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China Specialised Fibre Holdings Limited

中國特種纖維控股有限公司*

(incorporated in Bermuda with limited liability)

Announcement

Gigalink has recently informed the Company that the negotiation with one of the investors is progressing steadily. All parties have agreed in principle about the terms and conditions regarding the proposed transaction.

Gigalink, Mr. Chen, Top New and the Investor have entered into the Agreements. The transaction may not materialise if the detailed terms and conditions of the arrangement could not be reached by the parties concerned.

The Group's production is operating normally. As at today, approximately HK\$172 million loans have been overdue and are not yet renewed at the moment. The Group is currently under negotiations with the relevant bankers to renew/reschedule these bank loans and to seek their ongoing support to the Group.

At the request of the Company, trading in the securities of the Company has been suspended with effect from 2:30 p.m. on Tuesday, 26 November 2002 and will remain temporarily suspended pending the release of the announcement in relation to the change in the shareholding structure of the Company.

Reference is made to the announcements of China Specialised Fibre Holdings Limited (the "Company") dated 10 January, 8 February and 18 December 2002, inter alia, in relation to the shares of the Company (the "Shares") held by Gigalink Group Limited ("Gigalink"). Mr. Chen Shunli ("Mr. Chen"), chairman and chief executive officer of the Company, currently holds the 100% interest in the share capital of Gigalink and is also the sole director of Gigalink.

As stated in the Company's announcement dated 18 December 2002, the Company was informed by Gigalink that Gigalink was negotiating with certain third parties to dispose of a portion of its interest in the Company. As a consequence, the shareholding structure of the Company might change. As at today, Gigalink still beneficially owns 1,171,092,000 Shares in the Company, representing approximately 63% shareholding.

Gigalink has recently informed the Company that the negotiation with one of the investors is progressing steadily. Gigalink, Mr. Chen, Top New Finance Limited ("Top New") and Gangsu San Zhou Industrial Holdings Limited (「甘肅三洲實業集團有限公司」) (the "Investor") have entered into a memorandum of understanding on 4 March 2003 and a preliminary agreement (「框架合同」) on 18 March 2003 (the "Agreements"). The Investor is a company incorporated in the People's Republic of China (the "PRC") with its principal place of business in Gangsu Province, the PRC. The Investor is an independent third party and is not a connected person under the definition of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Under the Agreements, the Investor will use a hotel property located in Lanzhou, Gangsu Province, the PRC, to guarantee the indebtedness of Gigalink due to Top New up to RMB188 million. This hotel property is wholly owned by the Investor. In return, the Investor plans to acquire from Gigalink not more than 25% interest in the share capital of the Company. Gigalink is currently negotiating with the Investor regarding the consideration, the number of Shares being

disposed of, pricing and means of settlement of the consideration. The Investor at present has the intention to settle the consideration by the above-mentioned hotel property. The value of the hotel property is being under negotiating. If there is a shortfall, the remaining will be settled by cash. Upon the completion of the legal process of the above guarantee, Top New agrees to extend the loan period for a further period of six months and to release the 786,600,000 Shares being pledged with Top New under the loan document and the 384,492,000 Shares being under the joint controlled by Gigalink and Mr. Wu Kezhong, the sole director of Top New. Under the mutual agreement between Gigalink and Top New in respect of the loan granted by Top New to Gigalink, any movements, transfers or sales of these 384,492,000 Shares are required both signatures of Gigalink and Mr. Wu Kezhong. These 1,171,092,000 Shares, all of which are beneficially owned by Gigalink, represent approximately 63% of the issued share capital of the Company. It is expected that after the transaction, Gigalink will remain the largest substantial shareholder of the Company and the Investor will become the second largest substantial shareholder. The Investor at present has the intention to appoint certain senior management into the Group and does not determine whether to appoint any person into the Company's board of directors (the "Board"). The details of personnel arrangements are being under negotiation and is not yet finalised. Gigalink informed the Company that all the parties only came up an approach to resolve the matters and Gigalink is necessary to continue to discuss with Top New and the Investor about the detailed terms and conditions. Consequently, although the Agreements have been signed, the transaction may not materialise if the detailed terms and conditions of the arrangement could not reached by the parties concerned. The Company will make a further announcement giving the details as soon as possible.

Except for the above, there is no significant progress for the negotiations with other mortgagees.

The Group's production is operating normally. However, as a result of the substantial drop in the Company's share price on 26 November 2002, the Group's cash flow is very tight in recent few months. As at today, approximately HK\$172 million loans have been overdue and are not yet renewed at the moment. This gives rise to a default under the relevant loan agreements. The Group is currently under negotiations with the relevant bankers to renew/reschedule these bank loans and to seek their ongoing support to the Group.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price sensitive nature.

At the request of the Company, trading in the securities of the Company has been suspended with effect from 2:30 p.m. on Tuesday, 26 November 2002 and will remain temporarily suspended pending the release of the announcement in relation to the change in the shareholding structure of the Company.

By Order of the Board
China Specialised Fibre Holdings Limited
Chen Shunli
Chairman and Chief Executive Officer

Hong Kong, 17 April 2003

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.