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## **KENFAIR INTERNATIONAL (HOLDINGS) LIMITED**

### **建發國際（控股）有限公司**

*(incorporated in the Cayman Islands with limited liability)*

#### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING CASH CONSIDERATION AND ISSUANCE OF NEW SHARES OF THE COMPANY**

The Board is pleased to announce that on 13 December 2002, Octopus, a wholly-owned subsidiary of the Company and the Company have entered into the Agreement with Baron in relation to the provision of the Services by the Consultant and the acquisition of 100% interests in Astonishing Profits for a total consideration of HK\$28,750,000 to be paid and satisfied, as to HK\$5,000,000 in cash and as to HK\$23,750,000 by the allotment and issue by the Company of the 19,000,000 new Shares at the issue price of HK\$1.25 per Share representing a premium of approximately 3.3% of the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on 13 December 2002 and a premium of approximately 4.2% of the average closing price of HK\$1.20 per Share as quoted on the Stock Exchange for the last 10 days ended on 13 December 2002, credited as fully paid, which new Shares in aggregate represent approximately 10% of the existing issued share capital of the Company and approximately 9% of the enlarged issued share capital of the Company.

Mr. Joseph Wan, the ultimate sole shareholder of Baron and the Consultant respectively, is a brother of Mr. Thomas Wan, who is a former independent non-executive director of the Company resigned on 10 December 2002. Each of Baron and the Consultant is a connected person of the Company within the meaning of the Listing Rules solely because of the relationship between Mr. Thomas Wan and Mr. Joseph Wan. The transaction contemplated under the Agreement therefore constitutes a connected transaction for the Company under Rule 14.23 of the Listing Rules. The transaction contemplated by the Agreement also constitutes a discloseable transaction involving issuance of new Shares for the Company under Rule 14.12 of the Listing Rules.

The terms of the Agreement including the Consideration are normal commercial terms and were determined after arm's length negotiations between Octopus, the Company and Baron.

The cash portion of the Consideration was funded from the Group's internal resources.

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

A circular of the Company will be despatched to the Shareholders no later than 8 January 2003 containing, amongst other things, details of the transaction contemplated under the Agreement, a letter from the committee of independent non-executive directors of the Company, a letter from the independent financial adviser to the committee of independent non-executive directors of the Company and a notice of the EGM.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on Monday, 16 December 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Thursday, 19 December 2002.

## **THE AGREEMENT**

Date: 13 December 2002

Parties: Octopus (whose principal business is investment holding) as purchaser of Astonishing Profits  
The Company  
Baron as vendor of Astonishing Profits

### **Assets to be acquired**

Pursuant to the Agreement, Baron shall procure the Consultant to provide the following services for a term of one calendar year commencing as of the date of the Agreement to the Group:

- (a) designing a strategic business plan in the PRC for the Group;
- (b) identifying and approaching potential strategic business partners in the PRC for the Group;
- (c) introducing potential strategic business partners in the PRC to the Group;
- (d) acting as the principal point of contact for potential strategic business partners in the PRC (as identified and introduced by the Consultant) and their various professional advisers (including but not limited to legal advisers and valuers) until completion of any business investment project;
- (e) advancing negotiation with potential strategic business partners;
- (f) assisting in co-ordinating information between the Group and potential strategic business partners;
- (g) arranging and attending meetings with potential strategic business partners and their advisers with the Group;
- (h) discussing with the Group any preliminary proposal(s) and/or expression of interests received from potential strategic business partners; and
- (i) identifying potential strategic business opportunities for the Group.

Pursuant to the Agreement, Baron has also agreed to sell to Octopus the Sale Shares representing the entire issued share capital of Astonishing Profits held by Baron.

## **Consideration**

The Consideration is HK\$28,750,000 (as to HK\$9,750,000 being the consideration for the provision of the Services and as to HK\$19,000,000 being the consideration for the acquisition of Astonishing Profits) and shall be paid and satisfied, as to HK\$5,000,000 in cash and as to HK\$23,750,000 by the allotment and issue by the Company to Baron or its nominee the Consideration Shares (representing approximately 10% of the existing entire issued share capital of Company and approximately 9% of the enlarged entire issued share capital of the Company) upon Completion.

The Issue Price represents a premium of approximately 3.3% of the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on 13 December 2002 and a premium of approximately 4.2% of the average closing price of HK\$1.20 per Share as quoted on the Stock Exchange for the last 10 days ended on 13 December 2002.

The terms of the Agreement, including the Consideration, are normal commercial terms and were determined after arm's length negotiations between Octopus, the Company and Baron. Having regard to the huge market potential in the PRC for exhibition business, and the use of the data pursuant to the Right which may greatly facilitate the development of such business; and to an independent valuation of HK\$19 million as at 12 December 2002 on the Right by BMI Appraisals Limited, the Board believes that the transaction contemplated under the Agreement is in the interests of the Company and is fair and reasonable so far as the Shareholders are concerned.

The cash portion of the Consideration was funded from the Group's internal resources. The Group will not use any of the proceeds from the initial public offering of the Company for this purpose.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares.

The Consideration Shares will be allotted and issued by using the general mandate obtained by the Company pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 18 September 2002.

An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

## **Conditions of the Agreement**

The commencement of the provision of the Services as of the date of Agreement and completion shall be conditional upon the occurrence of the following:

- (a) the granting of the approval of, and permission to deal in, the Consideration Shares by the Stock Exchange prior to Completion;
- (b) the Board having approved the Agreement and the allotment and issue of the Consideration Shares;
- (c) all requirements imposed by the Stock Exchange under the Listing Rules or otherwise in connection with the transactions contemplated by the Agreement having been fully complied with; and
- (d) all waivers, consents, approvals or confirmations of the Stock Exchange which are required or appropriate or in relation thereto, and all relevant waivers, consents, approvals or confirmations

required for the purposes of Baron and the Company for the entry into and the implementation of the Agreement, having been obtained.

Octopus may waive any of the above conditions at any time by notice in writing to Baron.

If the above conditions shall not have been fulfilled (or waived at any time by notice in writing by Octopus to Baron) by 15 January 2003 or such other date as Octopus, the Company and Baron may agree in writing, the Agreement and everything therein contained shall, subject to the liability of Octopus, the Company and Baron to the other(s) in respect of any breaches of the terms thereof shall become null and void and of no effect.

## **Completion**

Completion shall take place within five Business Days after the Agreement has become unconditional or at such later date as may be mutually agreed among Octopus, the Company and Baron. It is expected that the date of Completion will be on or around 15 January 2003.

## **INFORMATION OF ASTONISHING PROFITS**

Astonishing Profits was incorporated under the laws of the British Virgin Islands with limited liability on 31 March 2000. Its principal asset is the right to use the data including but not limited to telephone numbers and information on various business enterprises, including manufacturers, traders, wholesalers and retailers contained in the annual edition of the Imperial Guide in Hong Kong and the PRC, which right has been granted to Astonishing Profits pursuant to Licence Agreement and the Deed of Assignment.

The value of the Right is HK\$19,000,000 based on an independent valuation as at 12 December 2002 conducted by BMI Appraisals Limited, an independent third party not connected with the directors, chief executive or substantial shareholder of the Group or any of their respective associates (as defined in the Listing Rules) on the Right. The valuation has been carried out on the basis of fair market value and the major assumptions are as follows:

- (i) there will be no major changes in the existing political, legal, and economic conditions in the PRC;
- (ii) there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (iii) availability of capital will not be a constraint to Astonishing Profits business plan;
- (iv) Astonishing Profits and the Company obtained all necessary approval to operate and generate sales from organising trade exhibitions and similar events in the PRC as intended by the management of Astonishing Profits and the Company;
- (v) exchange rates and interest rates will not differ materially from those presently prevailing;
- (vi) the financial projection and business plan of Astonishing Profits and the Company in respect of organising trade exhibitions and similar events in the PRC for the coming three years has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful consideration by the management of Astonishing Profits and the Company;

- (vii) the financial projection and business plan of Astonishing Profits and the Company in respect of organising trade exhibitions and similar events in the PRC for the coming three years will materialize; and
- (viii) trends and market conditions for related industries will not deviate significantly from economic forecasts.

No financial statement has been prepared by Astonishing Profits since its incorporation and no business activity has been undertaken by Astonishing Profits apart from its business plan above-mentioned. Therefore, there is neither profit before and after tax attributable to shareholders of Astonishing Profits for the two financial years immediately preceding the date of the Agreement nor any information on the net asset value is available.

## **REASON FOR ENTERING INTO THE AGREEMENT**

The principal business of the Company is investment holding. Its subsidiaries are principally engaged in the organisation of trade fairs, trade shows and related activities to promote and facilitate trades between international buyers and manufacturers. PRC is a potential huge market for exhibition business in terms of its large number of the manufacturers. Development of the PRC market is one of the future plans of the Group as stated in the prospectus for its initial public offering. The Group believes that the extensive business connections of the Consultant in the PRC and the Services provided by the Consultant can help the Group further develop the exhibition market and enhance its business profile in the PRC.

On the other hand, the outstanding participation rates of the Group's exhibitions are highly attributed to the Group's successful exploitation and maintenance of its databases, particularly the databases developed for toys and premium gifts industries. With such databases, the Group could market its services to a large number of exhibitors and buyers. Imperial Guide is one of the most well known and useful business directories in Beijing, the PRC which contains the contact details of the enterprises and government departments in Beijing. Copies of the Imperial Guide are mainly distributed in Beijing and no copies of the Imperial Guide are distributed in Hong Kong. With the right to access the huge database which contains the contact details of the enterprises in Beijing, the Group believes that they could make use of the information to market its services to a huge number of exhibitors and buyers in Beijing.

## **GENERAL**

Mr. Joseph Wan, the ultimate sole shareholder of Baron and the Consultant respectively, is a brother of Mr. Thomas Wan, who is a former independent non-executive director of the Company resigned on 10 December 2002. Each of Baron and the Consultant is a connected person of the Company within the meaning of the Listing Rules solely because of the relationship between Mr. Thomas Wan and Mr. Joseph Wan. The transaction contemplated under the Agreement therefore constitutes a connected transaction for the Company under Rule 14.23 of the Listing Rules. The transaction contemplated by the Agreement also constitutes a discloseable transaction involving issuance of new Shares for the Company under Rule 14.12 of the Listing Rules. Accordingly, the Company is required to make full disclosure of the Agreement in this announcement and prior approval by Shareholders in the EGM for the Agreement is also required.

A circular of the Company will be despatched to the Shareholders no later than 8 January 2003 containing, amongst other things, details of the transaction contemplated under the Agreement, a letter from the committee of independent non-executive directors of the Company and a letter from the independent financial adviser to the committee of independent non-executive directors of the Company and a notice of the EGM.

## RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on Monday, 16 December 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Thursday, 19 December 2002.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the agreement dated 13 December 2002 entered into between Octopus, the Company and Baron in relation to the provision of the Services by the Consultant and the acquisition of the Sales Shares from Baron by Octopus;
“Astonishing Profits”	Astonishing Profits Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 31 March 2000;
“Baron”	Baron International Investment Holdings Limited, a company incorporated on 14 May 2002 under the laws of the British Virgin Islands with limited liability;
“Board”	the board of directors of the Company;
“Business Day”	a day (excluding Saturday) on which commercial banks are generally open for banking business in Hong Kong provided that each business day shall finish (and then the next business day commence) at 4:00 p.m. except Saturdays which shall so finish at 12:30 p.m.;
“Company”	Kenfair International (Holdings) Limited, a company incorporated under the laws of the Cayman Islands with limited liability;
“Completion”	the completion of the sale and purchase of the Sale Shares;
“Consideration”	HK\$28,750,000, being the total consideration for Baron procuring the Consultant to provide the Services to the Company and the Sales Shares;
“Consideration Shares”	19,000,000 new Shares to be allotted and issued, credited as fully paid, by the Company as part of the Consideration at the Issued Price;
“Consultant”	Baron International Consultants Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 15 May 2002;
“Deed of Assignment”	the deed of assignment dated 2 August 2000 between 北京尚文廣告有限公司 (Beijing Shang Wen Guang Gao Advertising Limited), the Editorial Committee of the Imperial Guide; 陳家駒 (Chen Jia Ju) and 熊子文 (Xiong Zi Wen) pursuant to which 北京尚文廣告有限公司 (Beijing Shang Wen Guang Gao Advertising Limited) and the Editorial Committee of Imperial

	Guide assigned all the data contained in the Imperial Guide to 陳家駒 (Chen Jia Ju) and 熊子文 (Xiong Zi Wen) in consideration of the fee of assignment in the sum of RMB1.00;
“EGM”	an extraordinary general meeting of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China;
“Imperial Guide”	Imperial Guide《京城御鑑》, a business directory which contains the data of contact details of the enterprises in Beijing, the PRC;
“Issued Price”	an issue price of HK\$1.25 per Consideration Share;
“Licence Agreement”	the licence agreement dated 2 August 2000 between 熊子文 (Xiong Zi Wen), 陳家駒 (Chen Jia Ju) and Astonishing Profits pursuant to which 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju) licenced the Right to Astonishing Profits for a term of 10 years in consideration of the licence fee of RMB1.00 payable annually;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Joseph Wan”	Mr. Wan Chuen Chung, Joseph;
“Mr. Thomas Wan”	Mr. Wan Chuen Fai;
“Octopus”	Octopus Enterprises Limited, a company incorporated on 3 December 2002 under the laws of the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China excluding Hong Kong for the purpose of this announcement;
“Right”	a non-exclusive right to use the data including but not limited to telephone numbers and information on business enterprises contained in the annual editions of the Imperial Guide in Hong Kong and the PRC, which Right has been granted to Astonishing Profits pursuant to the Licence Agreement and the Deed of Assignment;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	an aggregate of 50,000 shares of US\$1.00 each in the share capital of Astonishing Profits;

“Services”	include the following:
	<ul style="list-style-type: none"> <li>(a) designing a strategic business plan in the PRC for the Group;</li> <li>(b) identifying and approaching potential strategic business partners in the PRC for the Group;</li> <li>(c) introducing potential strategic business partners in the PRC to the Group;</li> <li>(d) acting as the principal point of contact for potential strategic business partners in the PRC (as identified and introduced by the Consultant) and their various professional advisers (including but not limited to legal advisers and valuers) until completion of any business investment project;</li> <li>(e) advancing negotiation with potential strategic business partners;</li> <li>(f) assisting in co-ordinating information between the Group and potential strategic business partners;</li> <li>(g) arranging and attending meetings with potential strategic business partners and their advisers with the Group;</li> <li>(h) discussing with the Group any preliminary proposal(s) and/or expression of interests received from potential strategic business partners; and</li> <li>(i) identifying potential strategic business opportunities for the Group;</li> </ul>
“Shares”	shares of HK\$0.01 each in the share capital of the Company;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

By Order of the Board  
**Mr. Ip Ki Cheung**  
*Chairman*

Hong Kong, 18 December 2002

“Please also refer to the published version of this announcement in The Standard”.