

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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
PARTIAL UNWINDING OF AND UPDATES ON CERTAIN
ACQUISITION OF ASSETS IN VIETNAM;**

AND

**(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO UTILITIES SUPPLY FRAMEWORK AGREEMENT**

**PARTIAL UNWINDING OF CERTAIN ACQUISITION OF ASSETS IN VIETNAM
AND UPDATES ON CERTAIN ACQUISITION OF ASSETS IN VIETNAM**

Land Lot 1

Although Texhong Industrial Park has been continuously engaging in various meetings and discussions with the relevant authorities for the purpose of, among others, exploring the feasibility of the transfer of its legal title, applications made to change the function of Land Lot I have all been rejected. Given the stance of the relevant authorities, and taking into account that allowing further time to liaise with them would not likely result in a favourable decision, the Directors are of the view that it would be in the best interests of the Group and Shareholders to discontinue the attempts to complete the Registration of Land Lot 1.

Land Lot 2

Pursuant to further land planning by the relevant authority, Land Lot 2 had been rezoned into two Land Lot 2A and Land Lot 2B. The parties had since continued to push for the Registration in respect of both lots. As at the date of this announcement, Registration in respect of Land Lot 2A has been completed. As for Land Lot 2B, the progress made to advance its Registration has been slow. Given the slow progress, and taking into account that (i) the Assets on Land Lot 2 (excluding the land itself) that the Group set out to acquire are all situated on Land Lot 2A; (ii) Land Lot 2B is vacant; and (iii) the acquisition of Land Lot 1 shall be unwound, the Directors are of the view that there is no need to proceed with Registration of Land Lot 2B at the present time.

In light of the above, on 24 March 2025, the parties agreed that the acquisition of Land Lot 1, the Utility Assets thereon and Land Lot 2B shall be unwound in accordance the terms of the Revised Asset Purchase Agreement (as supplemented by the Second Supplemental Agreement) on 1 April 2025.

CONTINUING CONNECTED TRANSACTION IN RELATION TO UTILITIES SUPPLY FRAMEWORK AGREEMENT

To ensure sufficient supply of the Required Utilities by Texhong Industrial Park to the Group after the Unwinding, on 24 March 2025, Texhong Industrial Park and the Company entered into the 2025 Utilities Supply Framework Agreement pursuant to which Texhong Industrial Park shall supply the Required Utilities to the Group for its use during the period from 1 April 2025 to 31 December 2025.

Listing Rules Implication

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 2025 Utilities Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

All of the applicable percentage ratios of the transactions contemplated under the 2025 Utilities Supply Framework Agreement, are less than 5% but the annual cap is more than HK\$3,000,000, the 2025 Utilities Supply Framework Agreement is subject to announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PARTIAL UNWINDING OF CERTAIN ACQUISITION OF ASSETS IN VIETNAM AND UPDATES ON CERTAIN ACQUISITION OF ASSETS IN VIETNAM

Reference is made to the announcements of the Company dated 7 November 2022, 8 December 2022, 3 February 2023, 15 March 2024 (the “**March Announcement**”) and 15 April 2024 (the “**April Announcement**”) and the circular of the Company dated 9 December 2022 (the “**Circular**”) in relation to, among others, the Acquisition. Terms used herein shall have the same meanings as defined in the March Announcement and the Circular unless otherwise indicated.

In order to, among others, allow more time for the parties to liaise with local authorities to understand and complete the procedures for the Registration in relation to Land Lot 1 and Land Lot 2, HK Co and Texhong Industrial Park had entered into the Second Supplemental Agreement on 15 March 2023, pursuant to which the deadline for completing the Registration was extended until 31 March 2025 (or such later date as the parties may agree).

Reasons for unwinding certain acquisition of assets and return of consideration

I) Land Lot 1

In respect of Land Lot 1, since the publication of the April Announcement, Texhong Industrial Park has continuously engaged in various meetings and discussions with the relevant authorities for the purpose of determining the nature and classification of Land Lot I and exploring the feasibility of the transfer of its legal title. Quang Ninh Economic Zone Authority subsequently advised that Land Lot I is designated for “common use”, and applications were made to change the function of Land Lot I as advised by the Group’s Vietnam legal advisers, however, such applications have all been rejected.

After due and careful consideration and assessment of the feasibility of the Registration of Land Lot 1 given the stance of the relevant authorities, and taking into account that allowing further time to liaise with them would not likely result in a favourable decision, the Directors are of the view that it would be in the best interests of the Group and Shareholders to discontinue the attempts to complete the Registration of Land Lot 1.

II) Land Lot 2

In respect of Land Lot 2, pursuant to further land planning by the relevant authority, Land Lot 2 had been rezoned into two plots of land, one being approximately 76,161.52 square meters (“**Land Lot 2A**”) on which the Assets (excluding the Land) (the “**Utility Assets**”) are located, and the other being 21,961.76 square meters (“**Land Lot 2B**”) which is vacant. The parties had since continued to push for the Registration in respect of both lots. As at the date of this announcement, Registration in respect of Land Lot 2A has been completed in accordance with the Second Supplemental Agreement. As for Land Lot 2B, the progress made to advance its Registration has been slow. After due and careful consideration of the feasibility of completing the Registration therefor on or before 31 March 2025 given the slow progress, and taking into account that (i) the Utility Assets on Land Lot 2 that the Group set out to acquire are situated on Land Lot 2A; (ii) Land Lot 2B is vacant; and (iii) the acquisition of Land Lot 1 and Utility Assets thereon shall be unwound (as further elaborated below) so that the Group would have to source additional Utilities in any event, the Directors are of the view that there is no need to proceed with Registration of Land Lot 2B at the present time.

Pursuant to the Revised Asset Purchase Agreement (as supplemented by the Second Supplemental Agreement), in case the Registration cannot be completed by 31 March 2025, Texhong Industrial Park shall return to HK Co the consideration received together with all the interest accrued (such interest rate shall be based on the 12 months fixed deposit rate offered by the foreign banks in Vietnam on the date of payment of the relevant consideration) in respect of the parcel of land together with the buildings and all assets attached to the land for which the Registration cannot be completed (after deducting the fees generated from the provisions 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 and the operation cost of the Utilities), i.e. the Returned Consideration.

In light of the above, on 24 March 2025, the parties agreed that the acquisition of Land Lot 1, the Utility Assets thereon and Land Lot 2B (together, the “**Returned Assets**”) shall be unwound (the “**Unwinding**”) in accordance the terms of the Revised Asset Purchase Agreement (as supplemented by the Second Supplemental Agreement) on 1 April 2025, whereby Texhong Industrial Park shall refund such Returned Consideration attributable to the Returned Assets, and the Returned Assets shall be deconsolidated from the consolidated financial statements of the Group from such date. Based on the fees generated from the Returned Assets, the relevant operating costs and the relevant interest accrued since Completion up to 28 February 2025, the Returned Consideration pursuant to the Unwinding is estimated to be approximately US\$13,400,000.

Financial impact in connection with the Unwinding

In this regard, based on the unaudited consolidated management accounts of the Group for the two months ended 28 February 2025 and other information currently available to the Board, it is estimated that the Group shall record (a) approximately RMB31,887,000 in other losses, being the fees generated from the Returned Assets net of the operating costs and taking into account the relevant interest accrued, of which RMB29,828,000 shall be recorded as other losses incurred during the year ended 31 December 2024; and (b) a decrease in the net value of fixed assets and land use rights of approximately RMB99,600,000.

Shareholders should note that the actual financial impact resulting from the Unwinding may be different from the above and is subject to audit. Save as disclosed above, the Board considers that the Unwinding will not have any material adverse impact on the financial position and operation of the Group.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO UTILITIES SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 25 August 2021, 17 January 2023 and 3 February 2023 in relation to, among others, the following agreements entered into between the Company and Texhong Industrial Park: (a) the master supply agreement for the supply of Utilities, wastewater treatment service and administrative services by Texhong Industrial Park to the Group from 1 January 2022 to 31 December 2022; and (b) the framework agreement for the supply of Utilities by Texhong Industrial Park to the Group from 1 January 2023 to 31 March 2023.

To ensure sufficient supply of steam, water and liquefied petroleum gas (the “**Required Utilities**”) by Texhong Industrial Park to the Group after the Unwinding, on 24 March 2025, Texhong Industrial Park and the Company entered into a new utilities supply agreement (“**2025 Utilities Supply Framework Agreement**”) pursuant to which Texhong Industrial Park shall supply the Required Utilities to the Group for its use during the period from 1 April 2025 to 31 December 2025.

Principal terms of the 2025 Utilities Supply Framework Agreement

Date

24 March 2025

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

Fees

(1) Supply of steam

Texhong Industrial Park shall procure the supply of low-pressure and medium pressure steam to the Group at the initial prices of US\$30 per tonne and US\$39 per tonne, respectively. Such prices had been determined and may be subject to further adjustment from time to time with reference to the prevailing market prices for coal under the Argus/McCloskey's Coal Price Index and the operating costs attributable to the supply of steam by Texhong Industrial Park.

(2) Supply of water

Texhong Industrial Park shall procure the supply of water to the Group at the initial price of US\$0.3 per cubic meter. Such price had been determined and may be subject to further adjustment from time to time with reference to the water resources fee prescribed by the Vietnam government and the operating costs attributable to the supply of water by Texhong Industrial Park.

(3) Supply of liquefied petroleum gas

Texhong Industrial Park shall procure the supply of liquefied petroleum gas to the Group at an initial unit selling price of 28,000 Vietnamese dong (“VND”) per kilogram or VND67,437 per normal cubic meter. Such prices had been determined and may be subject to further adjustment from time to time with reference to the operating costs attributable to the supply of gas by Texhong Industrial Park and the procurement cost which Texhong Industrial Park sourced liquefied petroleum gas from its upstream suppliers.

The unit prices above are exclusive of tax and environmental fee payable to the government (if any). The fees payable by the Group shall be settled in VND on a monthly basis.

The Group shall monitor the transactions to ensure the terms are fair and reasonable by keeping abreast of the relevant index prices and government prescribed prices, understanding the terms offered by Texhong Industrial Park to its independent third party customers in the supply of similar products in similar quantities by obtaining the relevant invoices issued by Texhong Industrial Park. In case of any price adjustment caused by the adjustment of prices by the upstream supplier of Texhong Industrial Park, the Group will request Texhong Industrial Park to provide the relevant supplier invoices and the contracts evidencing the price adjustments.

Term and proposed annual cap

The 2025 Utilities Supply Framework Agreement has a term commencing from 1 April 2025 and expiring on 31 December 2025 (both dates inclusive).

The Directors anticipate that the aggregate fee payable to Texhong Industrial Park under the 2025 Utilities Supply Framework Agreement for the period from 1 April 2025 to 31 December 2025 is approximately RMB35 million.

The annual cap was determined by the Directors with reference to the Group's historical consumption of the Required Utilities and the estimated demand for the Required Utilities for production at the Group's production facilities in Hai Ha Industrial Park for the period from 1 April 2025 to 31 December 2025, taking into account that which can be supplied internally through the Utility Assets on Land Lot 2A.

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.

As the Group has only proceeded with the acquisition of the Land Lot 2A and the Utility Assets thereon, it is expected that the Required Utilities supplied from them alone will not be sufficient to fulfil the expected demand for operations of Group members in Hai Ha Industrial Park. Therefore, the Directors consider that it is for the commercial benefit of the Group to source additional supply of the Required Utilities from Texhong Industrial Park, instead of incurring capital expenditure or additional cost for construction of its own facility or sourcing from third party suppliers, as the fees will be based on the actual usage by the Group as determined by separate meters for measuring the amount of the Required Utilities consumed by the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the 2025 Utilities Supply 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 2025 Utilities Supply Framework Agreement and the annual cap are fair and reasonable and in the interests of the Group and 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 Board and an executive Director. Therefore, the transactions contemplated under the 2025 Utilities Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

All of the applicable percentage ratios of the transactions contemplated under the 2025 Utilities Supply Framework Agreement, are less than 5% but the annual cap is more than HK\$3,000,000, the 2025 Utilities Supply Framework Agreement is subject to 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 have material interests in the transactions contemplated under the 2025 Utilities Supply 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 and had abstained from voting on the board resolution.

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

Hong Kong, 24 March 2025

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