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HESHUN SPECIALISED FIBRE HOLDINGS LIMITED

和順特種纖維控股有限公司*

(Incorporated in Bermuda with limited liability)

PROPOSED CHANGE OF NAME AND PROPOSED GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES

It is proposed that at the Annual General Meeting of Heshun Specialised Fibre Holdings Limited to be held on 30 May 2002, resolutions be proposed to change the name of the Company and to grant to the Directors general mandates to issue shares of the Company and to repurchase shares. The explanatory statement contains all the information required pursuant to the Listing Rules to be given to the Shareholders of the Company.

* For identification purpose only

26 April 2002



HESHUN SPECIALISED FIBRE HOLDINGS LIMITED

和順特種纖維控股有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Chen Shunli (*Chairman & Chief Executive Officer*)

Chen Guoli

Hao Yu Pin (*Deputy Chairman*)

Huo Shizhi

Xiao Tianguan

Registered Office:

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41 Cedar Avenue

Hamilton HM12

Bermuda

Independent Non-Executive Directors:

Chen Dajun

Huang Yue

Jiang Xixia

Place of Business in Hong Kong:

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Hong Kong

26 April 2002

To the Shareholders of

Heshun Specialised Fibre Holdings Limited

Dear Sir/Madam

**PROPOSED CHANGE OF NAME
AND
PROPOSED GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the special and ordinary resolutions to be proposed at the Annual General Meeting for (a) a change of name of the Company; (b) granting to the Directors a general mandate to allot, issue and deal with shares of up to 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the relevant resolution granting this mandate; (c) granting to the Directors a general mandate to exercise the powers of the Company to repurchase its own shares (the "Repurchase Mandate"); and (d) to extend the general mandate to issue shares by adding to it the aggregate number of the issued shares repurchased under the proposed Repurchase Mandate.

* *For identification purpose only*

LETTER FROM THE CHAIRMAN

PROPOSED CHANGE OF NAME

The Directors propose to change the name of the Company to China Specialised Fibre Holdings Limited (the “Change of Name”). The proposed Change of Name is intended to reflect the Company is one of the leading producer of specialised fibre and to signify the intention of the Company to be the largest specialised fibre producer in the People’s Republic of China.

CONDITIONS AND EXPECTED EFFECTIVE DATE

The proposed Change of Name is subject to the passing of a special resolution at the Annual General Meeting by the Shareholders of the Company and the approval by the Registrar of Companies in Bermuda. The effective date of the Change of Name will be the date on which the new name is entered by the Registrar of Companies in Bermuda on the register in place of the existing name.

The Board of Directors has also resolved on 23 April 2002 to adopt, for the purpose of identification only, “中國特種纖維控股有限公司” as the new Chinese name of the Company on the effective date.

TRADING AND DEALING ARRANGEMENTS

The Change of Name will not affect any of the rights of the Shareholders of the Company. All existing shares certificates in issue bearing the present name of the Company will after the Change of Name continue to be evidence of title to the ordinary shares of the Company and will continue to be valid for trading, settlement and registration purposes for the same number of shares in the new name of the Company. Accordingly, there will not be any arrangement for free exchange of existing share certificates for new share certificate under the new name. Once the Change of Name has become effective, any issue of share certificates of the Company will be in the new name of the Company and the securities of the Company will be traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in the new name. A further announcement will be made when the Change of Name has become effective and unconditional.

GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to renew the general mandate granted to the Directors to allot and issue shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing the relevant resolution. In addition, an ordinary resolution will also be proposed to authorise an extension of such general mandate to be granted to the Directors to issue new shares during the period up to the earliest of (i) the conclusion of the next Annual General Meeting of the Company, (ii) the date by which the next Annual General Meeting of the Company is required to be held by laws or the Company’s Bye-laws; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders of the Company at a general meeting by adding to the aggregate number of shares which may be issued and allotted or agreed conditionally or unconditionally issued and allotted by the Directors pursuant to such general mandate the number of shares repurchased under the Repurchase Mandate, if granted.

LETTER FROM THE CHAIRMAN

THE REPURCHASE MANDATE

An ordinary resolution will be proposed at the Annual General Meeting in respect of the granting to the Directors of the Repurchase Mandate, in the terms set out in the notice of the Annual General Meeting, to exercise the powers of the Company to repurchase its own shares on the Stock Exchange at any time during the period ended on the earliest of (i) the conclusion of the next Annual General Meeting of the Company, (ii) the date by which the next Annual General Meeting of the Company is required to be held by laws or the Company's Bye-laws; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders of the Company at a general meeting. The aggregate nominal amount of shares of HK\$0.10 each to be purchased pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the relevant resolution.

An explanatory statement to provide relevant information in respect of the Repurchase Mandate is set out in the Appendix to this document.

RECOMMENDATION

The Directors believe that the proposed Change of Name and the general mandate to issue new shares and the Repurchase Mandate are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders vote in favour of the special and ordinary resolutions approving the Change of Name, the general mandate to issue new shares and the Repurchase Mandate to be proposed at the Annual General Meeting.

Yours faithfully
For and on behalf of the Board of
Heshun Specialised Fibre Holdings Limited
Chen Shunli
Chairman

This appendix serves as an explanatory statement under Rule 10.06(1)(b) of the Listing Rules relating to the proposed Repurchase Mandate. Its purpose is to provide Shareholders with all the information reasonably necessary for them to make an informed decision as to whether or not to vote in favour of Ordinary Resolution 5 approving the Repurchase Mandate.

1. SHARE CAPITAL

As at 25 April 2002, the latest practicable date prior to the printing of this document (the “Latest Practicable Date”), the issued share capital of the Company was 1,860,000,000 shares.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate, and on the basis that no further shares will be issued prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to purchase a maximum of 186,000,000 shares.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase shares. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share of the Company and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association, the Bye-laws of the Company and the applicable laws and regulations of Bermuda.

4. SHARE PRICES

The highest and lowest prices at which shares of the Company have been traded on the Stock Exchange during each of the previous twelve months were as follows.

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	0.510	0.390
May	0.460	0.410
June	0.455	0.325
July	0.650	0.360
August	0.630	0.500
September	0.550	0.500
October	0.850	0.500
November	0.960	0.780
December	0.980	0.800
2002		
January	0.910	0.620
February	0.900	0.800
March	0.970	0.820

5. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) currently intends to sell any shares to the Company or any of or its subsidiaries under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

If, as a result of a share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeover Code. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and becomes obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. The Directors are not aware of any consequences which would arise under the Takeover Code as consequence of any purchase pursuant to the Repurchase Mandate. In the event that any exercise of the Repurchase Mandate would, to the knowledge of the Directors, having such a consequence, the Directors would not exercise the Repurchase Mandate to such as extent to reduce the public shareholding to less than 25%.

As at the Latest Practicable Date, Mr Chen Shunli was interested in 64.3% of the Company's issued share capital. In the event of the Repurchase Mandate is exercised in full, Mr Chen's shareholding will be automatically increased to 71.4%.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by Shareholders.

The Directors have undertaken to the Stock Exchange, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and the Bye-laws of the Company and the applicable laws of Bermuda.

6. SHARE REPURCHASES MADE BY THE COMPANY

The Company has not repurchased any of its share on the Stock Exchange in the previous six months.