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## IMPORTANT

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**If you are in any doubt** as to any aspect of this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your securities in China Specialised Fibre Holdings Limited, you should at once hand this document to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)*

**PROPOSED GENERAL MANDATES TO ISSUE  
AND  
TO REPURCHASE SHARES**

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It is proposed that at the Annual General Meeting of China Specialised Fibre Holdings Limited to be held on 16 January 2004, resolutions be proposed 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.

10 December 2003

\* For identification purpose only

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## LETTER FROM THE CHAIRMAN

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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)*

*Executive Directors:*

Chen Shunli (*Chairman & Chief Executive Officer*)

Hao Yu Pin (*Deputy Chairman*)

Chen Guoli

Xiao Tianguan

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Independent Non-Executive Directors:*

Chen Ding

Lin Chang Ping

*Place of Business in Hong Kong:*

Room 1904, 19th Floor

World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

10 December 2003

*To the Shareholders*

*of China Specialised Fibre Holdings Limited*

Dear Sir/Madam

## GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

### INTRODUCTION

The purpose of this document is to provide you with information in respect of the ordinary resolutions to be proposed at the annual general meeting of China Specialised Fibre Holdings Limited to be held on 16 January 2004 (“Annual General Meeting”) for (a) granting to the Directors a general mandate to allot, issue and deal with shares of up to 20% of the share capital of the Company in issue at the date of passing the relevant resolution granting this mandate; (b) granting to the Directors a general mandate to exercise the powers of the Company to repurchase its own shares (the “Repurchase Mandate”); and (c) 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*

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## LETTER FROM THE CHAIRMAN

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### 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 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.

### 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 maximum number of shares of HK\$0.10 each to be purchased pursuant to the Repurchase Mandate shall not exceed 10% 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 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 ordinary resolutions approving 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

**China 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 10 December 2003, 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.

	<b>Shares</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2001</b>		
December	0.980	0.800
<b>2002</b>		
January	0.910	0.620
February	0.900	0.800
March	0.960	0.820
April	1.240	0.910
May	1.320	1.190
June	1.450	1.190
July	1.480	1.320
August	1.520	1.410
September	1.460	1.380
October	1.500	1.400
November	1.480	0.089
December	<i>Note</i>	<i>Note</i>
<b>2003</b>		
January	<i>Note</i>	<i>Note</i>
February	<i>Note</i>	<i>Note</i>
March	<i>Note</i>	<i>Note</i>
April	<i>Note</i>	<i>Note</i>
May	<i>Note</i>	<i>Note</i>
June	<i>Note</i>	<i>Note</i>
July	<i>Note</i>	<i>Note</i>
August	<i>Note</i>	<i>Note</i>
September	<i>Note</i>	<i>Note</i>
October	<i>Note</i>	<i>Note</i>

*Note:*

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 suspended pending the release of the announcement relating to price sensitive information.

## 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 most recent published audited financial statements for the year ended 31 December 2002) 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.

As at the Latest Practicable Date, Mr. Chen Shunli (Mr. "Chen") was interested in 63.0% of the Company's issued share capital, through his investment vehicle, Gigalink Group Limited ("Gigalink"). Mr. Chen currently holds the 100% interest in the share capital of Gigalink and is also the sole director of Gigalink. Please also make reference to the Company's announcements dated 17 April, 27 May and 15 July 2003 in relation to transaction of Gigalink in disposing an interest in the share capital of the Company to an investor. On 26 September 2003, Gigalink has entered into the share transfer agreement (the "Agreement") with Grand Canal Holdings Limited ("Grand Canal"). Under the terms and conditions of the Agreement, Gigalink agreed to dispose 29.3% interest (representing 544,980,000 shares) in the share capital of the Company to Grand Canal. If the Agreement is completed, Mr. Chen and Grand Canal will be interested in 33.7% and 29.3% of the Company's issued share capital respectively. The Agreement is pending for completion and will be further agreed by Gigalink and Grand Canal for completion date. A further announcement will be made in accordance with the Listing Rules for details of the Agreement as soon as possible.

If the Agreement is not completed on or before the forthcoming Annual General Meeting and in the event of the Repurchase Mandate is exercised in full, Mr. Chen's shareholding will be increased to 70.0%. 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.

If the Agreement is completed on or before the forthcoming Annual General Meeting and in the event of the Repurchase Mandate is exercised in full, Mr. Chen's and Grand Canal's shareholdings will be increased to 37.4% and 32.6% respectively. The Directors are aware that the exercise in full power of the Repurchase Mandate would make Grand Canal becoming obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

In any events 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%.

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.