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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)

MAJOR TRANSACTION DISPOSAL OF LAND AND BUILDINGS IN SHAOXING

INTRODUCTION

In response to the needs of transformation and upgrading works to the printing and dyeing chemical electroplating industry in the urban area of Shaoxing and related local government policies, Zhejiang Qing Mao has decided to enter into the Asset Disposal Agreement on 3 November 2023 with Paojiang Construction Development and the Subdistrict Office, pursuant to which Zhejiang Qing Mao has agreed to sell, and Paojiang Construction Development has agreed to purchase, the Assets on the terms set out therein.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transaction contemplated under the Asset Disposal Agreement is more than 25% but all applicable percentage ratios are below 75%, the transaction contemplated under the Asset Disposal Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Asset Disposal Agreement and the transaction contemplated thereunder; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Asset Disposal Agreement and the transaction contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the Asset Disposal Agreement and the transaction contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Asset Disposal Agreement and the transaction contemplated thereunder.

As at the date of this announcement, Texhong Group Holdings Limited (a company wholly-owned by Mr. Hong Tianzhu) indirectly holds 544,742,400 shares of the Company, representing approximately 59.34% of the issued share capital of the Company. As the Company has obtained written approval from Texhong Group Holdings Limited, no extraordinary general meeting will be convened by the Company for the purpose of approving the Asset Disposal Agreement and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further information of the Disposal and other information as required under the Listing Rules will be despatched to the Shareholders on or before 24 November 2023, being 15 business days from the date of this announcement.

THE ASSET DISPOSAL AGREEMENT

Date

3 November 2023

Parties

- (1) Zhejiang Qing Mao
- (2) Paojiang Construction Development
- (3) the Subdistrict Office

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

Subject matter of the Asset Disposal Agreement

Pursuant to the Asset Disposal Agreement, Zhejiang Qing Mao has agreed to sell, and Paojiang Construction Development has agreed to purchase, the Assets on the terms set out therein.

Consideration

Pursuant to the Asset Disposal Agreement, the Consideration shall be approximately RMB975.1 million, and shall mainly comprise of the following:

- (1) the value of the Assets as determined by the Property Valuer, which, based on the valuation report issued on 31 March 2023, was approximately RMB883.4 million; and
- (2) compensations for and costs associated with relocation of production facilities.

The Consideration shall be payable by Paojiang Construction Development to the Subdistrict Office in instalments in the following manner:

- (1) 30% within 10 business days of the audit approval of the Subdistrict Office after Zhejiang Qing Mao has obtained consent from all creditors to release their encumbrances (if any) upon the Assets; and
- (2) 20% after completing the transfer of the ownership titles of the Assets and release or discharge of all mortgages, preservation orders and other encumbrances on the Assets (as the case may be, and if any); and
- (3) 50% within 10 business days of delivery of vacant possession of the Assets by Zhejiang Qing Mao, and such delivery shall take place within one month of completing the transfer of the ownership titles of the Assets.

The Subdistrict Office shall transfer to Zhejiang Qing Mao the instalments paid by Paojiang Construction Development within 10 business days of Zhejiang Qing Mao fulfilling the respective conditions for payment set out in the Asset Disposal Agreement.

The first instalment of the Consideration shall be applied towards repaying payments in arrear, procuring the release of any encumbrances on the Assets and taxes payable by Zhejiang Qing Mao (if any). Zhejiang Qing Mao shall be liable for any shortfall needed to release or discharge such encumbrances or liabilities.

The Consideration was determined after arm's length negotiation between Zhejiang Qing Mao and Paojiang Construction Development on normal commercial terms with reference to valuation of the Assets as determined by the Property Valuer and the government compensation policy.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group is expected to record an estimated gain after tax of approximately RMB96.0 million from the Disposal based on the carrying value of the Assets based on the accounting records of the Group as at 30 September 2023, taking into account employee severance pay, equipment relocation and disposal costs and related taxes. Shareholders should note that the actual amount of the gain on the Disposal can only be ascertained

when the incidental transaction costs are determined upon Completion. Therefore the actual amount of the gain on the Disposal will be subject to audit and may be different from the amount mentioned above.

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

INFORMATION ON THE PARTIES AND REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET DISPOSAL AGREEMENT

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments. Zhejiang Qing Mao is principally engaged in the manufacturing and the sales of cotton and cotton blend yarns, greige, dyed and finished woven fabrics in the PRC.

Paojiang Construction Development is principally engaged in infrastructure construction and Level 1 land development, as well as disposal and sales of relevant assets within the Shaoxing Paojiang Economic and Technological Development Zone. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, its ultimate beneficial owners (1) as to approximately 78.43% effective equity interest is Shaoxing Paojiang Economic and Technological Development Zone Management Committee* (紹興袍江經濟技術開發區管理委員會); (2) as to approximately 12.55% effective equity interest is Shaoxing City Yuecheng District Finance Bureau* (紹興市越城區財政局); (3) as to approximately 8.06% effective equity interest is Shaoxing High New Technology Industrial Development Zone Management Committee* (紹興高新技術產業開發區管理委員會); and (4) none of the remaining ultimate beneficial owners is effectively interested in more than 1% equity interest of Paojiang Construction Development.

The Subdistrict Office is principally responsible for administrative matters in relation to properties on Doumen Street, Yuecheng District, Shaoxing, where the Shaoxing Paojiang Land is located.

In response to the needs of transformation and upgrading works to the printing and dyeing chemical electroplating industry in the urban area of Shaoxing and related local government policies, Zhejiang Qing Mao has decided to enter into the Asset Disposal Agreement. The Board considers that the terms of the Asset Disposal Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transaction contemplated under the Asset Disposal Agreement is more than 25% but all applicable percentage ratios are below 75%, the transaction contemplated under the Asset Disposal Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Asset Disposal Agreement and the transaction contemplated thereunder; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Asset Disposal Agreement and the transaction contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the Asset Disposal Agreement and the transaction contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Asset Disposal Agreement and the transaction contemplated thereunder.

As at the date of this announcement, Texhong Group Holdings Limited (a company wholly-owned by Mr. Hong Tianzhu) indirectly holds 544,742,400 shares of the Company, representing approximately 59.34% of the issued share capital of the Company. As the Company has obtained written approval from Texhong Group Holdings Limited, no extraordinary general meeting will be convened by the Company for the purpose of approving the Asset Disposal Agreement and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further information of the Disposal and other information as required under the Listing Rules will be despatched to the Shareholders on or before 24 November 2023, being 15 business days from the date of this announcement.

DEFINITIONS

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

“Asset Disposal Agreement”	the agreement dated 3 November 2023 entered into among Zhejiang Qing Mao, Paojiang Construction Development and the Subdistrict Office in relation to the Disposal
“Assets”	the Buildings and the Shaoxing Paojiang Land
“Board”	the board of Directors
“Buildings”	the buildings and infrastructure erected upon the Shaoxing Paojiang Land, including but not limited to water supply, drainage, fire protection, electrical equipment, affixed furnishings, elevators, automatic doors and fences
“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 Asset Disposal Agreement in accordance with the terms thereof
“Consideration”	the consideration payable by Paojiang Construction Development under the Asset Disposal Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Assets by Zhejiang Qing Mao as the vendor to Paojiang Construction Development as purchaser subject to and upon the terms and conditions of the Asset Disposal Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paojiang Construction Development”	Shaoxing Paojiang Venture Construction Development Co., Ltd. (紹興袍江創業建設發展有限公司), a company established in the PRC
“PRC”	the People’s Republic of China
“Property Valuer”	a third party property valuer appointed by the Subdistrict Office

“RMB”	Renminbi, the lawful currency of the PRC
“Shaoxing Paojiang Land”	three plots of land with an aggregate approximate area of 275,060.93 square meters located on No. 313 Tang Road, Paojiang Industrial Zone, Shaoxing, the PRC, which are owned by Zhejiang Qing Mao
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdistrict Office”	the management office of Doumen Street, Yuecheng District, Shaoxing, the PRC (紹興市越城區斗門街道辦事處)
“subsidiary”	has the meaning given to it in the Listing Rules
“Zhejiang Qing Mao”	Zhejiang Qing Mao Weaving, Dyeing & Printing Co., Ltd (浙江慶茂紡織印染有限公司), an indirect non-wholly owned subsidiary of the Company
“%”	per cent.

* *For identification purpose only*

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

Hong Kong, 3 November 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:

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