

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.



TEXHONG INTERNATIONAL GROUP LIMITED

天虹國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2678)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF KNITTED GARMENT FABRICS FACTORY IN VIETNAM

THE DISPOSAL

On 4 August 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, together with the Company, entered into the Sale & Purchase Agreement with the Purchaser and Texwinca, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% of the equity interests in the Target Company, and the Vendor has agreed to assign, and the Purchaser has agreed to take up the assignment of, the Loan.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Sale & Purchase Agreement is more than 5% but all applicable percentage ratios are below 25%, the transaction contemplated under the Sale & Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

OVERVIEW OF THE DISPOSAL

On 4 August 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, together with the Company, entered into the Sale & Purchase Agreement with the Purchaser and Texwinca, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% of the equity interests in the Target Company, and the Vendor has agreed to assign, and the Purchaser has agreed to take up the assignment of, the Loan.

PRINCIPAL TERMS OF THE SALE & PURCHASE AGREEMENT

Date

4 August 2023

Parties

- (1) the Vendor;
- (2) the Company (as the Vendor's guarantor);
- (3) the Purchaser; and
- (4) Texwinca (as the Purchaser's guarantor).

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

Subject matter of the Sale & Purchase Agreement

Pursuant to the Sale & Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase 100% of the equity interests in the Target Company, and the Vendor has agreed to assign, and the Purchaser has agreed to take up the assignment of, the Loan.

Consideration and basis of determination

The Consideration is approximately USD78,591,942 (subject to adjustment), arrived at after arm's length negotiations between the parties on normal commercial terms. The Share Consideration shall be calculated with reference to the adjusted net asset value of the Target Company as at the Completion Date, and subject to adjustments in the manner set out in the section headed "Payment terms and application of payments" below. The Loan Consideration shall be equal to the outstanding amount of the Loan as at the Completion Date as set out in the Audited Completion Accounts.

Payment terms and application of payments

The Consideration shall be paid by the Purchaser in the following manner:

- (1) the Deposit shall be paid to the Vendor within three Business Days of the signing of the Sale & Purchase Agreement;
- (2) the Part Payment Sum shall be paid to the Escrow Agent within three Business Days of the signing of the Sale & Purchase Agreement;
- (3) an amount equal to the outstanding amount of the Loan as at the Completion Date as set out in the completion accounts of the Target Company less the Deposit and the Part Payment Sum shall be paid to the Escrow Agent on the Completion Date on account of the Loan Consideration;
- (4) an amount equal to the Initial Share Consideration less the Deferred Amount (subject to the adjustments explained below) shall be paid to the Escrow Agent on the Completion Date on account of the Share Consideration; and
- (5) the Deferred Amount shall be paid to the Vendor within six months from the Completion Date.

(the payments made pursuant to paragraphs (2) to (4) above shall collectively be referred to as the “**Escrow Monies**”)

The payment of each instalment as described above shall be applied towards payment of the Consideration in the following manner:

- (1) The Deposit and the Part Payment Sum (collectively and without interest) shall be applied in full as part payment of the Consideration at Completion;
- (2) Within seven Business Days after (a) the delivery of the Audited Completion Accounts and the statement containing the Certified Sum, and (b) the delivery by the Vendor to the Purchaser of the tax filing report with the relevant Vietnam tax authorities by the Vendor and the Target Company in relation to the transactions contemplated by the Sale & Purchase Agreement based on the Share Consideration, and the tax clearance certificate by the relevant Vietnam tax authorities indicating the tax arising therefrom (if any) and (where applicable) the due settlement thereof by the Vendor based on the Share Consideration, the below sums shall be released in the manner and subject to the adjustment as set out below:
 - (i) the Purchaser shall procure the Escrow Monies held by the Escrow Agent be released to the Vendor, subject to paragraph (iii) below;

- (ii) if the Certified Sum after deducting the Deferred Amount is more than the aggregate amount of the Escrow Monies and the Deposit, the Purchaser shall pay to the Vendor an amount equal to the excess of the Certified Sum (after deducting the Deferred Amount) over the aggregate amount of the Escrow Monies and the Deposit; and
- (iii) if the Certified Sum after deducting the Deferred Amount is less than the aggregate amount of the Escrow Monies and the Deposit, the Vendor shall pay to the Purchaser an amount so that the aggregate of the Escrow Monies and the Deposit (netted of that amount) shall be equal to the Certified Sum (after deducting the Deferred Amount), provided that the Purchaser shall have the right to recoup such amount directly from the Escrow Monies.

In the event that the Vendor shall have delivered to the Purchaser a tax filing report with the relevant Vietnam tax authorities by the Vendor and the Target Company in relation to the transactions contemplated by the Sale & Purchase Agreement based on the Initial Share Consideration and the tax clearance certificate by the relevant Vietnam tax authorities indicating the tax arising therefrom (if any) and (where applicable) the due settlement thereof by the Vendor based on the Initial Share Consideration, the Purchaser shall procure that 50% of the Escrow Monies, excluding any accrued interest if any, held by the Escrow Agent be released to the Vendor, and the balance of the Escrow Monies held by the Escrow Agent shall remain and continue to be dealt with in accordance with above paragraphs taking into account the partial release of the Escrow Monies made.

Conditions Precedent

Completion shall be subject to the satisfaction or waiver (as the case may be) of the following conditions precedent on or before the Long Stop Date:

- (1) The Purchaser being satisfied with the matters below in all respects:
 - (a) satisfactory compliance status of Personal Income Tax and Social Health & Unemployment Insurance of the Target Company under the applicable laws of Vietnam;
 - (b) updating of the schedule for investment and implementation of the project (the “**Project**”) specified in the investment registration certificate of the Target Company to which that certificate relates;
 - (c) satisfactory compliance status of transfer pricing documentation of the Target Company; and

- (d) the obtaining of documents evidencing the fire prevention and fighting compliance, including (i) fire protection acceptance for phase 1 all built items of the Project, (ii) construction acceptance for phase 1 all built items of the Project, and (iii) property certificate for phase 1 all built items of the Project;
- (2) Texwinca having obtained approval of its shareholders by way of poll in general meeting or by written approval (if permitted by the Listing Rules) for the entering into of the Sale & Purchase Agreement and the transactions contemplated thereunder;
- (3) (if required) The Company having obtained approval of its shareholders by way of poll in general meeting of the Company or by written approval (if permitted by the Listing Rules) for the entering into of the Sale & Purchase Agreement and the transactions contemplated thereunder;
- (4) all requisite filings with and approvals from the competent authorities of Vietnam under the applicable competition laws of Vietnam having been made, performed and obtained;
- (5) all requisite filings and approvals in relation to the entire equity interests of the Target Company under the applicable investment laws of Vietnam having been made, performed and obtained;
- (6) the land use right certificate of the Target Company relating to the Land having been amended and updated according to the manner specified by the Purchaser;
- (7) all outstanding loans (constituting the Loan) owing, due or payable by the Target Company to the Vendor being reported and/or registered with the State Bank of Vietnam in accordance with and in the manner required by the applicable laws of Vietnam reflecting the Vendor as the lender, together with the provision of the loan repayment plan of existing shareholder's loans of the Target Company; and
- (8) the warranties and representations on the part of the Vendor stated in the Sale & Purchase Agreement remaining true and accurate and not misleading in all respects as at the date of the Sale & Purchase Agreement up to the Completion Date.

The parties may jointly waive all or any of above conditions precedent (other than those referred to in the above paragraphs (2) to (5)), either in whole or in part, at any time by mutual agreement in writing. The Purchaser may waive the conditions precedent referred to in the above paragraphs (1) and (6) to (8) by notice at any time in writing to the Vendor.

If any of the above conditions precedent have not been fulfilled or waived (as the case may be) on or before the Long Stop Date, the Sale & Purchase Agreement shall cease and terminate (except for the continuing provisions).

Completion

Completion shall take place on the third Business Day after all the conditions precedent above have been fulfilled or waived (as the case may be), or on such other date as the parties may agree in writing.

Guarantee

The Company shall indemnify and hold the Purchaser harmless from and against any suits, writs, actions, claims, demands and proceedings and any loss, damage, liabilities, expenses and costs (including, without limitation, legal fees), whether actual or contingent, direct or indirect, arising out of, in relation to or in connection with any failure of the Vendor to perform all or any of its duties and obligations under the Sale & Purchase Agreement or any breach thereof by the Vendor.

Texwinca shall indemnify and hold the Vendor harmless from and against any suits, writs, actions, claims, demands and proceedings and any loss, damage, liabilities, expenses and costs (including, without limitation, legal fees), whether actual or contingent, direct or indirect, arising out of, in relation to or in connection with any failure of the Purchaser to perform all or any of its duties and obligations under the Sale & Purchase Agreement or any breach thereof by the Purchaser.

FINANCIAL EFFECTS OF THE DISPOSAL AND FINANCIAL INFORMATION ON THE TARGET COMPANY

The Group is expected to record an estimated gain before tax of approximately USD7,404,000 from the Disposal, which is estimated based on the difference between the Initial Share Consideration and the unaudited net asset value of the Target Company attributable to the Group of approximately USD6,905,000 derived from its accounting records as at 30 June 2023, after deduction of related expenses.

Shareholders of the Company should note that the actual amount of the gain on the Disposal may be different from the above and will be determined with reference to the financial position of the Target Company on the Completion Date, taking into account incidental transaction costs determined upon Completion and is subject to audit.

Set forth below is a summary of the key financial data of the Target Company based on the audited financial statements of the Target Company for the financial years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	<i>(USD)</i>	<i>(USD)</i>
Net loss before tax	603,930	5,557,064
Net loss after tax	603,930	5,557,064

Based on the management accounts of the Target Company for the six months ended 30 June 2023, the total asset value of the Target Company as at 30 June 2023 was approximately USD76,250,000.

The net amount of the Consideration receivable will be used as general working capital of the Group and capital expenditure.

Upon Completion, the Target Company shall cease to be a subsidiary of the Company and its financial information will no longer be consolidated into the Group's consolidated financial statements.

INFORMATION ON THE PARTIES AND REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE & PURCHASE AGREEMENT

The Vendor is engaged in investment holding. The Company is principally engaged in investment holding, and the Group is principally engaged in the manufacturing and sales of yarns, grey fabrics, garment fabrics as well as garments. The Target Company is principally engaged in the manufacturing of knitted garment fabric in Vietnam.

The Purchaser is principally engaged in investment holding. Texwinca is principally engaged in investment holding, and its subsidiaries are principally engaged in (i) the production, dyeing and sale of knitted fabric, yarn and garments, (ii) the retailing and distribution of casual apparel and accessories and (iii) the provision of franchise services.

Given the complex and uncertain macro operation environment in recent years, coupled with the Group's consideration of increasing specialisation in industry segmentation as well as solidifying its defensibility in industry, the Group aims to gradually adjust its industry deployment, organization and production structure while placing more focus on the development of its major business to adapt to the change of macro environment. Given that the Target Company has been recording losses, and as a part of the Group's plan on streamlining operations and improving or disposing certain assets or businesses with low efficiency or profitability, the Disposal would enable the Group to concentrate its resources and manpower on other business segments with relatively higher profitability and/or development potential.

In view of the above, the Group decided to dispose of the entire equity interests held in the Target Company, thus freeing up assets for other businesses of the Group. The Directors (including the independent non-executive Directors) consider that the Disposal, the terms and conditions of the Sale & Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Sale & Purchase Agreement is more than 5% but all applicable percentage ratios are below 25%, the transaction contemplated under the Sale & Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Audited Completion Accounts”	the audited completion accounts of the Target Company as of the Completion Date
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong and Vietnam
“Certified Sum”	the adjusted net asset value of the Target Company and the Loan Consideration as at the Completion Date determined according to the principles set out in the Sale & Purchase Agreement
“Company”	Texhong International Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Sale & Purchase Agreement
“Completion Date”	date on which Completion takes place in accordance with the Sale & Purchase Agreement
“Consideration”	the consideration payable by the Purchaser for the sale and purchase of the entire equity interests of the Target Company and the assignment of the Loan

“Deferred Amount”	a sum of USD1,000,000 which shall be paid by the Purchaser after Completion
“Deposit”	a sum of USD3,929,597 to be paid by the Purchaser by way of deposit
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interests in the Target Company and the assignment of the Loan by the Vendor
“Escrow Agent”	the escrow agent jointly appointed by the Vendor and the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Share Consideration”	a sum of USD14,911,942, being the amount equal to the initial share consideration for the entire equity interests of the Target Company
“Land”	the land of which the Target Company is the registered user, located in Hai Ha Industrial Zone, Quang Ha Town, Hai Ha District, Quang Ninh Province, Vietnam, with a site area of approximately 249,904.4 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the aggregate amount outstanding and owing as at the Completion Date by the Target Company to the Vendor
“Loan Consideration”	the consideration for the assignment of the Loan
“Long Stop Date”	30 September 2023 (or such later date as the parties may agree in writing)
“Part Payment Sum”	a sum of USD23,577,583, to be paid by the Purchaser by way of part payment
“PRC”	the People’s Republic of China

“Purchaser”	Nice View Dyeing & Bleaching Limited 永景實業有限公司, a company incorporated under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with limited liability and an indirect wholly-owned subsidiary of Texwinca
“Sale & Purchase Agreement”	the sale and purchase agreement dated 4 August 2023 entered into between the Vendor, the Purchaser, the Company and Texwinca in relation to the Disposal
“Share Consideration”	the total amount of consideration payable by the Purchaser to the Vendor for the sale and purchase of the entire equity interests of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules
“Target Company”	Fashion Time Viet Nam Limited (時針越南有限公司), a company established in Vietnam with limited liability and an indirect wholly-owned subsidiary of the Company
“Texwinca”	Texwinca Holdings Limited (德永佳集團有限公司*), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0321)
“USD”	United States dollar, the lawful currency of the United States of America
“Vendor”	Fashion Time Vietnam Holdings Limited (時針越南控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 4 August 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. Cheng Longdi
Prof. Tao Xiaoming
Mr. Shu Wa Tung, Laurence