

## IMPORTANT

If you are in doubt about this circular or as to action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in K & P INTERNATIONAL HOLDINGS LIMITED (“the Company”), you should at once hand this circular to the purchaser or transferee or the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## K & P INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 675)**

*Executive Directors:*

Lai Pei Wor (*Chairman*)  
Chan Yau Wah  
Chung Yik Cheung, Raymond

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent Non-executive Directors:*

Tsao Kwang Yung, Peter  
Kung Fan Cheong  
Leung Man Kay

*Principal Place of Business:*

Units 2304-06, 23rd Floor  
Riley House, 88 Lei Muk Road  
Kwai Chung  
New Territories  
Hong Kong

30th April, 2005

*To shareholders*

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES  
TO REPURCHASE SHARES AND TO ISSUE SHARES,  
AMENDMENT TO BYE-LAWS,  
RE-ELECTION OF DIRECTORS  
AND NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“the Listing Rules”) contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange (“the Share Buyback Rules”).

One of the purposes of this circular is to provide you with information relating to the Ordinary Resolutions to be proposed at the forthcoming annual general meeting to be held on 8th June, 2005 (the "Annual General Meeting"): (i) to grant the directors of the Company ("the Directors") a general mandate to exercise the powers of the Company to undertake repurchases of the Company's fully paid up shares representing up to a maximum of 10% of the existing issued share capital of the Company on the date of the Ordinary Resolution; (ii) to grant a general mandate to the Directors to issue new shares not exceeding 20% of the existing issued share capital on the date of the Ordinary Resolution; and (iii) to increase the number of shares which the Directors may issue under their general mandate by the number of shares repurchased.

In accordance with the Listing Rules, this circular also serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against Resolutions 5 to 8 to be proposed at the Annual General Meeting of the Company.

### **REASONS FOR SHARE REPURCHASE**

Although the Directors have no present intention of repurchasing any shares, they believe that the flexibility afforded by the repurchase mandate would be beneficial to the Company and its shareholders (the "Shareholders"). Trading conditions on the Stock Exchange have sometimes been volatile in recent years. At any time in the future when shares are trading at a discount to their underlying value, the ability of the Company to repurchase shares will be beneficial to those Shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of shares repurchased by the Company and thereby resulting in an increase in net assets and/or earning per share of the Company. Such repurchases will only be made in accordance with the Listing Rules and when the Directors believe that such repurchases will benefit the Company and its Shareholders.

### **SHARE CAPITAL**

As at 26th April, 2005, the latest practicable date prior to the printing of this circular, the issued share capital of the Company comprised 265,504,800 shares of HK\$0.10 each ("Shares").

Subject to the passing of the Ordinary Resolution 5 as set out in the Notice of the Annual General Meeting (the "Notice"), the Company would be allowed under the repurchase mandate to repurchase a maximum of 26,550,480 Shares on the basis that no further shares will be issued or repurchased prior to the date of the forthcoming Annual General Meeting.

### **FUNDING OF REPURCHASES**

The Directors propose that repurchases of Shares under the repurchase mandate in these circumstances would be financed from the Company's distributable reserves and/or proceeds of a fresh issue of Shares.

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Bye-laws of the Company, and the laws of Bermuda.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31st December, 2004) in the event that the repurchase mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

## MARKET PRICES

The highest and lowest prices at which Shares of the Company have been traded on the Stock Exchange in the previous twelve months before 26th April, 2005 (being the latest practicable date prior to the printing of this document) were as follows:

	Share Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2004</b>		
April	0.240	0.230
May	0.235	0.200
June	0.225	0.220
July	0.230	0.220
August	0.300	0.230
September	0.300	0.200
October	0.270	0.250
November	0.250	0.200
December	0.250	0.242
<b>2005</b>		
January	0.260	0.250
February	0.250	0.220
March	0.250	0.220

## RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

The Ordinary Resolution 5 as set out in the Notice to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors of the Company to repurchase, on the Stock Exchange, Shares up to a maximum of 10% of the issued share capital of the Company outstanding at the date of the resolution (the “Repurchase Mandate”).

The Ordinary Resolution 6 as set out in the Notice to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company at the date of the resolution; in addition, subject to separate approval of shareholders of Ordinary Resolution 7, the number of Shares purchased by the Company under the Repurchase Mandate will also be added to the 20% general mandate as mentioned above.

The Ordinary Resolution 7 as set out in the Notice to be proposed at the Annual General Meeting relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the relevant period by adding to it the number of Shares purchased under the Repurchase Mandate, if any.

## **DISCLOSURE OF INTERESTS**

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases under the Repurchase Mandate in accordance with the Listing Rules and laws of Bermuda.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase may be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

As at 26th April, 2005, the latest practicable date prior to the printing of this circular, Mr. Lai Pei Wor, Mr. Chan Yau Wah and Mr. Chung Yik Cheung, Raymond, Directors of the Company, were interested in an aggregate of 110,094,000 Shares (of which Mr. Lai Pei Wor was interested in 99,742,000 Shares representing approximately 37.57% of the issued Shares of the Company), representing approximately 41.47% of the Shares issued by the Company. In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the aggregate interests of Mr. Lai Pei Wor, Mr. Chan Yau Wah and Mr. Chung Yik Cheung, Raymond in the Shares of the Company would be increased to approximately 46.07% of the issued Shares of the Company (whereas Mr. Lai Pei Wor's interests in the Shares would be increased to approximately 41.74% of the Shares issued by the Company). Such an increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. However, the Directors have no intention to exercise the Repurchase Mandate to such extent as would give rise to this obligation.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intends to sell Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Mandate is approved by its Shareholders.

## **SHARES PURCHASES MADE BY THE COMPANY**

No purchase of Shares has been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

## **PROPOSED AMENDMENT TO THE BYE-LAWS**

The Stock Exchange has recently amended the Listing Rules for the purpose of implementing the Code on Corporate Governance Practices (“the Code”). In the Listing Rule, the Code replaces the Code of Best Practice in Appendix 14 of the Listing Rules. Pursuant to paragraph A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years. The existing Bye-Law 87(1) of the Bye-Laws does not comply with the said paragraph A4.2 of the Code and the Directors therefore propose the Special Resolution as set out in the Notice of Annual General Meeting to amend the existing Bye-Law 87(1).

## **RE-ELECTION OF DIRECTORS**

According to Bye-Law 87(1), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation at every annual general meeting of the Company. Such Director shall be eligible for re-election.

In accordance with Bye-Law 87(1), Mr. Chung Yik Cheung, Raymond shall retire from office by rotation at the Annual General Meeting. Being eligible, Mr. Chung Yik Cheung, Raymond will offer himself for re-election as director of the Company.

According to Bye-Law 86(2), any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Bye-Law 86(2), Mr. Leung Man Kay shall hold office only until the Annual General Meeting and be eligible for re-election at that meeting.

At the Annual General Meeting, ordinary resolution will be proposed to re-elect Mr. Chung Yik Cheung, Raymond and Mr. Leung Man Kay as directors of the Company.

## **ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting to be held at Ballroom B, 2nd Floor, Langham Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 8th June, 2005 at 10:00 a.m. is set out in Appendix III to this circular. Ordinary resolutions will be proposed at the Annual General Meeting to approve, among other things, the proposed grant of the general mandate to issue new Shares and the Repurchase Mandate and the proposed re-election of Directors. Special resolution will also be proposed at the Annual General Meeting to approve the proposed amendment to the Bye-Laws.

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31st December, 2004. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company’s branch share registrars in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting.

## **RECOMMENDATION**

Your Directors consider the proposed grant of the general mandate to issue new Shares and the Repurchase Mandate, the proposed amendment to the Bye-Laws and the proposed re-election of directors are in the best interests of the Company and its Shareholders and accordingly recommend that all Shareholders should vote in favour of such resolutions to be proposed at the Annual General Meeting.

## **FURTHER INFORMATION**

Your attention is also drawn to the additional information set out in Appendices to this circular.

Yours faithfully,  
**Lai Pei Wor**  
*Chairman*

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Bye-Laws.

According to the Bye-Law 66 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (a) the Chairman of the meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting and being eligible, will offer themselves for re-election at the Annual General Meeting, are provided below.

**Mr. Chung Yik Cheung, Raymond**, aged 48, an Executive Director, Company Secretary and Financial Controller of the Company. He is also a director of various subsidiaries of the Group. He joined the Group in December 1995 and was appointed as an Executive Director on 1st January, 2000. At the latest practicable date prior to printing of this circular, Mr. Chung has not held any directorship in any listed public company in the last three years and he does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company. He holds a bachelor's degree in social sciences from the University of Hong Kong and a master degree of business in electronic business from Curtin University, Australia. He is a fellow member of The Chartered Association of Certified Accountants and Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Canadian Chartered Accountants. He has over 23 years' experience in management, accounting and financing. At the latest practicable date prior to printing of this circular, Mr. Chung beneficially owns 2,652,000 Shares representing approximately 1.00% of the issued share capital of the Company in accordance with the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong). According to the service contract entered with the Company in 2003, Mr. Chung is entitled to an annual emoluments of HK\$1,798,500, subject to annual review by the Board of Directors, payable on a monthly basis and a discretionary bonus as determined by the Board of Directors with reference to his experience and the remuneration benchmark in the industry, the Company's performance and the prevailing market conditions. Mr. Chung was not paid any bonus in the year ended 31st December, 2004 but will entitle to a bonus of HK\$538,000. The service contract is for a term of three years commencing from 1st January, 2003, and thereafter until terminated by either party serving not less six months' notice in writing. Upon termination of the employment, Mr. Chung will be entitled a payment of a sum equals to six months salary from the Company.

Save as disclosed above, the Board is not aware of any other matters which should be brought to the attention of the shareholders of the Company.

**Mr. Leung Man Kay**, aged 53, has been appointed as an Independent Non-executive Director with effect from 28th September 2004. He is also the Chairman of Audit Committee and a member of Remuneration Committee of the Company. Mr. Leung is currently a financial and management consultant. Mr. Leung has over 20 years of experience in corporate restructuring, auditing and accounting and financial management and is currently the chief executive officer of China Pith Consulting Limited and a director of Tai Kong Corporate Advisory Limited. Mr. Leung is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, U.K. and The Hong Kong Institute of Directors. Mr. Leung is also a member of Hong Kong Securities Institute.

Mr. Leung has not held any position with any of the Company's subsidiaries. At the latest practicable date prior to printing of this circular, Mr. Leung has not held any directorship in any listed public company in the last three years and he does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company. At the latest practicable date prior to printing of this circular, Mr. Leung does not have any interest in



shares of the Company within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong). There is no service contract (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)) entered into between Mr. Leung and the Company or any of its subsidiaries. Mr. Leung's appointment is initially for a term of two years commencing on 28th September, 2004 and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with, as well as the other provisions relating to removal of directors, the Bye-Laws of the Company. A director fee of HK\$40,300 was paid to Mr. Leung for the year ended 31st December, 2004. Mr. Leung is entitled to receive a director's fee of HK\$20,000 per month commencing from 1st January, 2005, which is determined by the Board by reference to Mr. Leung's duties and responsibilities, and is in line with the director's fee payable to other independent non-executive directors of the Company.

Save as disclosed above, the Board is not aware of any other matters which should be brought to the attention of the shareholders of the Company.

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Company will be held at Ballroom B, 2nd Floor, Langham Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 8th June, 2005 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st December, 2004;
2. To declare a final dividend;
3. To re-elect Director, to authorise the Board to fix the Directors' remuneration and to set a maximum number of Directors;
4. To re-appoint Auditors and to authorise the Board to fix their remuneration;
5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the members in general meetings; and
  - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”;

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and dispose of additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions 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 outside Hong Kong) or 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 and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, the total nominal amount of additional shares issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- (b) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the members in general meetings; and
  - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”;

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to issue, allot and otherwise dispose of additional shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by total nominal amount of shares in the capital of the Company which has been repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed

10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”; and

8. To consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

#### SPECIAL RESOLUTION

“**THAT** the Bye-Laws of the Company be and are hereby amended by deleting Bye-Law 87(1) in its entirety and substituting therefor the following new Bye-Law 87(1):

87(1) Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the rules of the Designated Stock Exchange, and notwithstanding any contractual or other terms on which any Director may be appointed or engaged, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. In addition, there shall also be required to retire by rotation any Director who at an annual general meeting of the Company (the “Forthcoming AGM”) shall have been a Director at each of the two preceding annual general meetings of the Company (the “Preceding AGMs”) and who was not subject to retirement at any of the Preceding AGMs or any other general meeting of the Company before the Forthcoming AGM and who has not otherwise ceased to be a Director (either by resignation, retirement, removal or otherwise), notwithstanding any other provisions in these Bye-Laws, and that the total number of Directors to retire at the Forthcoming AGM would as a result exceed one-third of the Directors for the time being.”

By Order of the Board  
**Chung Yik Cheung, Raymond**  
*Secretary*

Hong Kong, 29th April, 2005

*Notes:*

- (a) The Register of Members will be closed from Friday, 3rd June, 2005 to Wednesday, 8th June, 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 2nd June, 2005.
- (b) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company.
- (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company’s branch share registrars in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (d) An explanatory statement containing further details regarding items 5 to 8 above and details of the retiring Director who will be proposed to be re-elected at the Annual General Meeting will be sent to members together with the circular dated 30th April, 2005.