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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)

POSITIVE PROFIT ALERT

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of Texhong Textile Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a review of the Group’s unaudited consolidated management accounts for the five months ended 31 May 2021, the net profit after tax of the Group for the five months ended 31 May 2021 already exceeded RMB1 billion. The strong performance was mainly attributable to the continuous recovery of textile market demand and product gross margin since the fourth quarter of 2020. Due to the increase in raw materials price, the average product selling price have been raised accordingly while the raw materials purchased or ordered in prior months were at a lower cost. As a result, the overall products of the Group had a higher than normal gross margin during the five months ended 31 May 2021. After the low cost inventories have been fully utilized in production and sold, it is expected that the Group’s gross margin will restore to a normal level.

The Group will continue to pursue its corporate strategy of optimizing its existing product mix, developing new products that cater for the trend and demand of the market and fully leveraging the advantages of the overseas production plants of the Group in order to further improve the financial performance of the Group. However, the Board also wishes to emphasize that the performance of the Group can be affected by market environment, including cotton market price, the global development of the COVID-19 pandemic, the status of the Sino-US trade war and foreign exchange rate of Renminbi. Although the operations of the Group’s production bases in Vietnam have not been affected by the recent upsurge of COVID-19 cases in Vietnam, the Group has continued to implement stringent preventive measures in response to COVID-19 to protect workers.

The information contained in this announcement is only based on a preliminary assessment by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for the five months ended 31 May 2021, which have not been confirmed or reviewed by the Company's auditors or the audit committee of the Company at the date of this announcement. Detailed financial results of the Group for the six months ending 30 June 2021 will be disclosed in the interim results announcement of the Group which is expected to be published before end of August 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 10 June 2021

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

Independent non-executive directors:

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