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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) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF ASSETS IN VIETNAM;
(2) PROPOSED CHANGE OF COMPANY NAME
AND
(3) PROPOSED ADOPTION OF AMENDED AND
RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION**

(1) THE ACQUISITION

On 7 November 2022, HK Co, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with Texhong Industrial Park pursuant to which HK Co has conditionally agreed to purchase and Texhong Industrial Park has conditionally agreed to sell the Assets at a maximum consideration of US\$54.6 million.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratio (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Texhong Industrial Park is ultimately owned as to 78% by Mr. Hong Tianzhu, the chairman of the Company and an executive Director, and is therefore a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 December 2021 in respect of the Lease Agreement. Pursuant to the Rules 14A.81 and 14A.82 of the Listing Rules, the Lease and the Acquisition shall be aggregated as if they were one transaction because they were entered into within 12 months by the Company with the same connected person of the Company. Upon aggregation, as the highest applicable percentage ratio is more than 5% and the Consideration exceeds HK\$10 million, the Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “Texhong Textile Group Limited” to “Texhong International Group Limited” and adoption of the dual foreign name of the Company in Chinese of “天虹國際集團有限公司” in place of its existing dual foreign name “天虹紡織集團有限公司”. The Change of Company Name is subject to the approval by the Shareholders at the EGM by way of a special resolution and the approval of the Registrar of Companies in the Cayman Islands.

(3) PROPOSED ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

In view of the Change of Company Name, the Board also proposes to amend and restate the Memorandum and Articles of Association to reflect the Change of Company Name, with effect from the same time the Change of Company Name takes effect. The Board proposes to put forward to the Shareholders for approval at the EGM a special resolution to adopt the New M&A with the proposed Amendments. The proposed adoption of the New M&A is subject to the passing of a special resolution.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, passing the ordinary resolution to approve the Asset Purchase Agreement. Each of Mr. Hong Tianzhu, New Green Group Limited, Trade Partner Investments Limited and Wisdom Grace Investments Limited will be abstained from voting in the EGM in relation to the Asset Purchase Agreement. Special resolutions will also be proposed for the Shareholders to consider and, if thought fit, approve the Change of Company Name and the proposed adoption of the New M&A.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Asset Purchase Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) further information regarding the Change of Company Name and the proposed adoption of the New M&A, together with the notice of the EGM is expected to be despatched to the Shareholders on or before 9 December 2022 as additional time is required to prepare and finalise certain information to be included in the circular.

Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Asset Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(1) THE ACQUISITION

The Board hereby announces that on 7 November 2022, HK Co, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with Texhong Industrial Park, pursuant to which HK Co has conditionally agreed to purchase and Texhong Industrial Park has conditionally agreed to sell the Assets at a maximum consideration of US\$54.6 million.

The principal terms and conditions of the Asset Purchase Agreement are set out below.

Asset Purchase Agreement

Date: 7 November 2022

Parties: HK Co as the purchaser

Texhong Industrial Park as the vendor

Information on the Assets

Pursuant to the Asset Purchase Agreement, HK Co has conditionally agreed to purchase and Texhong Industrial Park has conditionally agreed to sell the Assets.

The Assets shall comprise the plant and machinery (including their respective books and records, trading records and other relevant records) of the Industrial Water Facilities, Boilers, LPG Gas Station and other ancillary equipment, together with the Land. The Assets generate and/or supply the Utilities to the Group and other independent third parties tenants in Hai Ha Industrial Park. The original acquisition cost of the Assets (excluding the Newly-added Assets) by Texhong Industrial Park was approximately US\$45.3 million and the net book value of the Assets as at 30 September 2022 was approximately US\$41.0 million.

As at the date of this announcement, Texhong Industrial Park is in the process of amending the relevant documents and performing the required procedure for the issuance of a land lease agreement and the land use right certificate for Land Lot 2 by the relevant authorities in Vietnam.

Consideration and payment terms

The maximum consideration for the Acquisition is US\$54.6 million (the “**Consideration**”), comprising of (i) an initial consideration of US\$52 million; and (ii) additional consideration of not more than US\$2.6 million for the acquisition of the Assets that are constructed or installed during 1 October 2022 and up to the Completion Date (the “**Newly-added Assets**”) to be settled on a dollar-to-dollar basis based on the actual costs incurred, which shall be payable to Texhong Industrial Park in cash in the following manner:

- (i) 20% of the initial consideration, being US\$10.4 million, shall be paid to Texhong Industrial Park within five business days from the date of signing of the Asset Purchase Agreement;
- (ii) 60% of the initial consideration, being US\$31.2 million, and 80% of the consideration for the Newly-added Assets shall be paid to Texhong Industrial Park within five business days from the Completion Date; and
- (iii) the remaining balance of the Consideration shall be paid to Texhong Industrial Park within five business days from the date of completion of the registration of the transfer of the Assets with the relevant authorities in Vietnam.

The Consideration will be financed by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined after arm’s length negotiation between the Group and Texhong Industrial Park on normal commercial terms with reference to (i) the aggregate valuation of the Assets as at 30 September 2022, being approximately US\$52.9 million, as appraised by the Independent Valuer; and (ii) the estimated costs of the Newly-added Assets incurred or to be incurred during 1 October 2022 and up to the Completion Date of not more than US\$2.6 million.

According to the draft valuation reports issued by the Independent Valuer, the Independent Valuer adopted the market and asset approach for the Assets (excluding the Land) and the cost approach for the Land.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions precedent:

- (a) the passing of the ordinary resolution by the Independent Shareholders at the EGM to approve the Asset Purchase Agreement and the transaction contemplated thereunder;
- (b) the valuation reports in respect of the Assets having been finalised and issued by the Independent Valuer in form and substance satisfactory to the Group showing the aggregate valuation of the Assets as at 30 September 2022 to be not less than US\$52 million;

- (c) the relevant land rent for the Land having been paid by Texhong Industrial Park to the relevant authority in Vietnam and such payment proof having been provided to the Group; and
- (d) the Group having obtained, and to its satisfaction, legal opinion issued by its Vietnam legal adviser on the legal title of the Land.

If the conditions precedent have not been satisfied by the Long Stop Date, the Asset Purchase Agreement shall cease and terminate immediately and any of the Consideration being paid by HK Co before the termination of the Asset Purchase Agreement shall be returned to HK Co immediately, and thereafter neither HK Co nor Texhong Industrial Park shall have any obligations and liabilities towards each other under the Asset Purchase Agreement.

Completion

Completion shall take place on 31 December 2022 or such other date as the parties to the Asset Purchase Agreement may agree in writing after the fulfilment of the above conditions precedent to the Completion.

Upon Completion, all rights and benefits arising from the Assets, including any fees generated from the provision of the Utilities to independent third parties tenants in Hai Ha Industrial Park shall belong to the Group.

Pursuant to the Asset Purchase Agreement, HK Co shall establish a wholly-owned subsidiary in Vietnam to assume the transfer of the legal title of the Assets after Completion.

Undertaking given by Texhong Industrial Park

Texhong Industrial Park undertakes to HK Co that it shall:

- (a) complete the registration of the transfer of the legal title of the Land (the “**Registration**”) within 12 months from the Completion Date. In the event that Texhong Industrial Park fails to complete the registration for any or all of Land Lot 1 or Land Lot 2 within the prescribed period, Texhong Industrial Park shall return to HK Co for the consideration received together with all the interest accrued (after deducting the fees generated from the provision of Utilities in Hai Ha Industrial Park which has been received by the Vietnam subsidiary of HK Co in respect of the parcel of land) in respect of the parcel of land together with the buildings and all assets attached to the land which the Registration cannot be completed; and
- (b) indemnify and at all times keep HK Co and its subsidiaries fully indemnified on demand from and against all losses, claims, actions, expenses, fines and penalties and of whatever nature suffered or incurred by HK Co and its subsidiaries directly or indirectly arising out of any non-compliance or alleged non-compliance in respect of the Assets by Texhong Industrial Park on or before the completion of the Registration.

INFORMATION ON THE GROUP AND HK CO

HK Co is an investment holding company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacture and sales of yarn, grey fabrics and garment fabrics as well as garments, especially high value-added core-spun yarn.

INFORMATION ON TEXHONG INDUSTRIAL PARK

Texhong Industrial Park was established in Vietnam and is ultimately owned as to 78% by Mr. Hong Tianzhu, the chairman of the Company and an executive Director and as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Company and the chief executive officer of the Group and an executive Director as at the date of this announcement. Texhong Industrial Park is principally engaged in infrastructure development in Hai Ha Industrial Park.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Reference is made to the announcement of the Company dated 25 August 2021 in relation to, among others, the provision of the Utilities by Texhong Industrial Park to members of the Group which constituted continuing connected transactions of the Company. In order to reduce the reliance on Texhong Industrial Park, the Directors consider that it is for the commercial benefit of the Group to acquire the Assets from Texhong Industrial Park such that the Assets can be used to provide and supply the Utilities to members of the Group, instead of paying monthly fee to Texhong Industrial Park for the usage of the Utilities and certain operating costs is expected to be reduced in the long run. As the Assets also provide and supply the Utilities to independent third parties tenants in Hai Ha Industrial Park, the Group will also generate income from the Assets which can be used for general working capital of the Group in Vietnam.

The Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) are of the view that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Asset Purchase Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratio (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Texhong Industrial Park is ultimately owned as to 78% by Mr. Hong Tianzhu, the chairman of the Company and an executive Director, and is therefore a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 December 2021 in respect of the Lease Agreement. Pursuant to the Rules 14A.81 and 14A.82 of the Listing Rules, the Lease and the Acquisition shall be aggregated as if they were one transaction because they were entered into within 12 months by the Company with the same connected person of the Company. Upon aggregation, as the highest applicable percentage ratio is more than 5% and the Consideration exceeds HK\$10 million, the Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Hong Tianzhu and Mr. Zhu Yongxiang had material interests in the Acquisition and have abstained from voting on the Board resolution approving the Asset Purchase Agreement. Save as disclosed above, none of the Directors had a material interest in the Acquisition and hence no other Directors were required to abstain from voting on such Board resolution.

(2) PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “Texhong Textile Group Limited” to “Texhong International Group Limited” and adoption of the dual foreign name of the Company in Chinese of “天虹國際集團有限公司” in place of its existing dual foreign name “天虹紡織集團有限公司”. The Change of Company Name is subject to the approval by the Shareholders at the EGM by way of a special resolution and the approval of the Registrar of Companies in the Cayman Islands.

Reasons for the Proposed Change of Company Name

The Board considers that the Change of Company name is in line with the Group's strategic business plan for future development, and believes that the Change of Company Name will provide the Group with a fresh corporate image which will benefit future business development of the Group. Accordingly, the Board is of the view that the proposed Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

Conditions for the Proposed Change of Company Name

The Change of Company Name is subject to the following conditions:

- (i) the passing of special resolution by the Shareholders at the EGM to approve, amongst others, the Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Change of Company Name.

Subject to the satisfaction of all the conditions set out above, the Change of Company Name will take effect from the date on which the Registrar of Companies in the Cayman Islands issues the certificate of incorporation on change of name confirming the new name has been registered. Thereafter, the Company will carry out all necessary filing procedures with the Companies Registry in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Effects of the Proposed Change of Company Name

The Change of Company Name will not affect any rights of the existing holders of securities of the Company or the Company's daily business operation and its financial position.

All the existing certificates of securities of the Company in issue bearing the existing name of the Company will, upon the Change of Company Name becoming effective, continue to be evidence of title to such securities of the Company and will continue to be valid for trading, settlement, registration and delivery of the same number of securities of the Company in the new English name and Chinese name of the Company. As soon as the Change of Company Name has become effective, any new certificates of the securities of the Company will be issued in the new English name and Chinese name of the Company. There will not be any arrangement for free exchange of the existing certificates of the securities of the Company for new certificates bearing the new English name and Chinese name of the Company.

In addition, subject to the confirmation by the Stock Exchange, the Company intends to change the English and Chinese stock short name for trading of the shares of the Company on the Stock Exchange after the Change of Company Name has become effective.

(3) PROPOSED ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

In view of the Change of Company Name, the Board also proposes to amend and restate the Memorandum of Association and the Articles of Association to reflect the Change of Company Name (the “**Amendments**”), with effect from the same time the Change of Company Name takes effect. Details of the proposed Amendments will be set out in the circular to be despatched to the Shareholders in due course.

The Board proposes to put forward to the Shareholders for approval at the EGM a special resolution to adopt the New M&A. The proposed adoption of the New M&A is subject to the passing of a special resolution.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, passing the ordinary resolution to approve the Asset Purchase Agreement. Each of Mr. Hong Tianzhu, New Green Group Limited, Trade Partner Investments Limited and Wisdom Grace Investments Limited will abstain from voting in the EGM in relation to the Asset Purchase Agreement. Special resolutions will also be proposed for the Shareholders to consider and, if thought fit, approve the Change of Company Name and the proposed adoption of the New M&A.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Asset Purchase Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) further information regarding the Change of Company Name and the proposed adoption of the New M&A, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 9 December 2022 as additional time is required to prepare and finalise certain information to be included in the circular.

Further announcement(s) will be made by the Company to inform the Shareholders of the results of the EGM, the effective date of the Change of Company Name and the new English and Chinese stock short name for trading of the shares of the Company on the Stock Exchange.

Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Asset Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Assets by HK Co from Texhong Industrial Park under the Asset Purchase Agreement
“Articles of Association”	the amended and restated articles of association of the Company
“Asset Purchase Agreement”	the asset purchase agreement dated 7 November 2022 entered between HK Co as purchaser and Texhong Industrial Park as vendor in relation to the Acquisition
“Assets”	the Land together with Industrial Water Facilities, Boilers, LPG Gas Station and other ancillary equipment
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Boilers”	all the plant and machinery relating to the low/mid-pressure boilers and oil furnaces
“Change of Company Name”	the proposed change of the English name of the Company from “Texhong Textile Group Limited” to “Texhong International Group Limited” and adoption of the dual foreign name of the Company in Chinese of “天虹國際集團有限公司” in place of its existing dual foreign name “天虹紡織集團有限公司”
“Company”	Texhong Textile Group Limited (天虹紡織集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Asset Purchase Agreement
“Completion Date”	the date of Completion, which shall be 31 December 2022 or such other date as shall be agreed between the parties in writing
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed to it in the section headed “Consideration and payment terms” in this announcement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Asset Purchase Agreement, the Change of Company Name and the proposed adoption of the New M&A
“Group”	the Company and its subsidiaries
“Hai Ha Industrial Park”	Texhong Hai Ha Industrial Park and Ports, Quang Ha township, Hai Ha District, Quang Ninh Province, Vietnam
“HK Co”	a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company and being the purchaser of the Asset Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Board comprising Prof. Tao Xiaoming, Prof. Cheng Longdi and Mr. Ting Leung Huel, Stephen, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than Mr. Hong Tianzhu, New Green Group Limited, Trade Partner Investments Limited, Wisdom Grace Investments Limited and their respective associates
“Independent Valuer”	Vincorn Consulting and Appraisal Limited, an independent professional valuer appointed by the Company for the valuation of the Assets
“Industrial Water Facilities”	all the plant and machinery of the industrial water treatment facilities, including but not limited to filter, purification tank and pumping station
“Land”	Land Lot 1 and Land Lot 2 collectively
“Land Lot 1”	a parcel of industrial land located at Hai Ha Industrial Park with a site area of approximately 43,486.60 square meters and the buildings and structures erected thereon
“Land Lot 2”	a parcel of industrial land located at Hai Ha Industrial Park with a site area of approximately 98,123.28 square meters and the buildings and structures erected thereon
“Lease”	the lease of a parcel of industrial land located in Hai Ha Industrial Park pursuant to the Lease Agreement
“Lease Agreement”	the framework lease agreement dated 7 December 2021 and entered into between Texhong Industrial Park as landlord and a subsidiary of the Group as tenant in relation to the Lease
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2022 (or such later date as shall be agreed between the parties in writing)

“LPG Gas Station”	liquefied petroleum gas station and the liquefied petroleum gas storage tanks
“Memorandum of Association”	the amended and restated memorandum of association of the Company
“New M&A”	a new set of amended and restated Memorandum of Association and Articles of Association with the Amendments
“Newly-added Assets”	has the meaning ascribed to it in the section headed “Consideration and payment terms” in this announcement
“PRC”	The People’s Republic of China
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Texhong 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 as to 78% by Mr. Hong Tianzhu, the chairman of the Company and an executive Director and as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Company, the chief executive officer of the Group and executive Director and being the vendor of the Asset Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Utilities”	water, steam, thermal oil and liquefied petroleum gas
“Vietnam”	the Socialist Republic of Vietnam
“%”	per cent.

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

Hong Kong, 7 November 2022

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang
Mr. Tang Daoping

Independent non-executive Directors:

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