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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)

INSIDE INFORMATION

PROFIT WARNING AND UPDATE ON THE EXPANSION PLAN OF THE GROUP

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 and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Based on the preliminary review of the draft unaudited consolidated management accounts of the Group for the nine months ended 30 September 2014, the board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that the Company expects to record a substantial decline in the earnings of the Group for the year ending 31 December 2014 (the “**Year**”) as compared with that for the year ended 31 December 2013 (the “**Last Year**”). The decline in the earnings of the Group would mainly be attributable to (i) the weak yarn selling prices of the Group in the PRC market for the nine months ended 30 September 2014 as compared with Last Year; (ii) exchange loss for the nine months ended 30 September 2014 as a result of the depreciation of Renminbi against the U.S. dollar as compared to an exchange gain of approximately RMB80 million for the Last Year; and (iii) the one-off gain of approximately RMB265 million as a result of the acquisition of interest in a company during Last Year, which such gain is not available for the Year.

Despite market price pressure, sales volume of yarns of the Group has remained strong. According to the unaudited management accounts of the Group for the month ended 30 September 2014, the Group’s sales volume of yarns amounted to approximately 45,000 tonnes in the month of September 2014.

In view of the current challenging market environment, the Group will continue to take a cautious approach to financial resources management and will concentrate its efforts on consolidating existing resources to strengthen its established positions in China and Vietnam. In line with this strategy, the Company has decided to postpone its expansion plan in Turkey pending further assessment of market conditions and risk and return analysis.

The Board wishes to state that this announcement is made based on a preliminary review of the draft unaudited consolidated management accounts of the Group for the nine months ended 30 September 2014. Detailed financial results of the Group for the Year will be disclosed in the final results announcement which is expected to be published by the end of March 2015. The Directors wish to emphasize that the results of the Group for the Year will be affected by, among other things, the cotton market price, yarn selling prices and the foreign exchange rate of Renminbi. In particular, the market price of cotton may be subject to frequent and volatile fluctuation.

Further announcement(s) will be made by the Company if there is any major update of the expansion plan of the Group, or if there is any significant change of the Group's performance for the Year, as and when necessary.

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

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

Hong Kong, 14 October 2014

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
Ms. Tao Xiaoming
Mr. Ting Leung Huel, Stephen