

*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.*



**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**  
**GAS SUPPLY AGREEMENT**

The Board announces that on 20 October 2017, Texhong Industrial Park and Texhong Dyeing entered into the Gas Supply Agreement pursuant to which Texhong Industrial Park shall provide and supply liquefied petroleum gas to Texhong Dyeing for its uses on the Texhong Dyeing Land with effect from 20 October 2017 and expiring on 31 December 2019.

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 Gas Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. On a standalone basis, the Gas Supply Agreement, is fully exempt under Rule 14A.76(1) of the Listing Rules.

However, the transactions contemplated under the Gas Supply Agreement and the 2017-May Agreements shall be aggregated and treated as one transaction under Rule 14A.82 of the Listing Rules as these agreements were entered into by the Group with the same party. As all of the applicable percentage ratios of the transactions contemplated under the Gas Supply Agreement and the 2017-May Agreements, on an aggregate basis, are expected to be less than 5% but the total consideration (on an annual basis) is expected to be more than HK\$3,000,000, the Gas Supply Agreement will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to (i) the announcements of the Company dated 21 January 2015, 5 November 2015, 13 April 2016, 18 May 2016 and 11 September 2017 in relation to the acquisition of land use rights in Vietnam for the construction of production base; and (ii) the announcement of the Company dated 23 May 2017 in relation to the 2017-May Agreements in relation to the supply of utilities by Texhong Industrial Park to Texhong Dyeing Land and Texhong Galaxy Land.

The Board announces that on 20 October 2017, Texhong Industrial Park and Texhong Dyeing entered into the Gas Supply Agreement pursuant to which Texhong Industrial Park shall provide and supply liquefied petroleum gas to Texhong Dyeing for its uses on the Texhong Dyeing Land with effect from 20 October 2017 and expiring on 31 December 2019.

## **PRINCIPAL TERMS OF THE GAS SUPPLY AGREEMENT**

### **Date**

20 October 2017

### **Parties**

- (a) Texhong Industrial Park as supplier; and
- (b) Texhong Dyeing 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 co-chief executive officer of the Group and an executive Director. Texhong Industrial Park is principally engaged in infrastructure development.

### **Fees**

Texhong Industrial Park shall procure the supply of liquefied petroleum gas at a price of VND18,000 per kilogram (excluding tax and environmental protection fee, if any), subject to any fluctuation in the market price of liquefied petroleum gas and the operating cost of Texhong Industrial Park. In case of any price adjustment, Texhong Industrial Park shall notify Texhong Dyeing in writing. Texhong Dyeing shall report an estimated monthly consumption rate of liquefied petroleum gas to Texhong Industrial Park each month, if the actual monthly consumption rate is less than 40% of the estimated monthly consumption rate, Texhong Dyeing shall notify Texhong Industrial Park in writing.

The fees payable by Texhong Dyeing shall be settled on a monthly basis and shall be payable by Texhong Dyeing no later than the 10th day of the following month.

## **Term**

The Gas Supply Agreement shall have a term commencing from 20 October 2017 and expiring on 31 December 2019.

## **Proposed annual caps**

The Directors anticipate that the aggregate annual fee payable by Texhong Dyeing to Texhong Industrial Park under the Gas Supply Agreement shall not exceed VND332,249,500 (equivalent to approximately RMB96,500) for the year ending 31 December 2017, VND3,270,850,000 (equivalent to approximately RMB950,000) for the year ending 31 December 2018 and VND5,164,500,000 (equivalent to approximately RMB1,500,000) for the year ending 31 December 2019. The annual caps were determined by the Directors by reference to (i) the Group's estimated demand for supply of liquefied petroleum gas for the manufacturing process during the years ending 31 December 2019; and (ii) on the assumption that the sourcing costs for the supply of liquefied petroleum gas will increase at an annual inflation rate of 5%.

## **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 source liquefied petroleum gas 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 Texhong Dyeing as determined by the meter for measuring the amount of gas consumed by Texhong Dyeing at prescribed prices.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Gas Supply 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 Gas Supply 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 Gas Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. On a standalone basis, the Gas Supply Agreement, is fully exempt under Rule 14A.76(1) of the Listing Rules.

However, the transactions contemplated under the Gas Supply Agreement and the 2017-May Agreements shall be aggregated and treated as one transaction under Rule 14A.82 of the Listing Rules as these agreements were entered into by the Group with the same party. As all of the applicable percentage ratios of the transactions contemplated under the Gas Supply Agreement and the 2017-May Agreements, on an aggregate basis, are expected to be less than 5% but the total consideration (on an annual basis) is expected to be more than HK\$3,000,000, the Gas Supply Agreement will be subject to the reporting, 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 Gas Supply 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:

“2017–May Agreements”	the Texhong Dyeing Agreements, the Texhong Galaxy Agreements
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Texhong Textile Group Limited, an exempted 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
“Gas Supply Agreement”	the gas supply agreement dated 20 October 2017 and entered into between Texhong Industrial Park as supplier and Texhong Dyeing as customer in relation to the provision and supply of liquefied petroleum gas
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Texhong Dyeing”	Texhong Dyeing And Printing Vietnam Limited (越南天虹染整責任有限公司), a company established in Vietnam and an indirect non wholly-owned subsidiary of the Company
“Texhong Dyeing Agreements”	the Texhong Dyeing Power Master Supply Agreement, the Texhong Dyeing Steam Master Supply Agreement, the Texhong Dyeing Wastewater Treatment Service Agreement and the Texhong Dyeing Water Master Supply Agreement
“Texhong Dyeing Land”	a parcel of industrial land located at Texhong Industrial Park, Hai Ha District, Quang Ninh Province, Vietnam with a site area of approximately 123,228 square meters and the infrastructure erected thereon
“Texhong Dyeing Power Master Supply Agreement”	the power master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Dyeing as customer in relation to the provision and supply of electricity
“Texhong Dyeing Steam Master Supply Agreement”	the steam master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Dyeing as customer in relation to the provision and supply of steam
“Texhong Dyeing Wastewater Treatment Service Agreement”	the wastewater treatment service agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Dyeing as customer in relation to the provision and supply of wastewater treatment service
“Texhong Dyeing Water Master Supply Agreement”	the water master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Dyeing as customer in relation to the provision and supply of water
“Texhong Galaxy”	Texhong Galaxy Technology Limited (天虹銀河科技有限公司), a company established in Vietnam and an indirect wholly-owned subsidiary of the Company

“Texhong Galaxy Agreements”	the Texhong Galaxy Power Master Supply Agreement, the Texhong Galaxy Steam Master Supply Agreement, the Texhong Galaxy Wastewater Treatment Service Agreement and the Texhong Galaxy Water Master Supply Agreement
“Texhong Galaxy Power Master Supply Agreement”	the power master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Galaxy as customer in relation to the provision and supply of electricity
“Texhong Galaxy Steam Master Supply Agreement”	the steam master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Galaxy as customer in relation to the provision and supply of steam
“Texhong Galaxy Wastewater Treatment Service Agreement”	the wastewater treatment service agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Galaxy as customer in relation to the provision and supply of wastewater treatment service
“Texhong Galaxy Water Master Supply Agreement”	the water master supply agreement dated 23 May 2017 and entered into between Texhong Industrial Park as supplier and Texhong Galaxy as customer in relation to the provision and supply of water
“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 Group and an executive Director as to 78% and Mr. Zhu Yongxiang, the co-chief executive officer of the Group and an executive Director as to 22%
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese dong, the lawful currency of Vietnam
“%”	per cent.

*For the purpose of this announcement, the exchange rate of RMB1.00 = VND3,443 have been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in RMB and VND have been, could have been or may be converted at such rate or any other exchange rate.*

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

Hong Kong, 20 October 2017

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

*Executive Directors:*

Mr. Hong Tianzhu  
Mr. Zhu Yongxiang  
Mr. Tang Daoping  
Mr. Hui Tsz Wai  
Mr. Ji Zhongliang

*Independent non-executive Directors:*

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