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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)

(1) TERMINATION OF CONNECTED TRANSACTION IN RELATION TO PHOTOVOLTAIC INSTALLATION AND CONSTRUCTION AGREEMENT

(2) CONNECTED TRANSACTION IN RELATION TO PHOTOVOLTAIC SUPPLY CHAIN MANAGEMENT CONSULTING SERVICE AGREEMENT

TERMINATION OF PHOTOVOLTAIC INSTALLATION AND CONSTRUCTION AGREEMENT

On 26 July 2024 (after trading hours), due to the reasons further elaborated in the section headed “REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND THE SUPPLY CHAIN AGREEMENT” below, Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Contractor entered into the Termination Agreement to terminate the Agreement.

ENTRY INTO PHOTOVOLTAIC SUPPLY CHAIN MANAGEMENT CONSULTING SERVICE AGREEMENT

As the parties to the Agreement, namely Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Service Provider still intend to cooperate and proceed with construction of photovoltaic power plants, on 26 July 2024, Shanghai Hongguang (for itself and on behalf of other members of the Group) and Service Provider (for itself and on behalf of its affiliates) entered into the Supply Chain Agreement for the provision of customised supply chain management consulting and agency services by the Service Provider Entities to the Contracting Members at a maximum aggregate consideration of RMB170 million.

IMPLICATIONS UNDER THE LISTING RULES

The Service Provider Entities are ultimately owned (1) as to 78% by Mr. Hong Tianzhu, the chairman of the Board and an executive Director; and (2) as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Board, chief executive officer and an executive Director. They are therefore associates of Mr. Hong Tianzhu and therefore connected persons of the Company. As such, the entering into of the Termination Agreement and Supply Chain Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Supply Chain Agreement is more than 0.1% but less than 5%, the Supply Chain Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 26 April 2024 (the “**Announcement**”) in relation to the Agreement entered into between Shanghai Hongguang (an indirect wholly-owned subsidiary of the Company) (for itself and on behalf of other members of the Group) and the Contractor in relation to provision of photovoltaic installation and construction services to the Group. Capitalised terms used herein shall have the same meanings as defined in the Announcement unless otherwise indicated.

THE TERMINATION AGREEMENT

Pursuant to the Agreement, the Contractor shall provide photovoltaic installation and construction services for distributed photovoltaic power plants to the Group at a maximum aggregate consideration of RMB93.0 million.

On 26 July 2024 (after trading hours), due to the reasons further elaborated in the section headed “**REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND THE SUPPLY CHAIN AGREEMENT**” below, Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Contractor entered into the Termination Agreement.

Pursuant to the Termination Agreement, the parties thereto irrevocably and unconditionally agree to terminate the Agreement, with the termination taking effect from the date of the Termination Agreement. The parties agreed to unconditionally and absolutely release and discharge each other from all present and future obligations and liabilities, actual and contingent, known or unknown, anticipated or unanticipated, suspected or unsuspected, which arise out of or relate to, directly or indirectly, under the Agreement and Order Confirmations thereunder. The parties further irrevocably and unconditionally waive, release and discharge any and all claims, demands and causes of

action against the other party that they may have under the Agreement or Order Confirmations thereunder, nor shall they be liable for any litigation, arbitration or other legal proceedings, claims, damages, costs and expenses.

As at the date of this announcement, no Order Confirmations had been entered into by the parties pursuant to the Agreement and no works had been undertaken by the Contractor due to reasons elaborated in the section headed “REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND THE SUPPLY CHAIN AGREEMENT” below.

THE SUPPLY CHAIN AGREEMENT

As the parties to the Agreement, namely Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Service Provider, still intend to cooperate and proceed with construction of photovoltaic power plants, on 26 July 2024, Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Service Provider (for itself and on behalf of its affiliates) entered into the Supply Chain Agreement.

The principal terms of the Supply Chain Agreement are set out as follows:

Date

26 July 2024

Parties

- (1) Shanghai Hongguang (for itself and on behalf of other members of the Group), as customer; and
- (2) the Service Provider (for itself and on behalf of its affiliates) (each, a Service Provider Entity), as service provider.

The Service Provider Entities are ultimately owned (1) as to 78% by Mr. Hong Tianzhu, the chairman of the Board and an executive Director; and (2) as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Board, chief executive officer and an executive Director.

Scope of work

Pursuant to the Supply Chain Agreement, the Service Provider Entities shall provide customised supply chain management consulting and agency services to the Contracting Members, including but not limited to, planning and design of photovoltaic projects, project registration, approval of the power access, procurement of modules and materials, supplier scouting and management, installation and photovoltaic grid connection and project operation and maintenance.

As the Supply Chain Agreement only sets out the framework for the provision of the consulting and agency services generally, in respect of each specific photovoltaic power plant to be constructed for the Group, the Contracting Members shall enter into further specific Order Confirmations in respect with the Service Provider Entities to determine, among others, the exact scope of work, individual specifications, consideration payable and detailed terms and conditions on the delivery of the particular services.

In the event of conflicts between the terms of the specific Order Confirmations and the terms of the Supply Chain Agreement, the terms of the Supply Chain Agreement shall prevail.

Consideration and pricing policy

The total consideration of all Order Confirmations to the Service Provider Entities signed pursuant to the Supply Chain Agreement shall not exceed RMB170 million, which shall be exclusive of any service fees payable by the Contracting Members to third party service providers sourced by the Service Provider Entities pursuant to separate service contracts to be entered into with the Contracting Members (if any). The consideration payable for each Order Confirmation shall be calculated according to the cost of services actually provided by the Service Provider Entity as stated in the particular Order Confirmation, and the unit price for each service shall not exceed the price charged for the same or similar services offered by independent third parties at the time the Order Confirmations are entered into.

The payment terms and schedule in respect of each photovoltaic power plant shall be more specifically determined in the corresponding Order Confirmation.

The consideration for the Order Confirmations pursuant to the Supply Chain Agreement shall be financed by the internal resources of the Group as well as external financing.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the manufacture and distribution of quality yarns, grey fabrics and garment fabrics.

The Service Provider and its affiliates, to the best knowledge of the Directors upon making reasonable enquiries, are principally engaged in the provision of trading and related services, including in the energy industry, as well as industrial energy planning and development services. The Service Provider Entities are ultimately owned (1) as to 78% by Mr. Hong Tianzhu, the chairman of the Board and an executive Director; and (2) as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Board, chief executive officer and an executive Director.

REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND THE SUPPLY CHAIN AGREEMENT

In order to maximize the cost control benefits from the internal generation of photovoltaic energy and minimize energy costs, it would be in the interests of the Group to have more photovoltaic power plants constructed at its production facilities. In addition, as the cost of construction of photovoltaic projects decreases as elaborated below, the cost control benefits from constructing such projects becomes more appealing. Upon further technical analysis for the various proposed photovoltaic power plants under the Agreement and confirmation of feasibility for photovoltaic projects overseas, it was decided that the total installed capacity for all photovoltaic power plants should be increased.

In light of the increased installed capacity and in order to further enhance the efficiency and lower costs, a flexible service model was adopted so that the Service Provider, as well as the Service Provider Entities, could, in addition to providing the technical services themselves, act as agents of the Contracting Members by utilising their own brand resources and source third party service providers to undertake certain work under Order Confirmations depending on the project needs.

The fixed unit price of RMB2.9/watt originally agreed under the Agreement had taken into account the procurement and labor costs incurred by the Contractor under the assumption that all services included in the scope of work under the Agreement are to be provided by the Contractor. Further, as raw material prices have been on a downward trend over the past few months and considering the relative volatility of the global new energy market, a flexible pricing mechanism would allow the unit price to be adjusted (a) to reflect the actual cost to the Service Provider Entities according to the particular scope of services under a given Order Confirmation; (b) to account for the cost savings arising from engaging third party service providers (if any); and (c) to factor in any raw material price fluctuations that may occur.

For the reasons outlined above, the maximum aggregate consideration under the Supply Chain Agreement for all photovoltaic power plants to be constructed was also raised to RMB170 million to allow the Group flexibility for engagement of photovoltaic construction and installation services according to the Group's needs.

Based on the above, the Directors (including the independent non-executive Directors but excluding Mr. Hong Tianzhu and Mr. Zhu Yongxiang being interested Directors) are of the view that although the Termination Agreement and Supply Chain Agreement are not in the ordinary and usual course of business of the Group due to their respective nature, the Termination Agreement and Supply Chain Agreement and the transactions contemplated thereunder are on normal commercial terms, and that their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Service Provider Entities are ultimately owned (1) as to 78% by Mr. Hong Tianzhu, the chairman of the Board and an executive Director; and (2) as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Board, chief executive officer and an executive Director. They are therefore associates of Mr. Hong Tianzhu and therefore connected persons of the Company. As such, the entering into of the Termination Agreement and Supply Chain Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Supply Chain Agreement is more than 0.1% but less than 5%, the Supply Chain Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Hong Tianzhu and Mr. Zhu Yongxiang have material interests in the transactions contemplated under the Termination Agreement and Supply Chain Agreement by virtue of their ultimate shareholdings in the Service Provider, and have abstained from voting on the Board resolution approving the Termination Agreement and Supply Chain Agreement. Save as disclosed, 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:

“affiliates”	other companies outside of the Group which are also directly and/or indirectly owned (1) as to 78% by Mr. Hong Tianzhu and (2) as to 22% by Mr. Zhu Yongxiang
“Contractor” or “Service Provider”	Shanghai Hongyun Engineering Construction Co., Ltd* (上海虹雲工程建設有限公司), a company established in the PRC with limited liability
“Contracting Member(s)”	member(s) of the Group who have entered, or shall enter into Order Confirmations with the Service Provider Entities pursuant to Supply Chain Agreement from time to time
“Service Provider Entities”	the Service Provider and its affiliates who shall provide the services to the Contracting Members pursuant to the Order Confirmations under the Supply Chain Agreement

“Supply Chain Agreement”	the agreement dated 26 July 2024 entered into between Shanghai Hongguang (for itself and on behalf of other members of the Group) and Service Provider (for itself and on behalf of its affiliates) for the provision of customised supply chain management consulting and agency services to the Group
“Termination Agreement”	the agreement dated 26 July 2024 entered into between Shanghai Hongguang (for itself and on behalf of other members of the Group) and the Contractor to terminate the Agreement

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

Hong Kong, 26 July 2024

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

Executive Directors:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang
Mr. Ye Lixin

Independent non-executive Directors:

Prof. Tao Xiaoming
Prof. Cheng Longdi
Mr. Shu Wa Tung, Laurence