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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)

PRICE SENSITIVE INFORMATION

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.

The board (the “**Board**”) of directors (the “**Directors**”) of Texhong Textile Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company and potential investors that the Company noted the release of a research report by Standard & Poor’s (“**S&P**”) on 1 September 2011 which revised the rating outlook of the Company from stable to negative. S&P also lowered its Greater China credit scale ratings on the Company and on the Company’s senior notes issued in January 2011 from “cnBBB-” to “cnBB+”. In the research report, S&P stated its review that the Company’s profitability is likely to sharply deteriorate in the second half of 2011 and visibility over its recovery prospects is uncertain.

As stated in the interim results announcement of the Company for the six months ended 30 June 2011, following the continuous drop in cotton price starting from the second quarter of 2011, the Group experienced significant pressure on the product selling prices over the past few months. However, with the effort of the management of the Group, up to the date of this announcement, the Directors noted that the sales volume and product selling prices of the Group have rebounded from the trough. Inventory level of the Group has also reduced as compared to that as of 30 June 2011.

The Company would like to reiterate that as the Group’s product selling prices are highly dependent on the cotton price, which is a commodity with volatile market price, it is premature for the Company to predict or estimate the performance of the Group in the second half of 2011. However, given that cotton price fluctuation will have significant impact on the Group’s performance in the second half of 2011, the Group will closely monitor the impact of the cotton price and the product selling prices of the Group on the performance and financial position of the Group.

Further announcement(s) will be made if there is any update on the Group’s performance and financial position.

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

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. Gong Zhao

Independent non-executive Directors:

Ms. Zhu Lanfen
Prof. Cheng Longdi
Mr. Ting Leung Huel, Stephen

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

Hong Kong, 1 September 2011