

The information set out in this Appendix does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to the Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of the Prospectus and the Accountants' Report of the Group set out in Appendix I to the Prospectus.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to provide information on how the Share Offer might have affected (a) the forecast earnings per share of the Group for the year ending 31 December 2004 as if the Share Offer had occurred on 1 January 2004 and (b) the unaudited pro forma net tangible assets of the Group as at 31 May 2004 as if the Share Offer had occurred on 31 May 2004.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the earnings per share and financial position of the Group following the Share Offer.

A. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

Forecast combined profit after taxation but before extraordinary items for the year ending 31 December 2004 (RMB'000) (Note 1)	130,000
Unaudited pro forma forecast earnings per Share (Note 2)	
– in RMB	0.149
– in HK\$ (Note 4)	0.141
Unaudited pro forma forecast fully diluted earnings per Share taking into account the Pre-IPO Share Options granted (Note 3)	
– in RMB	0.1483
– in HK\$ (Note 4)	0.1399

Notes:

1. The forecast combined profit after taxation but before extraordinary items for the year ending 31 December 2004 is extracted from the section headed "Financial information – profit forecast" in the Prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2004 has been prepared are summarised in Appendix IV to this Prospectus.

The forecast of the combined profit after taxation but before extraordinary items of the Group for the year ending 31 December 2004 prepared by the Directors is based on the audited combined accounts of the Group for the five months ended 31 May 2004, the unaudited management accounts of the Group for the four months ended 30 September 2004 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2004. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 December 2004. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the Accountants' Report, the text of which is set out in Appendix I to the Prospectus.

2. The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit after taxation but before extraordinary items of the Group for the year ending 31 December 2004 by the total of 872,000,000 Shares (assuming that the Shares in issue at the

date of this Prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Share Offer had been in issue on 1 January 2004 but without taking account for any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme).

3. The calculation of unaudited pro forma fully diluted forecast earnings per Share is calculated by dividing the forecast combined profits taxation but before extraordinary items of the Group for the year ending 31 December 2004 by the total of 876,342,000 shares assuming that the Shares in issue at the date of this Prospectus and those Shares to be issued pursuant to the Capitalisation issue and the Share offer had been in issue on 1 January 2004 (but without taking into account for any Shares which may be issued under the Over-allotment Option) and the Pre-IPO Share Options granted pursuant to the Pre-IPO Share Option Scheme were exercised in full on 1 January 2004. It is also assumed that all Shares under the Pre-IPO Share Option Scheme being issued at no consideration. This has not considered the proceeds that will be received under the exercise of the share options granted under the Pre-IPO Share Option Scheme and hence has not considered the impact of fair value of the shares on the computation of number of dilutive potential shares. The Directors consider it is impracticable to estimate the fair value of the Shares prior to its listing.
4. Translated at a rate of HK\$1 to RMB1.06.

B. UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following statement of unaudited pro forma net tangible assets of the Group is based on the audited combined net tangible assets of the Group as 31 May 2004, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31 May 2004 RMB'000	Estimated Net proceeds from the Share Offer RMB'000 (Note 1)	Unaudited proforma net tangible assets RMB'000	Unaudited pro forma net tangible assets per Share RMB (Note 2)	Unaudited pro forma net tangible assets per Share HK\$ (Note 4)
Based on an Offer Price of HK\$1.15 per Share	<u>422,337</u>	<u>194,279</u>	<u>616,616</u>	<u>0.707</u>	<u>0.667</u>

Notes:

1. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.15 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be issued upon the exercise of Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme.
2. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 872,000,000 Shares were in issue as at 31 May 2004 (including Shares in issue as at the date of the Prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Share Offer but without taking account for any shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme).
3. As at 30 September 2004, the Group's land and buildings were revalued by DTZ Debenham Tie Leung Limited, which the valuation report was set out in Appendix V of the Prospectus. Pursuant to the valuation performed by DTZ Debenham Tie Leung Limited, the Group's interest in land and buildings as at 30 September 2004 amounted to RMB209,540,000. It resulted in an additional revaluation surplus, net of applicable deferred tax liabilities, of approximately RMB3,100,000. Such revaluation surplus will not be recorded in the Group's combined accounts for the year ending 31 December 2004. If such additional revaluation surplus was included in the Group's combined accounts for the year ending 31 December 2004, an additional depreciation charges of approximately RMB52,000 per annum would be incurred.
4. Translated at a rate of HK\$1 to RMB1.06.

C. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this Prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

30 November 2004

The Directors
Texhong Textile Group Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Texhong Textile Group Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") set out on pages 215 to 216 under the headings of unaudited pro forma forecast earnings per share and unaudited pro forma net tangible assets in Appendix III of the prospectus of the Company dated 30 November 2004 in connection with initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the share offer relating to the initial listing of shares of the Company might have affected the relevant financial information of the Group as at 31 May 2004 and for the year ending 31 December 2004.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 21 of Appendix 1A and paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the bases set out on pages 215 to 216 for illustrative purpose only and, because of its nature, it may not be indicative of:

- the financial position of the Group at any future date, or
- the earnings per share of the Group for any future periods.

Opinion

In our opinion:

- (i) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (ii) such basis is consistent with the accounting policies of the Group; and
- (iii) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong