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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)

CONNECTED TRANSACTION PHOTOVOLTAIC INSTALLATION AND CONSTRUCTION AGREEMENT

PHOTOVOLTAIC INSTALLATION AND CONSTRUCTION AGREEMENT

On 26 April 2024, the Contractor entered into the Agreement with Shanghai Hongguang Yinyu New Energy Technology Co., Ltd.* (上海虹光銀宇新能源科技有限公司) (an indirect wholly-owned subsidiary of the Company) (for itself and on behalf of other members of the Group), pursuant to which the Contractor agreed to provide photovoltaic installation and construction services to the Group at a maximum aggregate consideration of RMB93.0 million.

IMPLICATIONS UNDER THE LISTING RULES

The Contractor, Shanghai Hongyun Engineering Construction Co., Ltd* (上海虹雲工程建設有限公司), is 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. It is therefore an associate of Mr. Hong Tianzhu and therefore a connected person of the Company. As such, the entering into of the Agreement constitutes a connected transaction 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 Agreement is more than 0.1% but less than 5%, the 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.

INTRODUCTION

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.

PRINCIPAL TERMS OF THE AGREEMENT

Date

26 April 2024

Parties

- (a) Shanghai Hongguang (for itself and on behalf of other members of the Group), as purchaser; and
- (b) the Contractor, as service provider.

The Contractor is a company established in PRC with limited liability and is 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 Agreement, the Contractor shall be responsible for providing installation, construction and related services for distributed photovoltaic power plants for different members of the Group, including but not limited to design, components and material procurement, installation and photovoltaic grid connection. The specifications for each distributed photovoltaic power plant to be constructed, such as the location and installed capacity (and therefore individual consideration), shall be determined by order confirmations (each, an “**Order Confirmation**”) to be signed by the relevant member(s) of the Group with such needs with the Contractor.

The Contractor shall also be responsible for repairing or replacing defective equipment or components free of charge within the prescribed time during the applicable warranty period (which varies according to the particular defective equipment), failing which the relevant member(s) of the Group shall be entitled to deduct the repair fees from the Warranty Fund (as defined in the section headed “Consideration and payment terms” below).

Timing of construction commencement

Construction for the distributed photovoltaic power plants shall commence once the construction commencement notice has been issued by the relevant member(s) of the Group after the Contractor has received the relevant advance payment and the requisite qualified rooftop verification report or appraisal report from the relevant member(s) of the Group.

Consideration and payment terms

The total consideration payable shall be determined based on the actual installed capacity of the photovoltaic power plants at a fixed unit price of RMB2.9/watt (with VAT tax) which is determined based on expected total wattage of all photovoltaic power plants, difficulties of the work involved and related labor cost, and the market price of required components and materials. Based on the expected total wattage of all the photovoltaic power plants to be constructed pursuant to the Agreement, the maximum aggregate consideration under the Agreement is RMB93.0 million.

Consideration for each Order Confirmation payable by the Group under the Agreement shall be settled by the Group in the following manner:

- (1) 20% of the consideration shall be paid within five days after the signing of the Order Confirmation;
- (2) 30% of the consideration shall be paid after the construction materials and the Contractors' workers have arrived to the relevant photovoltaic project site;
- (3) 20% of the consideration shall be paid within ten days after support frames for the photovoltaic project have been installed and confirmed by the relevant member of the Group;
- (4) 25% of the consideration shall be paid within five business days after the photovoltaic grid connection has been established; and
- (5) 5% of the consideration shall be retained as a warranty fund (the "Warranty Fund") to be paid within ten business days after the lapse of the last applicable warranty period as stipulated under the Agreement or the expiry of the defects liability period (whichever is later).

The consideration for the Agreement shall be financed by the internal resources of the Group.

INFORMATION ABOUT THE PARTIES

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

The Contractor is principally engaged in the provision of construction, trading and related services, including in the energy industry. It is 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 AGREEMENT

In order to reduce the utilities cost of the Group in the long run and to ensure a stable supply of energy to various production facilities of the Group while reducing the Group's carbon emissions in the long run, the Board has decided to enter into the Agreement for constructing and installing distributed photovoltaic power plants on the rooftops at certain of the Group's production facilities. Such power stations would make optimal use of the existing space on the factory rooftops, and the photovoltaic power generated would be for the Group's internal use in manufacturing. In this regard, procuring photovoltaic construction and installations services to allow the Group to generate photovoltaic power internally instead of procuring energy from third-party suppliers and external service providers is in line with the said cost control policy and business needs of the Group. The terms of the Agreement were determined after arm's length negotiations with reference to the estimated costs involved and the prevailing rates charged by other independent third parties in comparable projects.

Having reviewed (1) the qualifications, experience and capabilities of the Contractor regarding construction work in the energy industry; (2) the needs and technical specifications of the photovoltaic projects contemplated; and (3) the unit price fee quotations of other independent third party contractors for the proposed construction works which were higher than that offered by the Contractor, the Directors (including the independent non-executive Directors but excluding Mr. Hong Tianzhu and Mr. Zhu Yongxiang) are of the view that although the Agreement is not in the ordinary and usual course of business of the Group due to its nature, the transactions contemplated under the Agreement are on normal commercial terms, and that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Contractor is 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. It is therefore an associate of Mr. Hong Tianzhu and therefore a connected person of the Company. As such, the entering into of the Agreement constitutes a connected transaction 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 Agreement is more than 0.1% but less than 5%, the 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 Agreement by virtue of their ultimate shareholdings in the Contractor, and have abstained from voting on the Board resolution approving the Agreement. Save as disclosed, none of the Directors had a material interest in such transaction.

DEFINITIONS

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

“Agreement”	the agreement dated 26 April 2024 and entered into between the Contractor and Shanghai Hongguang (for itself and on behalf of other members of the Group) in relation to the provision photovoltaic installation and construction services by the Contractor to the Group
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Texhong International 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
“Contractor”	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
“Directors”	the directors of the Company
“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

“Shanghai Hongguang”	Shanghai Hongguang Yinyu New Energy Technology Co., Ltd.* (上海虹光銀宇新能源科技有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“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
“%”	per cent.

* *For identification purposes only*

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

Hong Kong, 26 April 2024

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

<i>Executive Directors:</i>	Mr. Hong Tianzhu Mr. Zhu Yongxiang
<i>Independent non-executive Directors:</i>	Prof. Tao Xiaoming Prof. Cheng Longdi Mr. Shu Wa Tung, Laurence