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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 23 December 2019, Haiha Industrial Park entered into the Agreement with Texhong Knitting 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 and Mr. Zhu Yongxiang, the co-chief executive officer of the Group and an executive Director. The entering into of the Agreement between Haiha Industrial Park and Texhong Knitting therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Transaction 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

The Board announces that on 23 December 2019, Haiha Industrial Park entered into the Agreement with Texhong Knitting in relation to the acquisition of land use rights of the Land.

The principal terms of the Agreement is set out below:

Date: 23 December 2019

Parties: (1) Haiha Industrial Park, as transferor
(2) Texhong Knitting, as transferee

Consideration and payment terms:

The consideration for the Phase I Land of VND349,216,548,300 (equivalent to approximately RMB106.0 million) was calculated based on VND1,397,400 (equivalent to approximately RMB424) per square meter of the Land, which was determined after arm's length negotiation between Haiha Industrial Park and Texhong Knitting with reference to price payable by the Group in the Previous Transactions, the government fees, the latest land cost per square meter of Haiha Industrial Park and the recent land transactions in different industrial zones in Quang Ninh Province, Vietnam.

The consideration for the Transaction shall be paid in cash and shall be settled by the Group in the following manner in respect of the Phase I Land:

- (i) 30% of the consideration for the Phase I Land, being VND104,764,964,490 (equivalent to approximately RMB31.8 million) shall be paid within ten days after entering into the Agreement; and
- (ii) 70% of the consideration for the Phase I Land, being VND244,451,583,810 (equivalent to approximately RMB74.2 million) shall be paid within ten days after the delivery of the Phase I Land.

The consideration and payment terms for the Phase II Land shall be agreed by the parties to the Agreement through entering a separate supplemental agreement with further reference to the then fees and relevant policies set out by the government of Vietnam after Haiha Industrial Park has completed the land resumption. A separate announcement will be issued by the Company upon signing of the supplemental agreement for the acquisition of the Phase II Land.

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

Other principal terms of the Agreement

Under the Agreement, Haiha Industrial Park shall assist Texhong Knitting 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 Phase I Land to Texhong Knitting by the end of December 2019 (or such other date as shall be agreed between the parties), and the Phase II Land by the end of December 2021 subject to completion of the resumption of the Phase II Land and obtaining vacant possession of the same from the Land Development Centre of Hai Ha District (海河縣土地發展中心).

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

INFORMATION OF THE LAND

The Land, divided into the Phase I Land and the Phase II Land, is located at Haiha Industrial Park Park, Hai Ha District, Quang Ninh Province, Vietnam with an aggregate site area of approximately 512,378.3 square meters with land use rights expiring on 24 April 2064.

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, 13 April 2016, 18 May 2016, 11 September 2017 and 2 February 2018, various subsidiaries of the Group had acquired pieces of land in Haiha Industrial Park for construction of factories for the manufacture of textile products. After the restructuring of the knitted garment fabric dyeing business in China, it is the Group's intention to establish a sizeable knitted garment fabrics dyeing production base in Vietnam, the Group therefore decided to acquire the Land to build a factory and increase the Group's scale of investment in this area.

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 and Mr. Zhu Yongxiang, the co-chief executive officer of the Group and an executive Director. The entering into of the Agreement between Haiha Industrial Park and Texhong Knitting therefore constituted a connected transaction under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the Transaction 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 23 December 2019 and entered into between Haiha Industrial Park and Texhong Knitting 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
“Directors”	the directors of the Company
“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”	a parcel of industrial land located at Texhong Haiha Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 512,378.3 square meters and the infrastructure erected thereon, being the aggregate of the Phase I Land and the Phase II Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Phase I Land”	a part of the Land with a site area of approximately 249,904.5 square meters
“Phase II Land”	a part of the Land with a site area of approximately 262,473.8 square meters
“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, 11 September 2017 and 2 February 2018

“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 Knitting”	Texhong Knitting (Hong Kong) Limited (天虹針織(香港)有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Transaction”	the acquisition of 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 = VND3,294 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, 23 December 2019

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