



CHINA SPECIALISED FIBRE HOLDINGS LIMITED
中國特種纖維控股有限公司*

(incorporated in Bermuda with limited liability)

DELAY IN PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT
AND DESPATCH OF ANNUAL REPORT
AND DISCLOSEABLE TRANSACTION

The publication of announcement of the unaudited Annual Results is further postponed to on or before 21 July 2003 and the timing of announcement of audited Annual Results and despatch of Annual Report will be further postponed to a date to be further announced.

After the careful consideration of the Board, the Board arrives at a decision that the scale and/or the timetable of development of the Projects will be changed/rescheduled as set out below. In the opinion of the Board, the Group does not have sufficient resources to develop all the Projects at the same time.

The Group has already entered into the Agreements with the respective Suppliers to cancel all the machine purchase and machine installation contracts on 18, 26 and 28 February 2003 respectively regarding the Projects. In summary, deposits paid in the amount of RMB339 million to the Suppliers by the Group will be refunded to the Group in cash and by properties in the amount of RMB138 million and 191 million respectively. The remaining balance of RMB10 million of deposits paid will be confiscated by Dupont.

As the consideration for acquisition of the Properties is approximately RMB191 million, the acquisition constitutes a discloseable transaction according to the Listing Rules. The delay in publication of this discloseable transaction constitutes a breach to Rule 14.13 of the Listing Rules. The Stock Exchange reserves its rights to take appropriate actions against the Company and/or its directors in respect of such breach.

The Board acknowledges that the delay in publication of the unaudited and audited Annual Results and despatch of the Annual Report of the Company for the financial year ended 31 December 2002 constitute breaches of paragraphs 11(1), 11(3)(i)(c) and 8(1) of the Listing Agreement of the Company respectively. The Stock Exchange reserves its rights to take appropriate actions against the Company and/or its directors in respect of such breaches.

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 announcement of China Specialised Fibre Holdings Limited (the “Company”) dated 27 May 2002, inter alia, in relation to delay in publication of the announcement of annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 (“Annual Results”) and despatch of annual report of the Company for the year ended 31 December 2002 (“Annual Report”).

The publication of announcement of the unaudited Annual Results is further postponed to on or before 21 July 2003 and the timing of announcement of audited Annual Results and despatch of Annual Report will be further postponed to a date to be further announced. The reasons for the further delay in Annual Results announcement are summarised as follows.

As stated in the Company’s announcement dated 27 May 2003, the board of directors of the Company (the “Board”), except the two independent non-executive directors, Mr. Chen Dajun and Mr. Jiang Xixia who resigned as independent non-executive directors with effect from 10 and 9 June 2003 respectively, has resolved the approval of the delay in publication of the unaudited and audited Annual Results and despatch of the Annual Report. One of the reasons was that the Board needs more time, taking into the consideration of the Group’s current state of affairs, to evaluate the current projects, including spandex project, ultra fine pre-oriented yarn (“POY”) and island staple projects (the “Projects”), being undertaken by the Group. After the careful consideration of the Board, the Board arrives at a decision that the scale and/or the timetable of development of the Projects will be changed/rescheduled because in the opinion of the Board, the Group does not have sufficient resources to develop all the Projects at the same time. The postponement or termination of the above-mentioned Projects does not have any impact on the Group’s current business and operations. The Group is principally engaged in the production and distribution of differential chemical fibre products. The Projects are new projects for development of new products, and therefore, there is no change in Group’s business in the future as a result of the above decision. The details of the changes are summarised as follows:

1. SPANDEX PROJECT

The Group plans to construct and develop the spandex project under an integrated production line comprising polymerization, spinning and post-processing with a production capacity of 2,000 tonnes per annum. It is now determined that the scale of this project will decrease to half of its original plan and the timetable to complete this project will be further delayed and spread over a period of several years to come. The Board does not come up with a revised budget at the moment and is unable to arrive at a very accurate timetable due to the uncertainties faced by the Group at the moment.

2. ULTRA FINE POY PROJECT

The Group plans to construct a new production line for ultra fine POY. It is originally expected that the new production line will commence its full commercial operation in late 2003, with an annual production capacity of 15,000 tonnes per annum. It is now determined that the scale of this project will decrease to half of its original plan and the timetable to complete the project will be further delayed and spread over a period of several years to come. The Board does not come up with a revised budget at the moment and is unable to arrive at a very accurate timetable.

3. ISLAND STAPLE PROJECT

The Group originally plans to construct a new production line for island staple. The designed capacity of the new production line is 5,000 tonnes per annum. It is now determined that this project will be discontinued and terminated.

The Group has already entered into agreements (the “Agreements”) with the respective suppliers, namely, Dupont Chemical Engineering (Asia) Limited (“Dupont”) and Fujian Jima Fibre Technology Engineering Co., Ltd. (福建吉馬斯合纖技術工程有限公司) (“Jima”) (together, the “Suppliers”), to cancel all the machine purchase and machine installation contracts on 18, 26 and 28 February 2003 respectively. Dupont and Jima are independent third parties and are not connected persons under the definition of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). As at 31 December 2002, the deposits paid to the Suppliers amounted to approximately RMB339 million. The principal terms and conditions of the Agreements are as follows:

Project	Spandex	Spandex	Ultra fine POY and Island staple
Date of the agreement	18 February 2003	26 February 2003	28 February 2003
Supplier	Dupont	Jima	Jima
Purchaser	Heshun (Fujian) Spandex Co., Ltd., a 75% owned subsidiary of the Company (“Heshun Spandex”)	Heshun Spandex	Heshun (China) Industrial Group Co, Ltd, a wholly owned subsidiary of the Company
Nature of contract cancelled	Machine purchase contract dated 6 September 2000 and supplemental contracts dated 16 August 2001 and 25 April 2002	Machine installation contract dated 28 August 2000 and supplemental contract dated 24 April 2002	Machine purchase contracts dated 5 July 2001 and 18 September 2001 and supplemental contract dated 25 April 2002
Deposit has already been paid to the supplier	RMB138 million	RMB32 million	RMB169 million
Deposit refunded to the Group in cash	RMB128 million by installments with the last installment on 31 August 2003	Nil	RMB10 million on or before 31 August 2003

Project	Spandex	Spandex	Ultra fine POY and Island staple
Deposit refunded to the Group by properties	Nil	RMB32 million, transfer of properties to be completed on or before 26 March 2003	RMB159 million, transfer of properties to be completed on or before 26 March 2003
Deposit confiscated by the supplier	RMB10 million	Nil	Nil
Properties details	N/A	Blocks 6 and 7, Fu Rong Commercial City, Fuqing, Fujian, the PRC	Blocks 1-5, 8-11, Fu Rong Commercial City, Fuqing, Fujian, the PRC

In summary, out of the total amounts of deposits paid, approximately RMB138 million will be returned to the Group in cash, approximately RMB191 million will be returned to the Group by the above-mentioned properties (the “Properties”) and the remaining RMB10 million will be confiscated by Dupont as compensation. The Properties was transferred to the Group by Jima by transferring the 100% shareholding in the share capital of Fujian Fuqing Hong Li Properties Development Co. Limited (福建福清宏利房地產開發有限公司) (“Fuqing Hong Li”) which in turn has the legal title of the Properties. The transfer was completed on 5 June 2003. The Group has not yet received any financial information regarding Fuqing Hong Li. Jima indicates to the Group that the major assets of Fuqing Hong Li held are the Properties and there are no material liabilities at the date of transfer. It is mutually agreed between the Group and Jima that all assets (except for the Properties) or liabilities, if any, existed before the date of transfer would borne by Jima and nothing should be dealt with the Group. In respect of the value of the above Properties, it is arrived at the after arm’s length negotiations between the Company and Jima with reference to location and the physical conditions of the Properties and the current property market in Fuqing, the PRC. The Board will appoint an independent professional valuer to ascertain the current values of the Properties. If the values of the Properties are less than the agreed values, the Group will negotiate with Jima regarding the shortfall. The Board does not have a specific plan on the usage of the Properties at the moment. In arriving at the above terms, the Board has taken into consideration of the Group’s current state of affairs, the long-term business relationship with the Suppliers, the abilities of the Suppliers to refund the deposits wholly in cash and the timing to get back the deposits. Jima has indicated that they are unwilling and unable to return all the deposits in cash in a very short period of time. In the opinion of the Board, the terms of the Agreements are fair and reasonable and are in the best interest of the Group. The risk for suffering loss in this matter will be much lower. As the non-executive directors were absent from in the Broad meeting when the Broad approved the Agreements on 24 and 25 April 2003, and therefore, no view or opinion has been given by the non-executive directors. In addition, the Board also needs time to consider the accounting treatment on the certain construction projects in relation to these Projects as a result of the changes in scales and timetable of these Projects. The outcome of the above matters will have a material impact on the Group’s Annual Results.

As the consideration for acquisition of the Properties is approximately RMB191 million, the acquisition constitutes a discloseable transaction according to the Listing Rules. The Company will issue a circular to the Company’s shareholders regarding the above acquisition as soon as possible. The delay in publication of this discloseable transaction constitutes a breach to Rule 14.13 of the Listing Rules. The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) reserves its rights to take appropriate actions against the Company and/or its directors in respect of such breach.

The Board acknowledges that the delay in publication of the unaudited and audited Annual Results and despatch of the Annual Report constitute breaches of paragraphs 11(1), 11(3)(i)(c) and 8(1) of the Listing Agreement by the Company respectively. The Stock Exchange reserves its rights to take appropriate actions against the Company and/or its directors in respect of such breaches.

Except for the transaction of Gigalink Group Limited (“Gigalink”), the substantial shareholder of the Company, in disposing an interest in the share capital of the Company to Gangsu San Zhou Industrial Holdings Limited for which the details have been fully disclosed in the Company’s announcements dated 17 April 2003, 27 May 2003 and 15 July 2003, 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 are published. 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. In respect of the above-mentioned disposal, 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.

As a result of the resignation of the two independent non-executive directors, Mr. Chen Dajun and Mr. Jiang Xixia, there is only one independent non-executive director, Mr. Huang Yue, in the Board, and consequently, the Company fails to comply with Rule 3.10 of the Listing Rule. The Company is now seeking appropriate personnel to fill the vacant to rectify the current situation. The Stock Exchange reserves its rights to take appropriate actions against the Company and/or its directors in respect of such breach.

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

* for identification purpose only