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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**

The Parties have entered into a formal debt restructuring agreement on 21 May 2003 regarding the indebtedness of Gigalink due to Top New up to RMB188 million, the details of which are set out below.

Gigalink has orally agreed that the Investor will use the hotel property located in Lanzhou, Gangsu Province, the PRC as consideration to acquire the 25% interest in the share capital of the Company from Gigalink.

Gigalink informed the Company that the above transaction will be completed very soon and the transfer of the 25% interest in the share capital of the Company to the Investor is being arranged.

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, 18 December 2002 and 17 April 2003 (the “Previous Announcements”), inter alia, in relation to the shares of the Company 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.

Further to memorandum of understanding and preliminary agreement (「框架合同」) entered into between 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”) (collectively referred to the “Parties”) as disclosed in Previous Announcements, the Parties have entered into a formal debt restructuring agreement (the “Agreement”) on 21 May 2003 regarding the indebtedness of Gigalink due to Top New up to RMB188 million. Under the terms and conditions of the Agreement, 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. 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 documents and the 384,492,000 shares being under the joint controlled by Gigalink and Mr. Wu Kezhong, the sole director of Top New. 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.

In return, Gigalink and the Investor have orally agreed that the Investor will acquire from Gigalink a 25% interest in the share capital of the Company. Gigalink has orally agreed that the Investor will use the hotel property located in Lanzhou, Gangsu Province, the PRC as consideration to acquire the 25% interest in the share capital of the Company from Gigalink. 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 details of personnel arrangements are being under negotiation and is not yet finalised. Gigalink informed the Company that the above transaction will be completed very soon and the transfer of the 25% interest in the share capital of the Company to the Investor is being arranged. Gigalink and the Investor confirm that there are no arrangements, understanding, agreements or discussions, formal or informal, between Gigalink and the Investor in connection with the control of the remaining 38% interest in the Company retained by Gigalink. The Company will make a further announcement upon completion of the above transaction.

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

Except for the transaction of Gigalink with the Investor in disposing the 25% interest in the share capital of the Company as set out above, the directors of the Company have confirmed that they and their respective associates have not dealt in any securities of the Company since 27 November 2002 and have undertaken to the Stock Exchange that they and their respective associates will not deal in the securities of the Company until the audited annual results and the annual report of the Company for the year ended 31 December 2002 are published/despatched. In respect of the above-mentioned transaction, it constitutes a breach of the appendix 10 "Model Code for Securities Transactions by Directors of Listed Companies" of the Rules Governing the Listing of Securities on the Stock Exchange. The Stock Exchange reserves its rights to take appropriate actions against Mr. Chen.

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, 15 July 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, 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.