



# HESHUN SPECIALISED FIBRE HOLDINGS LIMITED

## 和順特種纖維控股有限公司\*

(Incorporated in Bermuda with limited liability)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

#### Financial Highlights:

- Turnover: RMB656 million (increase of 3.4% as compared to 2000)
- Profit attributable to shareholders: RMB144 million (decrease of 21% as compared to 2000)
- Basic earnings per share: RMB0.08 (decrease of 38% as compared to 2000)

The Board of Directors of Heshun Specialised Fibre Holdings Limited (formerly Heshun Holdings Company Limited) (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2001 together with comparative figures for the previous year as follows:

|   | Notes | 2001<br>RMB'000 | 2000<br>RMB'000 |
|---|-------|-----------------|-----------------|
| Turnover                                    |       |                 |                 |
| Continuing operations                       |       | 622,516         | 615,581         |
| Discontinued operations                     |       | 33,340          | 18,404          |
|   | 1     | 655,856         | 633,985         |
| Cost of sales                               |       | (437,400)       | (381,811)       |
| Gross profit                                |       | 218,456         | 252,174         |
| Selling and distribution expenses           |       | (1,837)         | (4,059)         |
| General and administrative expenses         |       | (48,196)        | (24,214)        |
| Impairment on goodwill                      |       | (2,403)         | —               |
| Other income                                |       | 2,704           | 2,117           |
| Operating profit                            |       | 164,212         | 219,970         |
| Continuing operations                       |       | 4,512           | 6,048           |
| Discontinued operations                     |       | 168,724         | 226,018         |
| Finance costs, net                          | 2     | (25,066)        | (23,538)        |
| Share of loss of an associate               |       | —               | (22)            |
| Gain on disposal of discontinued operations | 3     | 23,710          | —               |
| Profit before taxation                      |       | 167,368         | 202,458         |
| Taxation                                    | 4     | (23,951)        | (24,776)        |
| Profit after taxation                       |       | 143,417         | 177,682         |
| Minority interests                          |       | 263             | 4,739           |
| Profit attributable to shareholders         |       | 139,386         | 177,180         |
| Continuing operations                       |       | 4,294           | 5,241           |
| Discontinued operations                     |       | 143,680         | 182,421         |
| Transfer to reserves                        |       | 16,571          | 21,627          |
| Earnings per share - Basic                  | 5     | RMB0.08         | RMB0.13         |

#### Notes:

##### 1. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the production and distribution of differential chemical fibre products, and in the provision of engineering and installation services for chemical fibre projects and the design and installation of chemical fibre production machinery and equipment. Revenues recognised during the year are as follows:

|                                  | Group<br>2001<br>RMB'000 | 2000<br>RMB'000 |
|----------------------------------|--------------------------|-----------------|
| Sales of goods                   | 617,745                  | 480,106         |
| Processing fees                  | 4,771                    | 135,475         |
| Fees from construction contracts | 33,340                   | 18,404          |
| Total turnover                   | 655,856                  | 633,985         |
| Other income                     | 2,704                    | 2,117           |
| Operating lease income           | —                        | 174             |
| Interest income                  | 134                      | 164             |
| Total revenue                    | 658,694                  | 636,440         |

##### Primary reporting format - business segments

The Group is organised, in Mainland China, into two main business segments:

- Production and sales of differential chemical fibre products and provision of subcontracting services for manufacturing differential chemical fibre products.
- Provision of engineering and installation services for chemical fibre projects and machinery and equipment.

There are no sales or other transactions between the business segments.

Since all the Group's turnover and operating profit are derived from activities in Mainland China, no geographical analysis is shown.

|   | 2001   |  |
|---|--|--|
|   | Continuing operations<br>sales of goods<br>RMB'000 | Discontinued operations<br>construction contracts<br>RMB'000 |
| Turnover                                    | 622,516  | 33,340   |
| Segment results                             | 184,897  | 4,512  |
| Unallocated costs                           |  | (23,389)   |
| Other income                                |  | 2,704  |
| Operating profit                            |  | 168,724  |
| Finance costs, net                          |  | (25,066)   |
| Share of loss of an associate               |  | —  |
| Gain on disposal of discontinued operations | —  | 23,710   |
| Profit before taxation                      |  | 167,368  |
| Taxation                                    |  | (23,951)   |
| Profit after taxation                       |  | 143,417  |
| Minority interests                          |  | 263  |
| Profit attributable to shareholders         |  | 143,680  |

|   | 2000   |  |
|---|--|--|
|   | Continuing operations<br>sales of goods<br>RMB'000 | Discontinued operations<br>construction contracts<br>RMB'000 |
| Turnover                                    | 615,581  | 18,404   |
| Segment results                             | 222,137  | 6,048  |
| Unallocated costs                           |  | (4,284)  |
| Other income                                |  | 2,117  |
| Operating profit                            |  | 226,018  |
| Finance costs, net                          |  | (23,538)   |
| Share of loss of an associate               |  | (22)   |
| Gain on disposal of discontinued operations |  | —  |
| Profit before taxation                      |  | 202,458  |
| Taxation                                    |  | (24,776)   |
| Profit after taxation                       |  | 177,682  |
| Minority interests                          |  | 4,739  |
| Profit attributable to shareholders         |  | 182,421  |

##### 2. FINANCE COSTS, NET

|  | Group<br>2001<br>RMB'000 | 2000<br>RMB'000 |
|--|--------------------------|-----------------|
| Interest income                                      |                          |                 |
| Bank deposits  | (134)                    | (164)           |
| Interest expenses                                    |                          |                 |
| - Bank borrowings wholly repayable within five years | 22,831                   | 23,674          |
| - Other loans wholly repayable within five years     | 2,298                    | —               |
| - Finance charges in respect of finance leases       | 71                       | 28              |
|  | 25,066                   | 23,538          |

##### 3. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

On 29 November 2001, in view of the decrease in profit margin and intensive competition, the directors announced to dispose of the operations of the engineering and installation services for chemical fibre projects and design and installation of chemical fibre production machinery and equipment.

The subsidiary comprising the engineering and installation operation, Dalian Huayang Engineering Company Limited, was sold to Mr. Chen Shunli.

The gain on disposal of the discontinued operations of approximately RMB23,710,000, which represents the difference between the sales proceeds and the Group's share of net assets of the subsidiary together with negative goodwill previously written off against reserve to the extent it has not previously been realised in the income statement.

##### 4. TAXATION

|                           | Group<br>2001<br>RMB'000 | 2000<br>RMB'000 |
|---------------------------|--------------------------|-----------------|
| Current taxation          |                          |                 |
| Mainland China income tax | 23,951                   | 24,776          |
| Hong Kong profits tax     | —                        | —               |
|                           | 23,951                   | 24,776          |

No Hong Kong profits tax was provided for as the Group had no assessable profits arising in Hong Kong (2000: Nil). Provision for taxation by subsidiaries operating in Mainland China has been calculated at the rates applicable, based on existing laws, interpretations and practice, during the year.

##### 5. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2001 is based on the profit attributable to shareholders of approximately RMB143,680,000 (2000: RMB182,421,000) and the 1,860,000,000 (2000: weighted average of 1,454,700,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential shares in existence during the years ended 31 December 2000 and 2001.

##### AUDITORS' REPORT

In their report, the auditors draw attention to the following fundamental uncertainty, and have included the following paragraphs in their report:

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the Group is currently undertaking a number of measures to relieve its current liquidity difficulties, including the rescheduling of the repayment terms of certain of the Group's banking facilities, the procurement of new banking facilities and new equity financing. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures undertaken, the ongoing support of the Group's bankers and other financial institutions. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

##### DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2001 in order to retain the Group's resources to expedite the progress of projects on hand.

##### BUSINESS REVIEW

###### Review of operation

During 2001, a total of 40,442 tons (2000: 43,787 tons) of pre-oriented yarn (“POY”), drawn and textured yarn (“DTY”) and fully-drawn yarn (“FDY”) were produced by the Group. This was at a similar level as the corresponding period of 2000. Following the completion of the production line of polyester chips in October 2001, the Group produced a total of 14,932 tons (2000: nil) of polyester chips in 2001.

Sales and processing volume of POY, DTY and FDY were 40,578 tons (2000: 31,074 tons) and 721 tons (2000: 12,990 tons) respectively. In addition, the Group recorded sales of polyester chips of 4,474 tons (2000: nil) which contributed approximately RMB21 million (2000: nil) sales revenue in 2001.

Consolidated turnover for the year under review increased slightly by 3.4% when compared with that of last year. This is mainly due to contribution made by Dalian Huayang Engineering Co., Ltd. (“Dalian Huayang”) which was acquired in 2000. For the sales and processing volume of chemical fibre, the business was relative stable during the year 2001.

The prices of domestic chemical fibre decreased during the year 2001. Gross profit margin for the year was approximately 33.3% (2000: 39.8%). The Group has been successfully sheltered from the price drop which is mainly due to the following:

- Although the domestic chemical fibre market as a whole was not very good in 2001, the demand of differential chemical fibre was relative stable. Consequently, the Group's products only experienced a moderate drop in selling prices;
- The Group has taken initiative to adjust its product mix to include products with higher added-value. In 2001, over 90% of the Group's sales were differential chemical fibre while in 2000, it only accounted for 76%; and
- The prices of the major raw materials used in production, such as polyester chips, POY, purified terephthalic acid and mono ethylene glycol, decreased in 2001.

It is the Group's long-term strategy to decrease the processing operation in the future because the Directors believe that the competition in processing business is very keen in the future and such business is not stable as it depends on other manufacturers' performance. By replacing the processing operation by sales of Group's products, the Directors believe that the Group could response more quickly to the market and could maintain a more stable earning in the future, thus increasing the competitive edge of the Group. Consequently, the processing volume decreased substantially during the year.

###### Change of Company's name

The name of the Company was changed from Heshun Holdings Company Limited to Heshun Specialised Fibre Holdings Limited with effect from 12 December 2001. For the purpose of identification, the Chinese name of the Company was changed from “和順控股有限公司” to “和順特種纖維控股有限公司”. The change of name is intended to better reflect the main business activities of the Group and to enable the investors to have an easy recognition of the business of the Group.

On 23 April 2002, the Board proposed to change the name of the Company to China Specialised Fibre Holdings Limited. For identification purpose, the Chinese name was also proposed to change to “中國特種纖維控股有限公司”. The new proposed name is intended to better reflect the Group being one of the largest differential fibre manufacturers in the People's Republic of China (the “PRC”) and to enable the investors to have easy recognition of the Group's business operating and market being focused in the PRC. The proposed change of name is subject to the passing of a special resolution at the forth coming Annual General Meeting on 30 May 2002.

###### Spandex project

The construction of the factory premises was commenced on 19 January 2002. It is the largest Spandex project in the PRC approved by the State Development and Planning Commission. According to the Group's plan, it is expected that the construction will be completed by the end of the first quarter of 2003. The shipment of the machinery is expected to be in the second quarter of 2003 and installation will be in middle of 2003. Trial production is scheduled in the third quarter of 2003. The Group is currently arranging banking facilities and other financing for the Spandex project.

###### Production line of polyester chips

The Group has commenced its production of polyester chips in October 2001. The annual production capacity of this production line is 80,000 tons. Following the commencement of this production line, the Group will improve its competitiveness by ensuring a stable supply of polyester chips with consistently high quality while at the same time reducing production cost. The excess of polyester chips required by the Group will be sold to other local manufacturers. In 2001, sales of polyester chips accounted for approximately RMB21 million (2000: nil) and would increase in the coming years.

###### Production line of ultra fine POY

Ultra fine POY is a new product to the Group. It is a high quality yarn having the features such as heat retention, waterproof, softness and lightness and is mainly used for the manufacture of high quality sport wears. The modification of the existing factory to adapt for the new production line is expected to be completed in early 2003. The installation of the required machinery is scheduled in the second quarter of 2003. It is expected that trial production of ultra fine POY will be commenced in middle of 2003. The planned production capacity of production line of ultra fine POY is 13,000 tons per annum.

**Acquiring additional interest in Heshun (Fujian) Spandex Co., Ltd. (“Heshun Spandex”) and disposal of Changle City Shunshi Group Co., Ltd. (“Changle”)**

In July 2001, the Group acquired a further 23% interest in Heshun Spandex by entering into the following arrangements:

- (1) The Group disposed of the 20% of the registered capital of Changle which in turn held a 60% equity interest in Heshun Spandex before the transaction mentioned in paragraph (2) below. Changle is an associated company of the Group before the disposal. Subsequent to the disposal, the Group does not have any interest in Changle. The consideration for the disposal was approximately RMB36 million which was satisfied by way of setting off and discharging the payment obligations of Heshun Spandex owing to Changle.
- (2) At the same of the disposal mentioned above, the Group acquired a further 35% direct interest in the registered capital of Heshun Spandex from Changle. The consideration of the acquisition was RMB1.00 and the Group will be responsible for the capital contribution obligations in relation to the 35% equity interest to the registered capital of Heshun Spandex of US\$31,050,000.

After the completion of the above transactions, the Group holds a 75% direct interest in the equity of Heshun Spandex through Central Harvest Holdings Limited, a wholly-owned subsidiary of the Group, and the remaining 25% is being held by Changle.

The Group anticipates that the demand for spandex in the PRC would continue to grow and believes that the above acquisition would enhance its profitability in the future.

As Changle is principally an investment vehicle and the Group’s business does not rely heavily on any facility or services provided by Changle and the Group is capable of carrying on business independently of Change, the Board considers that the acquisition of further interest in Heshun Spandex will streamline the corporate structure of the Group and facilitate the progress of the project being carried out by Heshun Spandex.

Under the Listing Rules, the above transactions constitute connected transactions and further details have been set out in the circular to shareholders of the Company dated 30 July 2001.

**Disposal of Dalian Huayang**

The Group disposed of all the 95% equity interest in Dalian Huayang in November 2001. Dalian Huayang is principally engaged in the provision of engineering and installation services for the chemical fibre projects and the design and installation of chemical fibre production machinery and equipment. The consideration was RMB76 million and the Group recorded a profit, before relevant professional fees and related expenses, of RMB24 million and has been included in the 2001 consolidated income statement. The Board believes that the disposal would be in the interest of the Group, and the Group would be able to focus on its business relating to the production and distribution of differential chemical fibre products.

Under the Listing Rules, the above transaction constitutes a connected transaction and further details have been set out in the circular to shareholders of the Company dated 12 December 2001.

**Employees and remuneration policies**

As at 31 December 2001, the Group employed a total of 591 (2000: 619) employees. Most of the employees are based in the PRC. They are remunerated according to the nature of job and market conditions in which they are employed. Other staff benefits include a mandatory provident fund scheme for all the eligible employees, medical compensation and a year-end bonus.

**FINANCIAL REVIEW**

**Financial resources**

As at 31 December 2001, the Group’s cash and bank balances were approximately RMB45 million (2000: RMB42 million). The

Group’s liquidity ratio as at 31 December 2001 was 40% (2000: 38%). Current assets and current liabilities were approximately RMB220 million (2000: RMB158 million) and RMB547 million (2000: RMB414 million) respectively.

As at 31 December 2001, the Group had bank loans and finance leases in an aggregate amount of RMB424 million (2000: RMB254 million), of which 50% (2000: 71%) was denominated in Renminbi, 13% (2000: 28%) in US dollars and 37% (2000: 1%) in Hong Kong dollars respectively. During the year, the Group successfully raised a syndicated loan and finance leases of HK\$85 million and HK\$29 million respective in Hong Kong. The funds from these financing are mainly applied to Spandex project. This mainly contributes the increase in total of bank and other borrowings as at 31 December 2001.

Included in current liabilities, there were short-term bank loans amounted to RMB304 million (2000: RMB251 million). It is the normal practice of the PRC banks to grant short-term loans which are renewed on a yearly basis, and consequently, the short-term bank loans of the Group account for 72% (2000: 99%) of the total borrowings. Although there is no assurance that these short-term loans will be extended in the future upon maturity within a year, however, the Directors are in the opinion that the Group would be able to renewed these loans on a yearly basis taking into the long-term relationship between the banks and the Group.

During the financial year 2001, the Company did not issue any new shares or other securities. As at 31 December 2001, the Company has issued 1,860 million (2000: 1,860 million) shares. The gearing ratio of the Group (total of short-term and long-term bank borrowings over the shareholders’ equity) was 49% (2000: 35%). The increase is attributable to the recent arrangement of a syndicated term loan and finance leases in Hong Kong to finance the development of Spandex project.

At present, the Group is negotiating with certain banks in Hong Kong and the PRC to raise funds for Spandex project and the production line of ultra fine POY and the management will closely monitor the level of gearing of the Group as a whole.

**Exchange exposure**

Due to the fact that the Group’s transactions (including the sale of chemical fibre, purchases of raw materials and bank financing) are denominated in Hong Kong dollars, US dollars or Renminbi, and the related exchange rates are considered relative stable, and accordingly, the exposure to fluctuations in exchange rate is minimal.

**Capital commitment**

A significant portion of capital commitment is attributable to Spandex project. The Group will finance the construction of factory and production facility of Spandex project and ultra fine POY in the coming years from the profits from operation, bank and other financing.

**Contingent liabilities**

The Group did not have any material contingent liabilities as at year-end.

**Pledges of assets**

As at 31 December 2001, certain land and buildings, plant and machinery and motor vehicles of the Group were pledged as securities for bank loans and finance leases granted to the Group.

**FUTURE PLAN AND PROSPECTS**

Looking forward, the market for differential chemical fibre will more or less remain stable. The Board anticipates that the economy of the PRC will continue to thrive in the coming year. It is estimated that the PRC’s economic growth will reach approximately 7% in 2002. The improvement in living standards, the growth in household income together with the increase in demand for export of textile and garment and further decrease in raw material costs as a result of the entry of the PRC into World Trade Organisation, will provide room for the growth of differential chemical fibre market.

The PRC government will continue to regulate the domestic chemical fibre market, such as anti-dumping, sanitation and environmental protection. In addition, the PRC Government has planned, through structural reform and technological innovation, to increase the proportion of differential chemical fibre produced from the existing 20% level to 40% of the total production of chemical fibre in the PRC by the end of 2005. This indicates there exists a huge room for the growth in differential chemical fibre market. At present, most of the domestic manufacturers including some PRC Stated-owned enterprises are currently focusing on increasing their scale of production and are just beginning to undergo technical modifications, the strategy of the Group is to product high quality fibre. The Directors believe that the Group has competitive advantages over other domestic manufacturers owing to the superior quality of its products and its quality customer service. The Group is committed to the research and development of new products and continuous improvement of production technology. The Board believes that due to the intensive market competition, the marketability of brand names and types of products is becoming increasingly important.

With the completion of the Spandex project and the production line of ultra fine POY, the Board believes that the competitive edge over the other manufacturers in the PRC will surely increase and would contribute substantial sales revenue to the Group in years to come. In addition, the Group will be the only manufacturer that has the capability to produce polyester chips, ultra fibre POY, differential chemical fibre and spandex fibre in the PRC.

**AUDIT COMMITTEE**

An audit committee of the Board of Directors was established on 25 September 2000. Written terms of reference which set out the authorities and duties of the audit committee were adopted by the Board on the same date. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has two members comprising the two independent non-executive directors. Mr Huang Yue will be the Chairman of the audit committee.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the year.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except that non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company’s Bye-laws.

**DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE**

The Company’s annual report for the year ended 31 December 2001 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

By Order of the Board  
**Chen Shunli**  
*Chairman and Chief Executive Officer*  
Shenzhen, PRC, 26 April 2002

*\* For identification purpose only*

**Notice of Annual General Meeting**

**NOTICE IS HEREBY GIVEN THAT** an Annual General Meeting of Heshun Specialised Fibre Holdings Limited (the “Company”) will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 30 May 2002 at 3:30 p.m. for the following purposes:

**ORDINARY BUSINESS**

1. To receive and consider the audited financial statements and the reports of the Directors and Auditors for the year ended 31 December 2001;
2. To re-elect Directors and to authorise the Board of Directors to fix Directors’ remuneration;
3. To re-appoint Auditors and to authorise the Board of Directors to fix Auditors’ remuneration;

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution as a special resolution:

4. **“THAT**, subject to the approval of the Registrar of Companies in Bermuda, the name of the Company be changed from “Heshun Specialised Fibre Holdings Limited” to “China Specialised Fibre Holdings Limited”.

To consider and, if thought fit, pass with or without amendments, the following resolutions 5, 6, 7 as an ordinary resolution:

5. **“THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
  - (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iii) an issue of shares in lieu of the whole or

part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Bye-laws of the Company to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

6. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed

10% of the aggregate nominal value of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Bye-laws of the Company to be held; and
  - (iii) the revocation or variation of this Resolution by an ordinary resolution of the members of the Company in general meeting.”

7. **“THAT** subject to the passing of ordinary resolutions Nos. 5 and 6 set out in the Notice convening this meeting being duly passed, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to ordinary resolution No. 5 set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to ordinary resolution No. 6 set out in the Notice convening this meeting, provided that such amount of shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.”
8. To transact any other business.

By Order of the Board  
**Chen Shunli**  
*Chairman & Chief Executive Officer*  
Shenzhen, 26 April 2002

**Notes:**

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company’s share registrar, Standard Registrars Limited at 5/F, Wing On Center, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. An explanatory statement containing further details regarding items 5 to 7 above will be despatched to shareholders together with the 2001 Annual Report.