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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 RIGHTS IN VIETNAM

On 2 February 2018, 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 201709 Galaxy Agreement, 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 201709 Galaxy Agreement, 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.

INTRODUCTION

The Board announces that on 2 February 2018, 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:	2 February 2018	2 February 2018
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:	The consideration of VND158,014,456,200 (equivalent to approximately RMB45,000,000) was calculated based on VND1,088,400 (equivalent to approximately RMB310.5) 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.	The consideration of VND293,594,267,400 (equivalent to approximately RMB83,800,000) was calculated based on VND1,088,400 (equivalent to approximately RMB310.5) 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.

The consideration shall be paid in cash and shall be settled by the Group in the following manner:

- (i) 30% of the consideration being VND47,404,336,860 (equivalent to approximately RMB13,500,000) shall be paid within ten days after entering into the First Agreement;
- (ii) 60% of the consideration, being VND94,808,673,720 (equivalent to approximately RMB27,000,000) shall be paid within ten days after the delivery of the First Land; and
- (iii) 10% of the consideration, being VND15,801,445,620 (equivalent to approximately RMB4,500,000) 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.

The consideration shall be paid in cash and shall be settled by the Group in the following manner:

- (i) 30% of the consideration being VND88,078,280,220 (equivalent to approximately RMB25,100,000) shall be paid within ten days after entering into the Second Agreement;
- (ii) 60% of the consideration, being VND176,156,560,440 (equivalent to approximately RMB50,300,000) shall be paid within ten days after the delivery of the Second Land; and
- (iii) 10% of the consideration, being VND29,359,426,740 (equivalent to approximately RMB8,400,000) 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 February 2018 (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.

TERMINATION OF THE 201709 TECHNOLOGY AGREEMENT

The 201709 Technology Agreement shall be terminated immediately upon the signing of the Second Agreement. The payment made by Texhong Technology under the 201709 Technology Agreement shall form part of the consideration under the Second Agreement.

INFORMATION OF THE FIRST LAND AND SECOND LAND

The First Land and Second Land are both located at Haiha Industrial Park Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 145,180.5 and 269,748.5 square meters with land use rights both expiring on 24 April 2064. The original cost of the Land is approximately VND860,000 (equivalent to approximately RMB245.4) per square meter, which mainly comprised the fees paid to the government of Hai Ha District, Quang Ninh Province, Vietnam by Haiha 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.

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, 5 November 2015 and 11 September 2017, Texhong Galaxy had acquired three 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. Due to strong market demand of yarn, the Group therefore decided to acquire the First Land for further expansion of its yarn production capacity.

After further studying of the non-woven fabric business, the management considers that such business has a good prospect and has decided to increase the scale of investment in this area. It is intended to build a larger factory than originally planned and therefore a larger piece of land is required. The Group therefore entered into the Second Agreement to replace the 201709 Technology Agreement.

The Directors (including the independent non-executive Directors) are of the view that although the Transaction is not in the ordinary and usual course of business of the Group due to its nature, 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 201709 Galaxy Agreement, 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 201709 Galaxy Agreement, 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.

DEFINITIONS

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

“201709 Galaxy Agreement”	the agreement dated 11 September 2017 and entered into between Haiha Industrial Park and Texhong Galaxy in relation to the acquisition of 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 as announced by the Company on 11 September 2017
“201709 Technology Agreement”	the agreement dated 11 September 2017 and entered into between Haiha Industrial Park and Texhong Technology in relation to the acquisition of 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 as announced by the Company on 11 September 2017
“Agreements”	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 2 February 2018 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 145,180.5 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, 18 May 2016 and 11 September 2017
“RMB”	Renminbi, the lawful currency of People’s Republic of China
“Second Agreement”	the agreement dated 2 February 2018 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 269,748.5 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 = VND3,505 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, 2 February 2018

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