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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)

(1) CONNECTED TRANSACTION

ACQUISITION OF LAND USE RIGHTS IN VIETNAM

(2) USE OF PROCEEDS FROM TOP-UP PLACING

ACQUISITION OF LAND USE RIGHTS IN VIETNAM

On 11 September 2017, Haiha Industrial Park entered into the First Agreement with Texhong Galaxy and the Second Agreement with Texhong Technology in relation to the acquisition of land use rights of the Land.

Haiha 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. The entering into of the First Agreement and Second Agreement between Haiha Industrial Park, Texhong Galaxy and Texhong Technology, respectively therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the First Transaction and the Second Transaction will be aggregated and treated as one transaction. As all the applicable percentage ratios in respect of the First Transaction and the Second Transaction are less than 5%, pursuant to Chapter 14A of the Listing Rules, the First Transaction and the Second Transaction are 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.

USE OF PROCEEDS IN PLACING

Reference is made to the announcements of the Company dated 13 October 2016 and 25 October 2016 in relation to the Top-up Placing. The Board wishes to update the public and the Shareholders that all net proceeds from the Top-up Placing have been fully utilized as at the date of this announcement, of which approximately HK\$176 million has been used for the construction of production facilities at Texhong Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam, approximately HK\$53 million has been used for purchase of machinery to be placed at the above new production facilities and approximately HK\$54 million has been used for payment of expenses and other payables of the Group.

INTRODUCTION

The Board announces that on 11 September 2017, Haiha Industrial Park entered into the First Agreement with Texhong Galaxy and the Second Agreement with Texhong Technology in relation to the acquisition of land use rights of the Land.

The principal terms of the each of the First Agreement and the Second Agreement are set out below:

	First Agreement	Second Agreement
Date:	11 September 2017	11 September 2017
Parties:	(1) Haiha Industrial Park, as transferor (2) Texhong Galaxy, as transferee	(1) Haiha Industrial Park, as transferor (2) Texhong Technology, as transferee
Consideration and payment terms:	<p>The consideration of VND101,732,021,644 (equivalent to approximately RMB29.9 million) was calculated based on VND1,092,480 (equivalent to approximately RMB320.8) per square meter of the First Land, which was determined after arm's length negotiation between Haiha Industrial Park and Texhong Galaxy with reference to price payable by the Group in the Previous Transactions and the recent land cost per square meter in the industrial zone in Hai Ha District, Quang Ninh Province, Vietnam.</p> <p>The consideration shall be paid in cash and shall be settled by the Group in the following manner:</p> <p>(i) 30% of the consideration being VND30,519,606,493 (equivalent to approximately RMB9.0 million) shall be paid within ten days after entering into the First Agreement;</p> <p>(ii) 60% of the consideration, being VND61,039,212,987 (equivalent to approximately RMB18.0 million) shall be paid within ten days after the delivery of the First Land; and</p>	<p>The consideration of VND131,085,582,720 (equivalent to approximately RMB38.5 million) was calculated based on VND1,092,480 (equivalent to approximately RMB320.8) per square meter of the Second Land, which was determined after arm's length negotiation between Haiha Industrial Park and Texhong Technology with reference to price payable by the Group in the Previous Transactions and the recent land cost per square meter in the industrial zone in Hai Ha District, Quang Ninh Province, Vietnam.</p> <p>The consideration shall be paid in cash and shall be settled by the Group in the following manner:</p> <p>(i) 30% of the consideration being VND39,325,674,816 (equivalent to approximately RMB11.5 million) shall be paid within ten days after entering into the Second Agreement;</p> <p>(ii) 60% of the consideration, being VND78,651,349,632 (equivalent to approximately RMB23.1 million) shall be paid within ten days after the delivery of the Second Land; and</p>

First Agreement

- (iii) 10% of the consideration, being VND10,173,202,164 (equivalent to approximately RMB2.9 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 Galaxy in respect of the First Land.

Second Agreement

- (iii) 10% of the consideration, being VND13,108,558,272 (equivalent to approximately RMB3.8 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 Technology in respect of the Second Land.

The consideration for the First Agreement and the Second Agreement will be financed by the internal resources of the Group.

Other principal terms of the Agreements

Under the Agreements, Haiha Industrial Park shall assist Texhong Galaxy and Texhong Technology on the application for land use right certificate and warrant that the Land shall be free of any dispute or encumbrances, respectively.

Haiha Industrial Park shall deliver the Land to Texhong Galaxy and Texhong Technology by the end of September 2017 (or such other date as shall be agreed between the parties).

Haiha Industrial Park shall undertake to complete the infrastructures and roads surrounding the Land.

INFORMATION OF THE FIRST LAND AND SECOND LAND

The First Land and Second Land are both located at Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 93,120 and 119,989 square meters with land use rights both expiring on 24 April 2064, respectively.

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.

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.

As disclosed in the announcements of the Company dated 21 January 2015 and 5 November 2015, Texhong Galaxy had acquired two pieces of land in Texhong Haiha Industrial Park for construction of its factories for the manufacture of yarns and grey fabrics. It is the Group's intention to continue to develop the business of Texhong Galaxy according to its investment plan in the business license. While the First Land is adjacent to the existing factory premises of Texhong Galaxy and there are other independent third parties interested in establishing their production bases in Texhong Haiha Industrial Park which may also be interested in

acquiring the First Land, Texhong Galaxy decided to acquire the First Land to ensure its rights on the land so that any further expansion of Texhong Galaxy for production of differentiated products can be built on the First Land to achieve a more effective and efficient management of the production base at the same location.

For Texhong Technology, it will set up a new Vietnam subsidiary at Texhong Haiha Industrial Park to develop non-woven fabric production business. Non-woven fabrics are used in numerous applications, including medical products, filters, geotextiles and others.

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 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 it being an associate of Mr. Hong Tianzhu, the chairman of the Group and an executive Director. The entering into of the First Agreement and the Second Agreement between Haiha Industrial Park, Texhong Galaxy and Texhong Technology, respectively therefore constituted a connected transaction under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the First Transaction and the Second Transaction will be aggregated and treated as one transaction. As all the applicable percentage ratios in respect of the First Transaction and Second Transaction are less than 5%, pursuant to Chapter 14A of the Listing Rules, the First Transaction and the Second Transaction are 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.

USE OF PROCEEDS FROM TOP-UP PLACING

Reference is made to the announcements of the Company dated 13 October 2016 and 25 October 2016 in relation to the top-up placing of shares the Company (the “**Top-up Placing**”). The Board wishes to update the public and the Shareholders that all net proceeds from the Top-up Placing have been fully utilized as at the date of this announcement, of which approximately HK\$176 million has been used for the construction of production facilities at Texhong Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam, approximately HK\$53 million has been used for purchase of machinery to be placed at the above new production facilities and approximately HK\$54 million has been used for payment of expenses and other payables of the Group.

DEFINITIONS

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

“Agreement”	the First Agreement and the Second Agreement
“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
“Directors”	the directors of the Company
“First Agreement”	the agreement dated 11 September 2017 and entered into between Haiha Industrial Park and Texhong Galaxy in relation to the First Transaction
“First 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 93,120.26 square meters and the infrastructure erected thereon
“First Transaction”	the acquisition of land use right of the First Land pursuant to the First Agreement
“Group”	the Company and its subsidiaries
“Haiha 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%

“Land”	the First Land and the Second Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Previous Transactions”	the acquisition of land use rights from Haiha Industrial Park as announced by the Company on 21 January 2015, 5 November 2015, 13 April 2016 and 18 May 2016
“RMB”	Renminbi, the lawful currency of People’s Republic of China
“Second Agreement”	the agreement dated 11 September 2017 and entered into between Haiha Industrial Park and Texhong Technology in relation to the Second Transaction
“Second 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 119,989 square meters and the infrastructure erected thereon
“Second Transaction”	the acquisition of land use right of the Second Land pursuant to the Second Agreement
“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
“Texhong Technology”	Texhong United Technology Hong Kong Limited (天虹聯合科技香港有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Transaction”	the First Transaction and the Second Transaction, collectively

“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 = VND3,404.99 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, 11 September 2017

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