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KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION

SUMMARY

On 29th May, 2002, the Agreement was entered into pursuant to which, inter alia, the Company agreed to subscribe and EPSL agreed to issue the Note for the Total Consideration of HK\$23,000,000.

The subscription of the Note constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, amongst other information, the Valuation Report will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

INTRODUCTION

Date: 29th May, 2002

Parties: (1) EPSL; and
(2) the Company

EPSL and its sole beneficial owner are both independent third parties of the Company and are not connected with the Company, its directors, chief executive, substantial shareholders of the Company or its subsidiaries or any of their respective associates as the term is defined in the Listing Rules. Neither EPSL nor its sole beneficial owner hold any shares in the Company prior to the date of this announcement.

Consideration: EPSL agreed to issue and the Company agreed to subscribe for the Note for the Total Consideration of HK\$23,000,000 payable in Hong Kong dollars as follows:–

- (i) First Payment – HK\$5,000,000 by way of deposit (the “Deposit”) paid on the date of signing of the Agreement; and
- (ii) Final Payment – HK\$18,000,000 payable on completion of the Agreement.

The Total Consideration will be funded by internal resources of the Company and the Company will not use the proceeds derived from the initial public offering of its shares in April 2002 for payment of the Total Consideration.

Conditions: Completion of the Agreement is conditional upon:–

- (a) a legal and financial due diligence investigation to be carried out by the Company on the Target Group including but not limited to its review of any documents or information provided to the Company prior to the date of the Agreement, having been completed to the satisfaction of the Company and the results thereof being found to be satisfactory in the sole discretion of the Company; and
- (b) a valuation on the Target Group carried out by BMI Appraisals Ltd. on behalf of the Company having been completed to the satisfaction of the Company and the result thereof being found to be satisfactory in the sole discretion of the Company.

If the conditions have not been fulfilled or waived on or before 29th August, 2002 or such later date as the parties to the Agreement may agree in writing, the Agreement (other than certain provisions contained therein) will terminate and EPSL will be obliged to return the Deposit to the Company within 2 Business Days from the date of termination of the Agreement.

At completion of the Agreement, EPSL will issue the Note in favour of the Company.

The Note is non-recourse in that the Total Consideration once paid will not be repayable by EPSL to the Company.

As stated in the section “Reasons and Benefits” of this Announcement, a major competitor of the Company has launched its on-line portal and organised a large-scale promotion campaign for its new portal. This received massive media coverage in various newspapers since 11th April, 2002 (which is a date after the date of the initial public offering of the shares of the Company in April 2002). To react quickly to this market change, the Directors have entered into the Agreement with an aim that the potential acquisition of IIL Shares or AOL Shares and the setting up of the Platform will provide more value-added and high quality services to the Company’s customers in the future. The aim to provide more value-added and high quality services to the Company’s customers is in line with the “Future Plans and Prospects” as stated in the Prospectus.

THE PLATFORM

EPSL has agreed and undertaken with the Company that it will before the first anniversary of the Agreement, procure AOL to set up a closed-system e-business platform (the “Platform”) (to be known as “Kenfair.com”) for the exclusive use (the “Platform Use”) of the Company without payment of further fees. The Platform is a virtual sourcing platform for suppliers and buyers. The right to the Platform Use and the use of all the necessary technologies including without any limitations thereof, the source code and any other necessary technologies for the Platform Use by the Company will remain in full force and effect notwithstanding completion of the Agreement, termination of the Agreement and the exercise of the Exchange Rights under the Note.

THE NOTE

When the Agreement completes, EPSL will issue the Note in favour of the Company. Under the terms of the Note, the Company has the right, amongst other things, to exchange the Note into (i) IIL Shares (the “IIL Shares”) which means that number of shares (rounded upwards if necessary, to the next whole number of shares) in the share capital of IIL that equals 18 per cent. of the issued share capital of IIL at the time of exercise of the Exchange Rights under the Note or (ii) AOL Shares (the “AOL Shares”) which means all issued shares in the capital of AOL at the time of exercise of the Exchange Rights. Under the terms of then note, the Exchange Rights can be exercised commencing from the date of the Note and ending prior to the close of business on the last Business Day preceding the Maturity Date.

THE TARGET GROUP

IIL is a company principally engaged in investment holding. IIL’s assets comprise mainly of its shares in ChinaEdeal and IIL wholly-owns ChinaEdeal and AOL. AOL is an investment holding company, the sole asset of which will comprise the Platform after it has been set up in accordance with the terms of the Agreement.

The unaudited loss of ChinaEdeal for the 16 months ended on 30th April 2002 was HK\$1,953,562. The unaudited net asset value of ChinaEdeal as at 30th April, 2002 is HK\$205,540. Since IIL and AOL are newly incorporated companies, there are no accounts prepared for IIL and AOL.

REASONS AND BENEFITS

The Company and its subsidiaries are principally engaged in the organisation of trade fairs, trade show and related activities to promote and facilitate trades between international buyers and manufacturers, particularly Asian manufacturers. The business now carried on by ChinaEdeal is principally operation of certain Internet web-sites and as provision of e-commerce technology services and other related businesses. The Directors are of the view that the potential investment in the Target Group and the setting up of the Platform allows the Company to increase its competitiveness in the exhibition and trade show industry and expand its business on the Internet. Recently, a major competitor of the Company has launched its on-line exhibition portal and organised a large-scale promotion campaign for its new portal. The Directors believe the investment contemplated under the Agreement and the Note will enhance the value of the Company and its subsidiaries as a whole.

The Total Consideration was determined based on arm’s length basis and on the Valuation Report. The 100% equity interest in ChinaEdeal was valued by BMI Appraisals Limited at HK\$130 million as at 29th May, 2002 by using the “income approach” with reference to the “market approach”. These methodologies are stated in the Valuation Report.

The Total Consideration of HK\$23 million is approximately equivalent to the value of 18% of the issued share capital of IIL in accordance with the Valuation Report. IIL’s assets comprise mainly of its shares in ChinaEdeal. Since AOL is a newly incorporated company, there is no account prepared for AOL. AOL’s assets will comprise solely of the Platform. The Directors will take into account the future profitabilities of IIL and AOL when they exercise the Exchange Rights to exchange either into (i) IIL Shares or (ii) AOL Shares.

A circular containing, amongst other information, the Valuation Report will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement

- “Agreement” means the subscription agreement for one-year zero-interest non-recourse exchangeable note to be issued by EPSL entered into between EPSL and the Company
- “AOL” means Asian Online Limited, a company incorporated in the British Virgin Islands on 23rd April, 2002, the registered office of which is at Trust Net Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands, the entire issued share capital of which is held by IIL. AOL has not commenced its operations.
- “Business Day” means a day (other than a Saturday and a Sunday) on which banks in Hong Kong are generally open for business
- “ChinaEdeal” means ChinaEdeal Holdings Limited, a company incorporated in the Cayman Islands on 21st January, 2002, having its registered office at 4th Floor, Harbour Centre, P.O. Box 613, George Town, Great Cayman, Cayman Islands, British West Indies, the entire issued share capital of which is held by IIL
- “Company” means Kenfair International (Holdings) Limited
- “Directors” means the board of directors of the Company
- “EPSL” means Ever Power Services Limited, a company incorporated in the British Virgin Islands on 1st February, 2002 and having its registered office at Trust Net Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands, the entire issued share capital of which is held by Mr. Ben Yu Ansheng
- “Exchange Rights” means the rights of the Company to exchange the Note for IIL Shares or AOL Shares in accordance with the terms of the Note
- “HK\$” means Hong Kong dollars, the lawful currency of Hong Kong
- “IIL” means International Information Limited, a company incorporated in the British Virgin Islands on 26th November, 2001 and having its registered office at Trust Net Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands, the entire issued share capital of which is held by EPSL. IIL has been operating since November 2001
- “Listing Rules” means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- “Maturity Date” means the date falling one (1) year from the date of issue of the Note
- “Note” means a zero-interest non-recourse exchangeable note in the aggregate principal

amount of HK\$23,000,000 to be issued by EPSL

- “Prospectus” means the prospectus of the Company dated 25th March, 2002
- “Shareholders” means shareholders of the Company
- “Target Group” means at any time IIL and ChinaEdeal and AOL (as the case may be) and their respective subsidiaries and, where the context requires, includes all subsidiaries and associated companies of IIL or ChinaEdeal or AOL (as the case may be) at the relevant time
- “Total Consideration” means HK\$23,000,000
- “Valuation Report” mean a valuation report dated 29th May, 2002 prepared by BMI Appraisals Limited, an independent professional valuer.

By Order of the Board
Kenfair International (Holdings) Limited
Ip Ki Cheung
Chairman

Hong Kong, 30th May, 2002

“Please also refer to the published version of this announcement in the Hong Kong i-Mail”.