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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 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**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a review of the Group’s unaudited management accounts for the six months ended 30 June 2019, it is expected that the Group may record an approximately 20–25% decrease in the unaudited profit attributable to Shareholders for the six months ended 30 June 2019 (the “**Period**”) as compared to that of the six months ended 30 June 2018.

The Board believed that the decrease was primarily attributable to the macroeconomic uncertainties caused by the Sino-US trade war. Although the Group’s profitability had been recovering when market sentiments improved under rounds of negotiations between trade representatives of China and the US before May 2019, the Group’s performance of the first few months had not yet fully recovered to the normal level. In May 2019, when the US announced that it would raise tariffs on US\$200 billion of Chinese products to 25% from 10% and threatened to impose new tariffs on all of the remaining Chinese products (including apparels), it immediately led to deteriorating market sentiment in the textile industry. In response to such market situation, the Group strategically adjusted its product mix and pricing to maintain its production capacity utilisation, but nonetheless, the profitability of the Group for the second quarter were affected, which period is usually the Group’s peak season in the first half of the year and usually would have performed much better than that of the first quarter. As a result, the gross profit margin for the Period decreased to approximately 13.5%, as compared to approximately 16.8% for the corresponding period in 2018. Even though there was an one-off gain arising from the accounting treatment from the acquisition and the joint venture formed with the Winnitex group (for details, please refer to the announcement of the Company dated 10 December 2018), the Group is still expected to have an approximately 20-25% decrease in the unaudited profit attributable to Shareholders for the Period.

The Board noted that the market sentiment has gradually improved after the US has announced to halt the imposition of the additional tariff near the end of June 2019, which has been reflected by the fact of the increase in customers' orders and product selling prices since then. The Group will closely monitor the market situation and 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 in order to improve the financial performance of the Group. However, the Directors wish to emphasize that the performance of the Group can be affected by market environment, including cotton market price, the status of the Sino-US trade war and foreign exchange rate of Renminbi.

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 six months ended 30 June 2019, which have not been reviewed nor audited by the Company's auditors or the audit committee of the Company and finalized as at the date of this announcement. Detailed financial results of the Group for the six months ended 30 June 2019 will be disclosed in the interim results announcement which is expected to be published in August 2019. 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, 29 July 2019

*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  
Mr. Ji Zhongliang

*Independent non-executive directors:*

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