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TEXHONG INTERNATIONAL GROUP LIMITED

天虹國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2678)

PROFIT WARNING

This announcement is made by Texhong International 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 year ended 31 December 2023 (the “**Year**”), the Group is expected to record a net loss of about RMB0.3 billion for the Year, as compared to the net profit of the Group for the year ended 31 December 2022 of approximately RMB0.2 billion.

The expected net loss is mainly attributable to the continued weak demand for textiles in the overseas markets during the Year, resulting in weak product selling prices and low utilization rates of the Group’s production capacity, which in turn affected the unit production costs and gross profit margins of the Group. Moreover, the increase in interest rates by the United States of America (“**USA**”) Federal Reserve during the Year increased the finance costs of the Group, thereby aggravating the loss for the Group. However, the gross profit margins of the Group has improved in the second half of the Year with the slight recovery of the demand in the overseas textile markets, and together with the stabilization of cotton prices, the Group’s profitability is expected to gradually improve. The Group shall continue to closely monitor the market situation and will focus on optimizing product mix to improve the utilization of the Group’s production capacity, as well as improving technological transformation and upgrading so as to decrease unit costs.

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 Year, which have not been reviewed or audited by the Company's auditors or the audit committee of the Company. The Board also wishes to emphasize that the future performance of the Group can be affected by market environment, including, but not limited to, cotton market price, foreign policy of the USA towards the People's Republic of China and the foreign exchange rate of Renminbi. The Group's final results for the Year will be announced by the end of March 2024 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 International Group Limited
Hong Tianzhu
Chairman

Hong Kong, 26 January 2024

As at the date of this announcement, the Board comprises the following directors:

Executive directors:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang

Independent non-executive directors:

Prof. Cheng Longdi
Prof. Tao Xiaoming
Mr. Shu Wa Tung, Laurence