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## **K & P INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **ANNOUNCEMENT**

**ISSUE OF  
CONVERTIBLE LOAN NOTES  
IN AGGREGATE PRINCIPAL AMOUNT OF US\$1,282,500  
and  
FIXED RATE LOAN NOTES  
IN AGGREGATE PRINCIPAL AMOUNT OF US\$1,282,500  
by  
K & P INTERNATIONAL HOLDINGS LIMITED**

The Company and each of the Investors have separately entered into the conditional Subscription Agreements dated 3rd March, 2003 pursuant to which, the Investors have separately agreed to subscribe for the Convertible Notes aggregating US\$1,282,500 in principal amount under the Subscription Agreements. The Convertible Notes bear interest at 2% per annum and are convertible into Shares at an initial Conversion Price of HK\$0.40 per Share, subject to adjustment. Upon full conversion of the Convertible Notes based on the initial Conversion Price of HK\$0.40 per Share and the fixed rate of exchange of US\$1 to HK\$7.8, 25,008,750 new Shares will fall to be issued, representing approximately 10% and approximately 9.093% of the existing share capital and the enlarged share capital, respectively of the Company. No listing on the Stock Exchange or any other stock exchange will be sought by the Company for the Convertible Notes. The initial Conversion Price of HK\$0.40 represents a premium of approximately 111% to the closing price of HK\$0.19 per Share (as stated in the Stock Exchange's daily quotation sheet) on 3rd March, 2003, being the date of the Subscription Agreements.

The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Under their respective Subscription Agreements, the Investors have also agreed, subject to the same conditions as the subscription of the Convertible Notes, to separately subscribe for the Loan Notes aggregating US\$1,282,500 in principal amount under the Subscription Agreements. The Loan Notes bear interest at 5% per annum, but they are not convertible into Shares. No listing on the Stock Exchange or any other stock exchange will be sought by the Company for the Loan Notes.

The Company is principally engaged in the business of manufacture and sale of electronic and related components and parts. On 21st February, 2003, the Company announced that Technology Trends International Limited, a wholly owned subsidiary of the Company, had entered into a shareholders' agreement with, inter alia, YOUEAL Electronics Co. Ltd. and You Eal (China) Limited (both of which are not connected persons of the Company) in relation to YOUEAL TTI Limited, being the holding company of the Project. Subject to the Subscription Agreements becoming unconditional and Completion taking place, the Company intends to use the net proceeds of US\$2,529,744 (equivalent to HK\$19,732,000) from the issue of the Notes to finance part of its obligations under the Project. The Company's total commitment in respect of the Project is approximately US\$4,100,000 (equivalent to HK\$31,980,000).

The Investors (and, where the relevant Investor is a body corporate, its beneficial owner(s)) are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules) nor do they hold any shares of the Company as at the date hereof. MCCBV, being one of the Investors, is wholly owned by Mitsubishi Corporation of Japan, whose investment in China are managed by MC Capital Asia (Hong Kong) Limited, the private equity investment arm of Mitsubishi Corporation. Mitsubishi Corporation is a Japan based multinational corporation with diverse business interests globally. MCCBV is a vehicle for holding private equity investments for Mitsubishi Corporation. Mr. Komuro and Ms. Ma, being a director and an employee respectively of MC Capital Asia (Hong Kong) Limited are responsible for MCCBV's investment in the Notes. First Idea is a private company unrelated to Mitsubishi Corporation or any of the other Investors.

The terms of the Subscription Agreements and the Notes were agreed between the Company and the Investors after arm's length negotiations. The Directors consider the issue of the Notes to be in the interests of the Company and the Shareholders as a whole.

## **THE SUBSCRIPTION AGREEMENTS**

The Company has separately entered into four Subscription Agreements with MCCBV, Mr. Komuro, Ms. Ma and First Idea, respectively.

### **Date**

3rd March, 2003

## **Parties and subscription amounts**

The Company and each of the following Investors, acting separately and severally, under four separate Subscription Agreements in relation to their respective subscriptions of the following principal amounts of the Notes.

<b>Investor</b>	<b>Convertible Notes</b>	<b>Loan Notes</b>	<b>Total principal amount of the Notes</b>
1. MCCBV	US\$1,242,188 (equivalent to HK\$9,689,066.4)	US\$1,242,188 (equivalent to HK\$9,689,066.4)	US\$2,484,376 (equivalent to HK\$19,378,132.8)
2. Mr. Komuro	US\$3,125 (equivalent to HK\$24,375)	US\$3,125 (equivalent to HK\$24,375)	US\$6,250 (equivalent to HK\$48,750)
3. Ms. Ma	US\$4,687 (equivalent to HK\$36,558.6)	US\$4,687 (equivalent to HK\$36,558.6)	US\$9,374 (equivalent to HK\$73,117.2)
4. First Idea	US\$32,500 (equivalent to HK\$253,500)	US\$32,500 (equivalent to HK\$253,500)	US\$65,000 (equivalent to HK\$507,000)
<b>Total</b>	<b>US\$1,282,500</b>  (equivalent to HK\$10,003,500)	<b>US\$1,282,500</b>  (equivalent to HK\$10,003,500)	<b>US\$2,565,000</b>  (equivalent to HK\$20,007,000)

The four Subscription Agreements contain similar terms (as stated in the section headed “Summary of the principal terms of the Notes” below). Subject to the fulfilment of the conditions in the Subscription Agreements, the Company will issue, and the Investors will separately and severally subscribe for, the Notes aggregating the principal amount of US\$2,565,000 (equivalent to HK\$20,007,000).

The table below summarises the effects of the conversion of the Convertible Notes on the share capital of the Company:–

Investor	Convertible Notes		Number of Shares relative to the existing share capital	(existing issued share capital = 250,004,800.0)	Conversion Shares in the enlarged share capital (enlarged issued share capital = 275,013,550)
	US\$	HK\$ (US\$1= HK\$7.8)			
1. MCCBV	1,242,188.00	9,689,066.40	24,222,666.00	9.689%	8.808%
2. Mr. Komuro	3,125.00	24,375.00	60,937.50	0.024%	0.022%
3. Ms. Ma	4,687.00	36,558.60	91,396.50	0.037%	0.033%
4. First Idea	32,500.00	253,500.00	633,750.00	0.253%	0.230%
<b>Total</b>	<b>1,282,500.00</b>	<b>10,003,500.00</b>	<b>25,008,750.00</b>	<b>10.003%</b>	<b>9.093%</b>

The Company does not have any other convertible debt instruments other than those mentioned in this announcement.

### Conditions of the Subscription Agreements

Completion of the MCCBV Subscription Agreement is conditional upon the satisfaction of the following two conditions (the “Listing Conditions”):–

- (i) the Stock Exchange having approved the issue of the relevant Convertible Notes (or the Company not having received any objection from the Stock Exchange to the issue of such Convertible Notes); and
- (ii) the Stock Exchange agreeing to grant listing of and permission to deal in the relevant Conversion Shares.

Completion of the MCCBV Subscription Agreement is not conditional on the completion of the other three Subscription Agreements.

The Subscription Agreements relating to each of Mr. Komuro, Ms. Ma and First Idea are conditional on (i) the same conditions as the MCCBV Subscription Agreement and (ii) completion of the MCCBV Subscription Agreement having taken place. Completion of the subscription agreements relating to Ms. Ma, Mr. Komuro and First Idea are not conditional upon the completion of each other.

All of the above conditions cannot be waived and should such conditions not be fulfilled by 31st March, 2003 (or such later date as the Company and each Investor under their respective Subscription Agreements may agree), the relevant Subscription Agreement(s) will lapse.

The Directors have resolved to use the general mandate granted by the Shareholders at the annual general meeting of the Company on 27th May, 2002 to issue the Conversion Shares.

## **Completion**

Completion of each of the Subscription Agreements shall take place at 3:00 p.m. on the third business day next following the date on which the last of the Listing Conditions have been fulfilled (or such other date as the Company and each of the Investors may separately agree) such that, Provided That all the above-mentioned conditions shall have been satisfied in full, Completion of all four Subscription Agreements shall take place on the same date. At Completion, the Company will create and issue the relevant Notes separately to each of the Investors pursuant to their respective Subscription Agreements.

## **Summary of the principal terms of the Notes**

A summary of the principal terms of the Notes are set out below:-

- |                     |  |
|---------------------|--|
| 1. Issuer           | K & P International Holdings Limited   |
| 2. Investors        | <ul style="list-style-type: none"><li>• MC Capital B. V.</li><li>• Naomichi Komuro</li><li>• Ma So Lan, Ivy</li><li>• First Idea Holdings Ltd.</li></ul>   |
|                     | (each acting separately and severally under separate Subscription Agreements)  |
| 3. Principal amount | <ul style="list-style-type: none"><li>• Convertible Notes aggregating US\$1,282,500 (equivalent to HK\$10,003,500) and issued at 100% of their respective face value</li><li>• Loan Notes aggregating US\$1,282,500 (equivalent to HK\$10,003,500) and issued at 100% of their respective face value</li><li>• Total: US\$2,565,000 (equivalent to HK\$20,007,000)</li></ul> |
| 4. Maturity         | <ul style="list-style-type: none"><li>• Convertible Notes – 27 months from date of issue</li><li>• Loan Notes – 24 months from date of issue</li></ul>   |
| 5. Coupon           | <ul style="list-style-type: none"><li>• Convertible Notes – prior to the last interest payment date before their conversion into shares of the Company, 2% per annum, payable quarterly</li><li>• Loan Notes – 5% per annum, payable quarterly</li></ul>   |
| 6. Listing          | No listing will be sought for the Convertible Notes or the Loan Notes, but listing on the Stock Exchange will be sought for the Conversion Shares  |

7. Early redemption
- (i) ***At Company's option***, the entire (but not part only) outstanding principal amount of the Loan Notes can be early redeemed once at the option of the Company at 108% of their face value (plus accrued interest) on the Anniversary Date
  - (ii) ***At the option of the Noteholder(s)***, with respect to the Convertible Notes, each of the Noteholders shall be entitled, at its option, to request the Company to redeem the whole or part of the outstanding principal amount of its Notes:–
    - (a) upon the occurrence of an event of default at any time prior to the Anniversary Date, at 115% of the face value of the principal amount of the relevant Notes (plus accrued interest); and
    - (b) on demand or upon the occurrence of an event of default (in each case at any time on or after the Anniversary Date, but prior to maturity), for an amount equal to the aggregate of (1) the principal amount of the relevant Notes and (2) 15% of the principal amount of the relevant Notes compounded annually from the date of issue until the relevant due date for redemption (plus accrued interest).
  - (iii) ***At the option of the Noteholder(s)***, with respect to the Loan Notes, each of the Noteholders shall be entitled, at its option, to request the Company to redeem the whole or part of the outstanding principal amount of its Notes:–
    - (a) upon the occurrence of an event of default at any time prior to the Anniversary Date, at 113% of the face value of the principal amount of the relevant Notes (plus accrued interest); and
    - (b) on demand or upon the occurrence of an event of default (in each case at any time on or after the Anniversary Date, but prior to maturity), at 114% of the face value of the principal amount of the relevant Notes (plus accrued interest).
8. Redemption at maturity
- Convertible Notes – To the extent the Convertible Notes shall not have been converted into Shares or otherwise redeemed or repaid prior to maturity, such outstanding Convertible Notes must be redeemed at maturity by the Company at 132.25% of its face value (plus accrued interest)
  - Loan Notes – Unless previously redeemed, the entire outstanding amount of the principal amount of the Loan Notes must be redeemed by the Company at maturity at 114% of its face value (plus accrued interest)

9. Conversion and conversion price	<ul style="list-style-type: none"> <li>At each Investor's option, its Convertible Notes can be converted into new ordinary shares of the Company at the initial conversion price of HK\$0.40 per Share (subject to adjustment on terms of each of the Convertible Note Instruments) at any time during the Conversion Period and based on the principal amount of the Convertible Notes to be converted (translated into HK\$ at the rate of exchange of US\$1 to HK\$7.8)</li> <li>Initial conversion price is HK\$0.40 per share</li> <li>The Loan Notes are not convertible into shares of the Company</li> </ul>
10. Conditions precedent	As set out in the section headed "Conditions of the Subscription Agreements" of this announcement
11. Status and seniority of the Notes and voting rights	<ul style="list-style-type: none"> <li>The Notes shall rank pari passu with unsecured and unsubordinated obligations of the Company with limited negative pledge in favour of the Noteholders</li> <li>The Notes do not carry any voting rights</li> </ul>
12. Transferability:	<ul style="list-style-type: none"> <li>With respect to the Notes to be issued to MCCBV, such Notes shall be transferable to and between subsidiaries of Mitsubishi Corporation</li> <li>With respect to the Notes to be issued to the Investors other than MCCBV, such Notes are not transferrable</li> </ul>
13. Governing law:	Hong Kong

Any alterations in the terms of the Convertible Notes after issue will be subject to the approval of the Stock Exchange, except where the alteration takes effect automatically under the terms of the Convertible Notes.

## **USE OF PROCEEDS AND REASONS FOR THE ISSUE**

On 21st February, 2003, the Company announced that Technology Trends International Limited, a wholly owned subsidiary of the Company, had entered into a shareholders' agreement with, inter alia, YOUEAL Electronics Co. Ltd. and You Eal (China) Limited (both of which are not connected persons of the Company) in relation to YOUEAL TTI Limited, being the holding company of YOUEAL TTI Tianjin Electronics Co. Ltd., which will be engaged in the business of manufacture and sale of mobile telephone keypads (the "Project"). Subject to the Subscription Agreements becoming unconditional and Completion taking place, the Company intends to use the net proceeds from the issue of the Notes of US\$2,529,744 (equivalent to HK\$19,732,000) to finance part its obligations under the Project. The Company's total commitment in respect of the Project is approximately US\$4,100,000 (equivalent to HK\$31,980,000).

The issue of the Notes will strengthen the financial position and enhance the financing flexibility of the Group, which the Directors consider to be beneficial to the Group and the Shareholders of the Company

taken as a whole. In the event that the Convertible Notes are converted into Shares, the capital base of the Company will be further enhanced.

## **THE INVESTORS**

MCCBV, being one of the Investors, is wholly owned by Mitsubishi Corporation of Japan whose investment in China is managed by MC Capital Asia (Hong Kong) Limited, the private equity investment arm of Mitsubishi Corporation. MCCBV is a vehicle for holding private equity investments for Mitsubishi Corporation. Mitsubishi Corporation is a Japan based multinational corporation with diverse business interests globally. Based on the co-investment scheme of MC Capital Asia (Hong Kong) Limited, Mr. Komuro and Ms. Ma, being a director and an employee respectively of MC Capital Asia (Hong Kong) Limited are responsible for MCCBV's investment in the Notes and are required by the co-investment terms to invest in the Notes (to the extent set out above).

Save for Mr. Komuro who is a director of MCCBV and a director of MC Capital (Hong Kong) Limited and save for Ms. Ma who is an employee of MC Capital (Hong Kong) Limited, all of the Investors are independent third parties which are not connected persons with respect to each other.

First Idea is a company incorporated in the British Virgin Islands with limited liability, and the entire issued share capital of which is legally and beneficial owned by Mr. Joel Chan, who is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Each of MCCBV, Mr. Komuro, Ms. Ma and First Idea is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules) and does not hold any Shares as at the date hereof.

## **GENERAL**

The Group is principally engaged in the manufacture and sale of electronic and related components and parts (including, without limitation, keypads and liquid crystal displays units) whether made of silicone rubber or other materials, and consumer electronic products in the People's Republic of China, Europe, North America and other countries in Asia.

The Conversion Price represents a premium of approximately 111% to the closing price of HK\$0.19 per Share (as stated in the Stock Exchange's daily quotation sheet) on 3rd March, 2003, being the date of the Subscription Agreements. The Conversion Price also represents a premium of approximately 111% to the average stated closing prices (as stated in the Stock Exchange's daily quotation sheets) of the Shares of HK\$0.19 per Share for the 10 dealing-day period ended on, and including, 3rd March, 2003 and a premium of approximately 109% to the average closing prices (as stated in the Stock Exchange's daily quotation sheets) of the Shares of HK\$0.1915 per Share for the 10 dealing-day period (on which shares were traded) ended on, and including, 3rd March, 2003. The Conversion Price will be subject to adjustment in certain circumstances (including, amongst other things, consolidation or sub-division of the Shares, capitalisation of profits or reserves, capital distribution and rights or other issues of Shares and other convertible securities of the Company).

The Conversion Price was arrived at after arm's length negotiations between the Company and the Investors taking into account (a) the price per Share at the time of negotiations of the terms of the Notes;

(b) the current market sentiment; (c) the fact that the Investors are also prepared to invest in the Loan Notes, which will not have dilution effect on the share capital of the Company, and (d) the amount of Shares that may potentially be issued upon full conversion of the Convertible Notes and the relative liquidity of the Shares on the Stock Exchange.

The terms of the Subscription Agreements and the Notes were agreed between the Company and the Investors after arm's length negotiations. The Directors consider the issue of the Notes to be in the interests of the Company and its Shareholders as a whole.

As at the date of this announcement, the issued share capital of the Company is HK\$25,000,480 comprising 250,004,800 Shares. Assuming and after the full conversion of US\$1,282,500 of the Convertible Notes by the Investors (as Noteholders) at the initial Conversion Price of HK\$0.40 per Conversion Share, MCCBV, Mr. Komuro, Ms. Ma and First Idea will become interested in approximately 8.808%, 0.022%, 0.033% and 0.230%, respectively of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Anniversary Date”	the date falling on the first anniversary date on which the first Note is issued pursuant to the Convertible Note Instrument
“Company”	K & P International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completions of the respective Subscription Agreements
“connected person”	as defined in the Listing Rules
“Conversion Period”	with respect to the Convertible Notes issued under each Convertible Note Instrument, being the period commencing from the date falling twenty four months after the date on which the first Convertible Note is issued under the relevant Convertible Note Instrument up to and including the day immediately prior to the Convertible Notes Maturity Date Provided that if no Conversion Notice is given within the above-mentioned period and the Company fails to redeem the Convertible Notes on the Convertible Notes Maturity Date, the Convertible Period shall continue until redemption in full occurs
“Conversion Price”	HK\$0.40, subject to adjustment pursuant to the terms of the Convertible Note Instrument
“Conversion Shares”	the Shares to be allotted and issued to the holders of the Convertible Notes upon conversion of the same in accordance with and pursuant to the Convertible Note Instruments

“Convertible Note Instruments”	the separate instruments annexed to the respective Subscription Agreements creating the Convertible Notes issuable to each of MCCBV, Mr. Komuro, Ms. Ma and First Idea separately, to be executed by the Company at Completion
“Convertible Notes”	the 2% convertible loan notes in an aggregate principal amount of US\$1,242,188 (issuable to MCCBV), US\$3,125 (issuable to Mr. Komuro), US\$4,687 (issuable to Ms. Ma) and US\$32,500 (issuable to First Idea), each created pursuant to the relevant Convertible Note Instrument entitling the holders thereof to subscribe for new Shares at the initial Conversion Price of HK\$0.40 per Share, subject to adjustment
“Convertible Notes Maturity Date”	with respect to the Convertible Notes issued under each Convertible Note Instrument, being the date falling on the expiry of the twenty seven month period from (and inclusive of) the date on which the first of such Convertible Notes is issued
“Director(s)”	(a) director(s) of the Company
“First Idea”	First Idea Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and the entire issued share capital of which is legally and beneficial owned by Mr. Joel Chan, who is not a connected person of the Company
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Instruments”	the Convertible Note Instrument and the Loan Note Instrument
“Investors”	MCCBV, Mr. Komuro, Ms. Ma and First Idea
“Loan Note Instruments”	the separate instruments annexed to the respective Subscription Agreements creating the Loan Notes issuable to each of MCCBV, Mr. Komuro, Ms. Ma and First Idea separately, to be executed by the Company at Completion
“Loan Notes”	the 5% loan notes in an aggregate principal amount of US\$1,242,188 (issuable to MCCBV), US\$3,125 (issuable to Mr. Komuro), US\$4,687 (issuable to Ms. Ma) and US\$32,500 (issuable to First Idea), each created pursuant to the relevant Loan Note Instrument

“Listing Conditions”	as defined in the section headed “Conditions of the Subscription Agreements” in this announcement
“MCCBV”	MC Capital B.V., a company incorporated in the Netherlands
“MCCBV Subscription Agreement”	the Subscription Agreement relating to the subscription of the Convertible Notes and the Loan Notes aggregating US\$2,484,376 by MCCBV
“Mr. Komuro,”	Naomichi Komuro
“Ms. Ma”	Ma So Lan, Ivy
“Noteholder”	Holder of (a) Note(s)
“Notes”	the Convertible Notes and the Loan Notes
“Project”	as defined in the section headed “Use of proceeds and reasons for the issue” in this announcement
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	the conditional subscription agreements each dated 3rd March, 2003 and entered into between the Company and each of the Investors separately relating to the subscription of the Notes
“substantial shareholder”	as defined in the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States

For the purposes of this announcement, translations of US dollars into Hong Kong dollars are made for illustration purposes only at the approximate exchange rate of US\$1.0 to HK\$7.8.

By Order of the Board of Directors  
**K & P International Holdings Limited**  
**Chung Yik Cheung, Raymond**  
*Executive Director*

Hong Kong, 3rd March, 2003

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