

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Application Form(s)”	white application form(s) and yellow application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“business day”	a day (excluding Saturday) on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed “Resolutions in writing of all Shareholders passed on 21 November 2004” in Appendix VII to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Texhong Textile Group Limited 天虹紡織集團有限公司, a company incorporated in the Cayman Islands with limited liability on 12 July 2004
“Director(s)”	the director(s) of the Company
“Feng County Textile”	豐縣紡織廠(Feng County Textile Factory)
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period before the completion of the Reorganisation and the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
“HK GAAP”	accounting principles generally accepted in Hong Kong

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“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the Government of Hong Kong
“Hong Kong Tin Hong”	Hong Kong Tin Hong Industrial Limited 香港天虹實業有限公司, a company incorporated in Hong Kong with limited liability and 100% beneficially owned by Mr. Hong
“Independent Third Party(ies)”	party(ies) who is/are not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Jiangsu Century Texhong”	江蘇世紀天虹紡織有限公司 (Jiangsu Century Texhong Textile Co., Ltd.), formally known as 江蘇新天紡織有限公司, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Jiangsu Century Texhong Plant”	the production facilities of Jiangsu Century Texhong, and Texhong Suining located in Xuzhou, Jiangsu Province
“Latest Practicable Date”	19 November 2004, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Lead Underwriter” or “Bookrunner”	Goldbond Securities Limited, the bookrunner and lead manager of the Share Offer and a deemed licensed corporation under the SFO for type 1 dealing in securities, type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence, which is expected to be 9 December 2004
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

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“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange
“Mr. Hong”	Mr. Hong Tianzhu, the Chairman of the Board, an executive Director and a Substantial Shareholder
“Nantong Asset Exchange”	南通產權交易有限公司 (Nantong Asset Exchange Company Limited)
“Nantong Century Texhong”	南通世紀天虹紡織有限公司 (Nantong Century Texhong Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Nantong Century Texhong Plant”	the production facilities of Nantong Century Texhong located in Nantong, Jiangsu Province
“Nantong Shuanghong”	南通雙虹紡織有限公司 (Nantong Shuanghong Textile Company Limited), a company incorporated in the PRC with limited liability
“Nantong Textile”	南通紡織控股集團紡織染有限公司 (Nantong Textile Group Co., Ltd.), a company incorporated in the PRC with limited liability
“Nantong Texhong Yinhai”	南通天虹銀海實業有限公司 (Nantong Texhong Yinhai Industrial Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Nantong Texhong Yinhai Plant”	the production facilities of Nantong Texhong Yinhai located in Nantong, Jiangsu Province
“New Issue”	the issue of the New Shares under the Share Offer
“New Shares”	a total of 174,400,000 new Shares initially being offered by the Company under the Share Offer and where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Offer for Sale”	the offer for sale of the Sale Shares by the Vendors under the Placing

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“Offer Price”	the price of HK\$1.15 per Offer Share, exclusive of brokerage of 1%, the investor compensation levy of 0.002%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.005% at which the Offer Shares are to be offered under the Share Offer
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option to be granted by the Company to the Lead Underwriter under the Underwriting Agreement to require the Company to issue up to an additional 32,700,000 Shares representing 15% of the number of Offer Shares at the Offer Price to cover over allocations (if any) under the Placing, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company and the Vendors for cash at the Offer Price with selected professional, institutional and other investors as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 196,200,000 Shares which comprise 152,600,000 New Shares and 43,600,000 Sale Shares initially being offered for subscription and purchase under the Placing (subject to such reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Over-allotment Option)
“Placing Underwriters”	Goldbond Securities Limited, GC Capital (Asia) Limited, Guotai Junan Securities (Hong Kong) Limited, Shenyin Wanguo Capital (H.K.) Limited, Tai Fook Securities Company Limited, Toyo Securities Asia Limited and UOB Kay Hian (Hong Kong) Limited
“PRC”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	accounting principles generally accepted in the PRC
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 21 November 2004, the principal terms of which are summarised under the paragraph headed “Share Option Schemes” in Appendix VII to this prospectus pursuant to which the Company may grant options to the eligible participants prior to the Listing Date

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“Public Offer”	the offer by the Company to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, subject to the terms and conditions stated in this prospectus and the Application Forms
“Public Offer Shares”	the 21,800,000 new Shares initially being offered for subscription under the Public Offer at the Offer Price, subject to such reallocation as mentioned in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	Goldbond Securities Limited, GC Capital (Asia) Limited, Guotai Junan Securities (Hong Kong) Limited, Shenyin Wanguo Capital (H.K.) Limited, Tai Fook Securities Company Limited and UOB Kay Hian (Hong Kong) Limited
“Pujiang Xintian”	浦江新天紡織有限公司 (Pujiang Xintian Textile Company Limited)
“Reorganisation”	the corporate reorganisation of the group of companies now comprising the Group, details of which are set out in the paragraph headed “Group reorganisation” in Appendix VII to this prospectus
“Rudong Textile”	如東縣雄鷹紡織有限公司 (Rudong County Xiongying Textile Company Limited)
“Sale Shares”	the 43,600,000 Shares being offered for purchase by the Vendors at the Offer Price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SOE”	state-owned enterprise, an enterprise owned by the PRC government, the management and operation of which must be selected by and carried out under the direction of the supervisory government department
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 21 November 2004, the principal terms of which are summarised in the paragraph headed “Share Option Schemes” in Appendix VII to this prospectus

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“Shareholder(s)”	the holder(s) of the Shares
“Sponsor”	Goldbond Capital (Asia) Limited, a licensed corporation in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the sponsor to the proposed listing of the Shares on the Main Board
“Stock Borrowing Agreement”	the stock borrowing agreement dated 29 November 2004 and entered into between New Green Group Limited and the Lead Underwriter pursuant to which the Lead Underwriter may borrow up to 32,700,000 Shares from New Green Group Limited to cover any over-allocations under the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Suining Cotton”	睢寧棉紡織廠(Suining Cotton Textile Factory)
“Taizhou Century Texhong”	泰州世紀天虹紡織有限公司 (Taizhou Century Texhong Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Taizhou Century Texhong Plant”	the production facilities Taizhou Century Texhong located in Taizhou in Jiangsu Province
“Taizhou No. 2 Weaving Factory”	江蘇省泰州第二織布廠(Jiangsu Taizhou No. 2 Weaving Factory)
“Taizhou Texhong Weaving”	泰州天虹織造有限公司 (Taizhou Texhong Weaving Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Taizhou Texhong Plant”	the production facilities of Taizhou Texhong Weaving and Texhong Textile Taizhou located in Taizhou, Jiangsu Province
“Texhong BVI”	Texhong Textile Holdings Limited, a company incorporated in BVI on 26 May 2004 and a direct wholly owned subsidiary of the Company
“Tianhong Printing and Dyeing”	天虹印染(無錫)有限公司 (Tianhong Printing and Dyeing (Wuxi) Co., Ltd, a wholly-owned subsidiary of Hong Kong Tin Hong

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“Texhong Suining”	天虹紡織(睢寧)有限公司 (Texhong Textile (Suining) Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Texhong Jinhua”	天虹紡織(金華)有限公司, (Texhong Textile (Jinhua) Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Texhong Textile Taizhou”	天虹紡織(泰州)有限公司 (Texhong Textile (Taizhou) Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Track Record Period”	the three years ended 31 December 2003 and the five months ended 31 May 2004
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreement”	the underwriting agreement dated 29 November 2004 and entered into amongst the Company, the executive Directors, the Vendors, Hong Kong Tin Hong, Mr. Hong, Mr. Zhu Yongxiang, the Sponsor and the Underwriters relating to the Share Offer, brief particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Vendors”	New Green Group Limited, Trade Partner Investments Limited, Wisdom Grace Investments Limited and Flourish City Investments Limited
“WTO”	World Trade Organization
“Xuzhou Century Texhong”	徐州世紀天虹紡織有限公司 (Xuzhou Century Texhong Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Xuzhou Century Texhong Plant”	the production facilities of Xuzhou Century Texhong located in Xuzhou, Jiangsu Province
“Xuzhou Texhong Yinfeng”	徐州天虹銀豐紡織有限公司 (Xuzhou Texhong Yinfeng Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

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“Xuzhou Texhong Yinfeng Plant”	the production facilities of Xuzhou Texhong Yinfeng located in Xuzhou, Jiangsu Province
“Zhejiang Century Texhong”	浙江世紀天虹紡織有限公司 (Zhejiang Century Texhong Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhejiang Century Texhong Plant”	the production facilities of Zhejiang Century Texhong, Zhejiang Texhong and Texhong Jinhua located in Pujiang, Zhejiang Province
“Zhejiang Texhong”	浙江天虹紡織有限公司 (Zhejiang Texhong Textile Co., Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$” or “HK dollars” or “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“UK”	the United Kingdom
“US” or “United States”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the US
“%”	per cent.
“m <sup>3</sup> ”	cubic metres
“sq.m.”	square metres

*For the purposes of this prospectus, unless otherwise stated, conversion of RMB into HK dollars has been calculated using an exchange rate of RMB1.06:HK\$1.00. Such exchange rate has been used for purposes of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rates or at all.*

*References to a financial year in this prospectus are to the year ended 31 December for the year stated.*

*In this prospectus, the names of enterprises or entities established in the PRC have been included in both the Chinese and English language and the English names of these enterprises and entities are only English translation of their respective official Chinese names.*