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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)

(1) PROFIT WARNING
(2) PURCHASE OF 7.625% SENIOR NOTES DUE 2016

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

Although the Group had a successful turnaround in 2012 from its loss making position in the second half of 2011 and the Group's profitability had gradually improved over the first five months in 2012, based on a review of the Group's unaudited management accounts for the five months ended 31 May 2012, the earnings of the Group for the six months ending 30 June 2012 is expected to drop substantially as compared to the financial results of the Group for the corresponding period in 2011.

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

PURCHASE OF 7.625% SENIOR NOTES DUE 2016

Up to the date of this announcement, the Company has made an on-market purchase of the Senior Notes for the aggregate principal amount of US\$3,000,000 since January 2012. All of the above Senior Notes purchased by the Company will be cancelled by the Company before the end of June 2012.

This announcement is made by Texhong Textile Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform shareholders of the Company and potential investors that, based on a review of the Group's unaudited management accounts for the five months ended 31 May 2012, the earnings of the Group for the six months ending 30 June 2012 is expected to drop substantially as compared to the financial results of the Group for the corresponding period in 2011.

Although the Group had a successful turnaround in 2012 from its loss making position in the second half of 2011 and the Group's profitability had gradually improved over the first five months in 2012, the earnings of the Group for the six months ending 30 June 2012 is expected to drop substantially as compared to that in the corresponding period last year as the Group was unable to sell its products in the first half of 2012 at such higher selling price and better profit margin as that in the first half of 2011 due to much lower cotton market price in the first half of 2012 as compared with that in 2011.

While the PRC yarn market has still been sensitive to yarn selling prices, sales volume for the five months ended 31 May 2012 have been stable as compared with the second half of 2011. For the five months ended 31 May 2012, the Group had already sold about 89,000 tonnes of yarns which were more than the 75,000 tonnes of yarns sales made for the six months ended 30 June 2011. The Group's financial position had also remained solid. As of 31 May 2012, the Group's cash and cash equivalent (excluding pledged bank deposits) was about RMB640 million. The Group's inventories were about RMB1.5 billion. Besides, the Group had not experienced any material bad debts during the period.

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 cost advantages of the plant of the Group in Vietnam in order to further improve the financial performance of the Group. The lower cotton price in the international market as compared to cotton price in China is beneficial to our production in Vietnam.

The Directors wish to emphasize that the interim results of the Group for the six months ending 30 June 2012 will be affected by, among others, the cotton market price, which is subject to frequent and volatile fluctuation, especially for the cotton market price in China. In addition, the difference in the cotton price between China and the international market will also affect the profitability of our products produced in Vietnam. Since certain operating costs and liabilities of the Group are denominated in United States Dollars, the exchange rate fluctuation of Renminbi against United States Dollars may also have material impact on the Group's financial results.

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 2012, which have not yet been confirmed or reviewed by the Company's auditors or the audit committee of the Company and finalized as at the date of this announcement. Unaudited financial information of the Group for the six months ending 30 June 2012 will be disclosed in the interim results announcement before the end of August 2012 in compliance with the Listing Rules.

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

PURCHASE OF 7.625% SENIOR NOTES DUE 2016

Reference is made to the announcement of the Company dated 12 January 2011 in connection with the issue of US\$200 million 7.625% senior notes due 2016 (“**Senior Notes**”).

The Board wishes to inform the shareholders of the Company and potential investors that the Company has made an on-market purchase of the Senior Notes for the aggregate principal amount of US\$3,000,000 since January 2012. All of the above Senior Notes purchased by the Company will be cancelled by the Company before the end of June 2012.

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, 8 June 2012