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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)

PROFIT WARNING

This announcement is made by Texhong Textile Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022, even though the Group is expected to record a net profit of about RMB1 billion, it is estimated that the net profit of the Group may decrease by more than 20% as compared to the strong net profit of the corresponding period last year. The decrease in net profit of the Group was mainly attributable to the weaker than expected market demand on yarns in the second quarter of 2022 and the decrease in production capacity after the sale of a yarn production facility in China in November 2021, leading to a decrease in gross profit margin and sales volume of yarns. For the corresponding period last year, our Group was benefited from the continuous recovery of market demand for yarns and the higher than normal gross profit margin of yarns attributable to the increasing raw material prices. In addition, the decrease in net profit was also attributable to the exchange loss recorded during the first half of 2022.

The information contained in this announcement is only based on a preliminary assessment by the Board based on information currently available, including the unaudited consolidated management accounts of the Group for six months ended 30 June 2022, which have not been reviewed by the Company’s auditors or the audit committee of the Company. The Board also wishes to emphasize that the performance of the Group can be affected by market environment, including cotton price fluctuations, the development of the global COVID-19 pandemic, the United States policies towards China and the fluctuations of the foreign exchange rate of Renminbi. The Group’s interim results for the six months ended 30 June 2022 will be announced by the end of August 2022 in compliance with the Listing Rules.

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, 18 July 2022

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