial, economic or other market conditions whether or not ejusdem generis with any of the foregoing; or
- (c) any material adverse change in the conditions of Hong Kong, or local, national or international equity securities markets which, in the reasonable opinion of any of the Placing Agents, is likely to have a material adverse effect on the success of the Placing as a whole or makes it impracticable, inadvisable or inexpedient for the Placing Agents to proceed with the Placing as a whole; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the British Virgin Islands or the People's Republic of China,

which, in the reasonable opinion of any of the Placing Agents, is or will be or is likely to be adverse, in any material respect, to the business or financial condition or prospects of the Group taken as a whole or, in the case of subparagraph (e) above, on any present or prospective Shareholder in his/its capacity as such Shareholder.

Undertaking by the Company and the Vendor

In order to induce the Placing Agents to enter into the Placing Agreement and in consideration of the obligations of the Placing Agents under the Placing Agreement and in consideration of the Vendor entering into the Subscription Agreement, the Company agrees that it and any of its subsidiaries will not, issue or agree to allot or issue any shares (other than pursuant to (i) any exercise of any convertible bonds or warrants or options in issue at the date of the Placing Agreement or any other conversion or subscription rights existing at the date of the Placing Agreement (ii) exercise of any share options granted or to be granted pursuant to the share option scheme of the Company adopted pursuant to the Listing Rules or (iii) any scrip dividend scheme) or other securities or grant or agree to grant any options (other than options granted or to be granted pursuant to the share option scheme of the Company adopted pursuant to the Listing Rules), warrants or other rights to subscribe for shares or other securities or to repurchase any securities of the Company, for the period of 90 days from the date of completion of the Placing without first having obtained the prior written consent of the Placing Agents (such consent not to be unreasonably withheld or delayed).

The Vendor undertakes to the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being 90 days after the date of completion of the Placing Agreement it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agents) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of

(either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above. For the avoidance of doubt, the above undertaking does not restrict the Vendor or any of its nominees, companies controlled by it and/or trusts associated with it from purchasing any Shares.

THE SUBSCRIPTION

The Subscription Agreement dated 12 October 2016 was entered into between the Vendor (as subscriber) and the Company.

Subscriber: The Vendor

Issuer: The Company

Number of Subscription Shares:

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for up to 30,318,827 new Shares (the number of which shall be equivalent to the number of the Placing Shares actually placed under the Placing), which, having an aggregate nominal value of HK\$3,031,882.70, represents approximately 3.43% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 3.31% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscription price:

HK\$9.50 per Subscription Share, which is equivalent to the price per Placing Share.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 18 April 2016. The Company is authorised to issue 176,936,234 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will, when fully paid, rank pari passu in all respects among themselves and with the other Shares in issue as at the date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of completion of the Subscription.

Conditions of the Subscription:

The Subscription is conditional upon:

- (a) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (b) listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor (through itself and its controlled corporation, Trade Partner Investments Limited) will decrease from approximately 61.57% to approximately 58.14% immediately after completion of the Placing and will increase to approximately 59.53% immediately after completion of the Subscription.

Completion of the Subscription:

Completion of the Subscription will take place on the Business Day immediately after the date on which the conditions referred to above are fulfilled, or such later time and/or date as the Company and the Vendor may agree.

If the conditions to the Subscription are not fulfilled on or prior to 25 October 2016 (or such later date as may be agreed by the Vendor and the Company), the Subscription Agreement shall terminate and none of the parties thereto shall have any claim against any other in respect of the Subscription save in respect of any antecedent breach.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the Subscription is completed and there being no other change in the share capital of the Company, the shareholding structure of the Company (a) immediately before the Placing; (b) immediately after the Placing but before the Subscription; and (c) immediately after the Placing and the Subscription are as follows:

Shareholders	Existing Shareholding		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Connected persons						
The Vendor (Note 1)	392,842,400	44.40%	362,523,573	40.97%	392,842,400	42.93%
Trade Partner Investments Limited (Note 2)	151,900,000	17.17%	151,900,000	17.17%	151,900,000	16.60%
Wisdom Grace Investments Limited (Note 3)	68,000,000	7.69%	68,000,000	7.69%	68,000,000	7.43%
Hong Tianzhu	5,400,000	0.61%	5,400,000	0.61%	5,400,000	0.59%
Tang Daoping	1,700,000	0.19%	1,700,000	0.19%	1,700,000	0.19%
Public						
Placees	—	—	30,318,827	3.43%	30,318,827	3.31%
Other public shareholders	<u>264,838,773</u>	<u>29.94%</u>	<u>264,838,773</u>	<u>29.94%</u>	<u>264,838,773</u>	<u>28.95%</u>
Total:	<u>884,681,173</u>	<u>100.00%</u>	<u>884,681,173</u>	<u>100.00%</u>	<u>915,000,000</u>	<u>100.00%</u>

Notes:

- These 392,842,400 Shares are registered in the name of and beneficially owned by the Vendor, the entire issued share capital of which is beneficially owned by Texhong Group Holdings Limited, a company wholly beneficially owned by Mr. Hong Tianzhu.
- These 151,900,000 Shares are registered in the name of and beneficially owned by Trade Partner Investments Limited, the entire issued share capital of which is beneficially owned as to 57.44% by Mr. Hong Tianzhu through the Vendor and 42.56% by Mr. Zhu Yongxiang through Wisdom Grace Investments Limited.
- These 68,000,000 Shares are registered in the name of and beneficially owned by Wisdom Grace Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Zhu Yongxiang.

As disclosed in the above shareholding table, immediately after the completion of the Placing as well as immediately after the completion of the Placing and the Subscription, a minimum of 25% of the then issued share capital of the Company will be in public hands (including the Placees).

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market for the future development of the Group by way of Placing as it would broaden the capital and shareholder base of the Company. The Directors (including the independent non-executive Directors) consider the terms of each of the Placing Agreement and the Subscription Agreement to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Assuming that the Placing Shares are fully placed under the Placing and the Subscription is completed:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$288 million;
- (ii) the net proceeds, after deducting related placing commission, professional fees and all related expenses, from the Subscription are estimated to be approximately HK\$281 million; and
- (iii) the net price per Subscription Share is approximately HK\$9.27.

It is the intention of the Company that the net proceeds would be used as capital expenditure required for the Group's projects in Vietnam and as general working capital of the Group.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of yarn, grey fabrics and garment fabrics as well as garments.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Group had not conducted any equity fund raising activities in the past 12 months immediately before the date of this announcement.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

DEFINITIONS

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors

“Business Day”	means any day (excluding a Saturday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“China Galaxy”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Company”	Texhong Textile Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected persons”	having the meaning ascribed thereto in the Listing Rules
“DBS”	DBS Asia Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Director(s)”	the director(s) 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 People’s Republic of China
“Last Trading Day”	12 October 2016, being the date of the Placing Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agents”	DBS and China Galaxy

“Placing Agreement”	a placing agreement dated 12 October 2016 and made among the Vendor, the Company and the Placing Agents in relation to the Placing
“Placing Shares”	a total of up to 30,318,827 Shares beneficially owned by the Vendor to be placed pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 12 October 2016 and made between the Vendor and the Company in relation to the Subscription
“Subscription Shares”	a total of up to 30,318,827 new Shares, the number of which shall be equal to the number of Placing Shares actually placed under the Placing
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Vendor”	New Green Group Limited, a company incorporated in the British Virgin Islands which is indirectly wholly owned by Mr. Hong Tianzhu, the chairman of the Board and an executive Director
“%”	per cent.

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

Hong Kong, 13 October 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