

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

VOLUNTARY ANNOUNCEMENT

**ENTERING INTO OF
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE PROPOSED DISPOSAL**

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Texhong Textile Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The Board is pleased to announce that on 27 September 2021, the Company and 天虹(中國)投資有限公司(Texhong (China) Investment Co., Ltd.), a wholly owned subsidiary of the Company entered into a memorandum of understanding (“**MOU**”) with a potential purchaser (the “**Purchaser**”) in relation to the proposed disposal (the “**Proposed Disposal**”) of the entire issued share capital (the “**Sale Shares**”) of Great Triumph Investments Limited (豐捷投資有限公司) (a wholly owned subsidiary of the Company) (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”) and the loan due by the Target Group to the Group (the “**Sale Loan**”, together with the Sale Shares, the “**Sale Interest**”).

The Target Group is principally engaged in the production of yarns in the PRC. Based on the unaudited consolidated management accounts of the Target Group, the profit after tax of the Target Group attributable to the Group for the year ended 31 December 2019 and 31 December 2020 was around RMB88 million and RMB73 million respectively.

Under the MOU, it was agreed between the parties that the total consideration for the Sale Interest shall be determined based on the non-current net asset value of the Target Group and adjusted by amount of bank borrowings which are secured by the non-current assets of the Target Group, other payables relating to the non-current assets of the Target Group and such premium to be negotiated and agreed between the parties. Solely as a reference, based on the unaudited consolidated management accounts of the Target Group for the seven months ended 31 July 2021, the total consideration for the Sale Interest would be around RMB810 million. It was agreed under the MOU that the total consideration for the Sale Shares and 40% of the consideration for the Sale Loan shall be payable upon completion of

the Proposed Disposal and the remaining consideration for the Sale Loan shall be payable by instalments with accrued interest of 5% per annum, and the last instalment shall fall on the third anniversary of the completion of the Proposed Disposal.

As a security for the payment of the consideration of the Sale Loan, it was also agreed under the MOU that the equity interest of the Target Group shall be pledged in favour of the Group until such consideration shall have been fully paid.

The Directors are of the view that the Proposed Disposal will enable the Group to adjust the production capacity in different locations so as to address the needs of customers in different regions more effectively.

The Purchaser is a company incorporated in Hong Kong with limited liability which is controlled by Mr. Su Jiahong. Mr. Su had been engaged in investment in textile business before he develops and focuses on his asset management business. Mr. Su is now the single largest shareholder of an asset management company in Shanghai with a professional management team with years of experience in investment, management and operation of the invested assets.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The MOU shall be effective from the date of signing and shall be automatically terminated on the earlier of (i) the date of signing of the definitive agreement; and (ii) the date which is falling 45 days from the date of the MOU (or such later date as shall be agreed between the parties).

Based on the current estimation, the Proposed Disposal, if materialises, may constitute a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company will make further announcement(s) in respect of the Proposed Disposal as and when required under the Listing Rules.

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

Hong Kong, 27 September 2021

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

Independent non-executive directors:

Prof. Cheng Longdi
Prof. Tao Xiaoming
Mr. Ting Leung Huel, Stephen