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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) EXTENSION OF LONG STOP DATE AND COMPLETION DATE IN RESPECT OF DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ASSETS IN VIETNAM

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

(1) EXTENSION OF LONG STOP DATE AND COMPLETION DATE IN RESPECT OF DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ASSETS IN VIETNAM

Texhong Industrial Park and a wholly-owned subsidiary of the Company as parties to the Asset Purchase Agreement have agreed in writing to extend each of the long stop date and the completion date of the Asset Purchase Agreement to 31 March 2023 (or such later date as the parties to the Asset Purchase Agreement may agree in writing) as additional time is required for the fulfillment of the conditions precedent under the Asset Purchase Agreement.

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

In light of the fact that the completion of the Acquisition is expected to take place on or around 31 March 2023, in the meantime, to ensure continual supply of Utilities by Texhong Industrial Park to the Group and compliance with Listing Rules for setting an annual cap for continuing connected transactions, on 3 February 2023, Texhong Industrial Park and the Company entered into the Utilities Supply Framework Agreement pursuant to which Texhong Industrial Park shall supply Utilities to the Group for its uses at the Texhong Production Facilities with effect from 1 January 2023 to the completion date of the Asset Purchase Agreement which is currently expected to be on or before 31 March 2023 (or such later date as shall be agreed between the parties in writing).

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 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 Utilities Supply Framework Agreement, on a standalone basis or when aggregated with the annual cap for the year ending 31 December 2023 under the wastewater treatment and administrative services framework agreement entered into between Texhong Industrial Park and the Company on 17 January 2023, are less than 5% but the annual cap is more than HK\$3,000,000, the 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 had material interests in the transactions contemplated under the 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.

(1) EXTENSION OF LONG STOP DATE AND COMPLETION DATE IN RESPECT OF DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ASSETS IN VIETNAM

Reference is made to the announcements of the Company dated 7 November 2022 and 8 December 2022 and the circular of the Company dated 9 December 2022 in relation to, among others, the Acquisition.

Pursuant to the Asset Purchase Agreement, the long stop date for all the conditions precedent of the Asset Purchase Agreement to be satisfied was 31 December 2022 (or such later date as shall be agreed between the parties in writing) and completion of the Asset Purchase Agreement shall take place on the same date (or such later date as shall be agreed between the parties in writing) accordingly. As the application for the land use right certificate for the land comprising Land Lot 2 is still being processed by the relevant government authority and the negotiations with the local government for the concession on the payment of land rent are still ongoing, additional time is required for the fulfillment of the conditions precedent. As the amount of concession, if granted, could be used to reduce the consideration payable to Texhong Industrial Park as vendor, the Directors consider that it is in the best interest of the Company and its Shareholders as a whole to extend time for fulfillment of the conditions precedent. As such, the parties to the Asset Purchase Agreement have agreed in writing to extend each of the long stop date and the completion date of the Asset Purchase Agreement to 31 March 2023 (or such later date as the parties to the Asset Purchase Agreement may agree in writing). Save as disclosed above, all other terms and conditions of the Asset Purchase Agreement remain unchanged and in full force and effect in all respects.

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

Reference is made to the announcements of the Company dated 25 August 2021, 7 November 2022, 8 December 2022 and 17 January 2023. On 25 August 2021, the Company and Texhong Industrial Park entered into the master supply agreement for the supply of Utilities by Texhong Industrial Park to the Group for the period from 1 January 2022 to 31 December 2022. Subsequently, on 7 November 2022, a wholly-owned subsidiary of the Company and Texhong Industrial Park entered into the Asset Purchase Agreement for the Acquisition of, among others, the facilities for the supply of the Utilities from Texhong Industrial Park in order for the Group to reduce reliance on Texhong Industrial Park and continuing connected transactions with Texhong Industrial Park. As mentioned in the section headed “Extension of Long Stop Date and Completion Date in Respect of Discloseable and Connected Transaction in relation to Acquisition of Asset in Vietnam” above, the completion of the Acquisition is expected to take place on or around 31 March 2023. In the meantime, to ensure continual supply of Utilities by Texhong Industrial Park to the Group and compliance with Listing Rules for setting an annual cap for continuing connected transactions, on 3 February 2023, Texhong Industrial Park and the Company entered into the Utilities Supply Framework Agreement pursuant to which Texhong Industrial Park shall supply Utilities to the Group for its uses at the Texhong Production Facilities with effect from 1 January 2023 to the completion date of the Asset Purchase Agreement which is currently expected to be on or before 31 March 2023 (or such later date as shall be agreed between the parties in writing).

Principal terms of the Utilities Supply Framework Agreement

Date

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

Fees

(1) *Supply of thermal oil*

Texhong Industrial Park shall procure the supply of thermal oil to the Group at the initial price of USD35 per 600 kilocalories. Such price 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 thermal oil by Texhong Industrial Park.

(2) *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 USD35 per tonne and USD45 per tonne, respectively. Such price had been determined and may be subject to further adjustment from time to time with reference to the prevailing market prices for coal under Argus/McCloskey's Coal Price Index and the operating costs attributable to the supply of steam by Texhong Industrial Park.

(3) *Supply of Water*

Texhong Industrial Park shall procure the supply of water to the Group at the initial price of USD0.35 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.

(4) *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 VND28,000 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 ultimate suppliers.

The unit prices above are exclusive of tax and environmental fee payable to the government. 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 termination

The Utilities Supply Framework Agreement has a term commencing from 1 January 2023 and expiring on the completion date of the Asset Purchase Agreement (both dates inclusive) which is currently expected to be on or before 31 March 2023 (or such later date as shall be agreed between the parties in writing).

Proposed annual cap

The Directors anticipate that the aggregate annual fee payable by the Company to Texhong Industrial Park under the Utilities Supply Framework Agreement for the year ending 31 December 2023 is RMB26 million.

The annual cap was determined by the Directors with reference to the Group's estimated demand for supply of Utilities for production for the year ending 31 December 2023 assuming the completion under the Asset Purchase Agreement shall take place on or around 31 March 2023.

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 completion of the Asset Purchase Agreement is yet to take place, the Directors consider that it is for the commercial benefit of the Group to continue to source 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 Utilities consumed by the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the 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 Utilities Supply Framework Agreement and the annual cap are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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All of the applicable percentage ratios of the transactions contemplated under the Utilities Supply Framework Agreement, on a standalone basis or when aggregated with the annual cap for the year ending 31 December 2023 under the wastewater treatment and administrative services framework agreement entered into between Texhong Industrial Park and the Company on 17 January 2023, are less than 5% but the annual cap is more than HK\$3,000,000, the 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 had material interests in the transactions contemplated under the 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.

DEFINITIONS

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

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| “Acquisition” | the acquisition of, among others, the facilities for the supply of the Utilities by the Group from Texhong Industrial Park under the Asset Purchase Agreement |
| “Asset Purchase Agreement” | the asset purchase agreement (as supplemented by the supplemental asset purchase agreement dated 8 December 2022) dated 7 November 2022 entered into between a wholly-owned subsidiary of the Company as purchaser and Texhong Industrial Park as vendor in relation to the Acquisition |
| “associate” | has the same meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Texhong International 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 |

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| “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 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “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 Group and an executive Director as to 78% and Mr. Zhu Yongxiang, the vice chairman and the 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 the United States of America |
| “Utilities” | the supply of thermal oil, steam, water and liquefied petroleum gas |
| “Utilities Supply Framework Agreement” | the Utilities Supply Framework Agreement dated 3 February 2023 and entered into between Texhong Industrial Park and the Company (for itself and on behalf of members of the Group) in relation to the supply of Utilities to the Group |
| “Vietnam” | the Socialist Republic of Vietnam |

“VND” Vietnamese dong, the lawful currency of Vietnam

“%” per cent.

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

Hong Kong, 3 February 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