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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)**

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
WASTEWATER TREATMENT AND ADMINISTRATIVE SERVICES  
FRAMEWORK AGREEMENT**

On 17 January 2023, Texhong Industrial Park and the Company entered into the Wastewater Treatment and Administrative Services Framework Agreement pursuant to which Texhong Industrial Park shall provide wastewater treatment services and administrative services to the Group at the Texhong Production Facilities with effect from 1 January 2023 to 31 December 2025.

**LISTING RULES IMPLICATIONS**

Texhong Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman of the Company and an executive Director. Therefore, the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the largest annual cap in respect of the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement is more than HK\$3,000,000 but the relevant percentage ratios are less than 5% for each of the three years ending 31 December 2025, the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement are subject to the announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**WASTEWATER TREATMENT AND ADMINISTRATIVE SERVICES FRAMEWORK  
AGREEMENT**

Reference is made to the announcement of the Company dated 25 August 2021 in relation to the master supply agreement entered into between Texhong Industrial Park and the Company (for itself and on behalf of members of the Group) in relation to, among others, the provision of wastewater treatment services and administrative services by Texhong Industrial Park to the Group from 1 January 2022 to 31 December 2022.

To ensure continual provision of wastewater treatment services and the administrative services by Texhong Industrial Park to the Group, on 17 January 2023, Texhong Industrial Park and the Company entered into the Wastewater Treatment and Administrative Services Framework Agreement pursuant to which Texhong Industrial Park shall provide wastewater treatment services and administrative services to the Group at the Texhong Production Facilities with effect from 1 January 2023 to 31 December 2025.

## **Principal terms**

### *Date*

17 January 2023

### *Parties*

- (a) Texhong Industrial Park, as supplier; and
- (b) the Company (for itself and on behalf of members of the Group), as customer.

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 and chief executive officer of the Company and an executive Director. Texhong Industrial Park is principally engaged in infrastructure development.

## **Pricing basis**

### ***(1) Wastewater Treatment Services***

#### *Production wastewater*

Treatment of production wastewater shall be charged to the Group at the unit price of either USD0.825 per cubic meter, USD0.65 per cubic meter, or USD0.35 per cubic meter, and the applicability of the relevant unit price depends on the component of the wastewater which is assessed by the agreed parameters of the colour, acidity, chemical oxygen demand (COD) level, suspended solids content and nitrogen level.

### *Domestic wastewater*

Treatment of domestic wastewater shall be charged to the Group at the unit price of USD0.5 per cubic meter.

The unit prices above are exclusive of tax and environmental fee payable to the government and had been determined by the parties with reference to the operating costs attributable to the provision of wastewater treatment service by Texhong Industrial Park and the prevailing market prices for comparable wastewater treatment services provided by other independent service providers in other industrial parks located in Vietnam, provided that the terms of service shall not be less favourable than those terms offered by Texhong Industrial Park to its independent third party customers. The service fees payable by the Company for the wastewater treatment services shall be settled in VND on a monthly basis.

### **(2) *Administrative Services***

Texhong Industrial Park shall provide administrative services to the Group at the Texhong Production Facilities, such as applying for working visa for employees, arranging of hotel accommodation and vehicles for visiting guests and sourcing of office supplies.

The actual service fee payable by the Company for the administrative services shall be determined based on the actual cost and expenses incurred by Texhong Industrial Park in the course of providing the administrative services. The service fees payable by the Company for the administrative services shall be settled in VND on a monthly basis.

### **Term**

The Wastewater Treatment and Administrative Services Framework Agreement has a term commencing from 1 January 2023 and expiring on 31 December 2025.

### **Annual caps and basis**

The Directors anticipate that the aggregate annual fee payable by the Company to Texhong Industrial Park under the Wastewater Treatment and Administrative Services Framework Agreement for the three years ending 31 December 2025 are RMB29 million, RMB33 million and RMB36 million, respectively.

The annual caps were determined by the Directors with reference to the Group's estimated demand for wastewater treatment services and administrative services for the three years ending 31 December 2025, which have been assessed with reference to the estimated output from the available production capacity of the Texhong Production Facilities and the business development needs of the Group, respectively.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in the manufacture and distribution of quality yarn, grey fabrics and garment fabrics as well as garments, especially high value-added core-spun yarn.

The Directors consider that it is for the commercial benefit of the Group to procure wastewater treatment services from Texhong Industrial Park and the use of the administrative services provided by Texhong Industrial Park instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from third party suppliers and the provision of administrative services from external service provider.

The Directors (including the independent non-executive Directors) are of the view that the Wastewater Treatment and Administrative Services Framework Agreement have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Wastewater Treatment and Administrative Services Framework Agreement and the annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Texhong Industrial Park is a connected person of the Company by virtue of its being an associate of Mr. Hong Tianzhu, the chairman of the Company and an executive Director. Therefore, the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the largest annual cap in respect of the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement is more than HK\$3,000,000 but the relevant percentage ratios are less than 5% for each of the three years ending 31 December 2025, the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement are subject to the announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Hong Tianzhu and Mr. Zhu Yongxiang had material interests in the transactions contemplated under the Wastewater Treatment and Administrative Services Framework Agreement and have abstained from voting on the board resolution. Save as disclosed above, none of the Directors had a material interest in such transactions.

## DEFINITIONS

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

“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Texhong Textile Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 by Mr. Hong Tianzhu, the chairman of the Company and an executive Director as to 78% and Mr. Zhu Yongxiang, the vice chairman and chief executive officer of the Company and an executive Director as to 22%
“Texhong Production Facilities”	the production facilities operated by the Group at Texhong Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam
“USD”	United States dollars, the lawful currency of United States
“Vietnam”	the Socialist Republic of Vietnam

“VND”	Vietnamese dong, the lawful currency of Vietnam
“Wastewater Treatment and Administrative Services Framework Agreement”	the wastewater treatment and administrative services framework agreement dated 17 January 2023 entered into between Texhong Industrial Park and the Company (for itself and on behalf of members of the Group) in relation to the provision of wastewater treatment services and administrative services by Texhong Industrial Park to the Group
“%”	per cent.

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

Hong Kong, 17 January 2023

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