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K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 675)

MAJOR TRANSACTION DISPOSAL OF MINORITY INTEREST AND RESUMPTION OF TRADING

The Directors announce that the Vendor (being a wholly-owned subsidiary of the Company) has entered into a conditional sale and purchase agreement in relation to the sale by the Vendor of the Sale Shares and the assignment and sale of the Shareholder's Loan to the Purchaser on 14th July, 2005. The Sale Shares represent the Company's entire indirect minority investment in YTTI, which is a subsidiary of the Purchaser. The Purchaser is a company listed on KOSDAQ.

The sole assets of YTTI are the entire equity interest of each of (i) the Tianjin WFOE, and (ii) the Kunshan WFOE. The principal business of the Tianjin WFOE is the manufacture and sale of mobile phone keypads. The Kunshan WFOE holds a factory premises in Kunshan, Jiangsu Province, the PRC, but no production line has been installed therein and it has not commenced business. The Kunshan WFOE's planned principal business is also the manufacture and sale of mobile phone keypads.

The aggregate consideration for the Disposal is US\$4,715,000 (approximately HK\$36,777,000), comprising US\$4,100,000 (approximately HK\$31,980,000) for the sale of the Sale Shares and US\$615,000 (approximately HK\$4,797,000, and being the face value of the Shareholder's Loan) for the sale and assignment of the Shareholder's Loan.

The Disposal constitutes a major transaction (disposal) for the Company under the Listing Rules and is subject to the approval of the shareholders of the Company. Accordingly, under the Agreement, Completion of the Disposal is conditional upon, inter alia, the passing of the necessary resolution by the shareholders of the Company at a special general meeting of the Company to be convened for the purpose of approving the Agreement.

The Company will send circulars to its shareholders as soon as possible, containing details of the Disposal and the notice for convening the special general meeting required for approving the Disposal.

Trading in the shares of the Company on the Stock Exchange was suspended as from 9:30 a.m. on 15th July, 2005 at the request of the Company, pending the issue of this announcement. An application has been made by the Company for the resumption of trading in its shares from 9:30 a.m. on 18th July, 2005.

The Agreement

1. Date

The Agreement was entered into on 14th July, 2005.

2. Parties

Vendor : Technology Trends International Limited, a wholly owned subsidiary of the Company.

Purchaser : Youeal Electronics Co. Ltd., the shares of which are listed on KOSDAQ, and, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the controlling shareholder of Youeal Electronics Co. Ltd. is independent of the Company and its connected persons.

3. Assets to be disposed of

The assets to be disposed of by the Vendor comprise the Sale Shares and the Shareholder's Loan.

The Sale Shares are owned by the Vendor and comprise 4,100,000 shares of US\$1.00 each in the capital of YTTI, representing 41% of the entire issued share capital of YTTI. The balance of the issued shares of YTTI are held by the Purchaser and the Other Shareholder as to 51% and 8%, respectively.

YTTI was established by the Purchaser, the Vendor and the Other Shareholder as a joint venture holding company. The initial subscription of shares in YTTI took place in December 2002. The Purchaser, the Vendor and the Other Shareholder subscribed for shares in YTTI in proportion to their respective funding commitments to YTTI. The respective rights and obligations of the Purchaser, the Vendor and the Other Shareholder were detailed in the Company's circular to its shareholders dated 14th March, 2003. Being an investment holding joint venture company, the sole assets of YTTI are the entire equity interest of each of (i) the Tianjin WFOE, and (ii) the Kunshan WFOE. The principal business of the Tianjin WFOE is the manufacture and sale of mobile phone keypads. The Kunshan WFOE is the second phase of the development and expansion plan of YTTI. The Kunshan WFOE obtained its business registration in June 2002. The Kunshan WFOE holds a factory premises in Kunshan, Jiangsu Province, the PRC, but no production line has been installed therein and it has not commenced business. The Kunshan WFOE's planned principal business is also the manufacture and sale of mobile phone keypads.

The Shareholder's Loan is among one of the three shareholders' loans due from YTTI to its shareholders, and it was extended by the Vendor to YTTI in proportion to the Vendor's shareholding in YTTI. The Shareholder's Loan, aggregating US\$615,000, is interest free and owing by YTTI to the Vendor.

4. Conditions of the Agreement

Completion of the Disposal is conditional upon:-

- (i) no indication being received at or before Completion from the securities regulators in Hong Kong to the effect that the listing of the shares of the Company on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) in connection with the Agreement; and
- (ii) the passing of the necessary resolution by the shareholders of the Company at a special general meeting of the Company to be convened for the purpose of approving the Agreement.

If the Agreement fails to become unconditional on or before the Long Stop Date, the Agreement will terminate and the Vendor will return the Deposit to the Purchaser without interest. In the event that the Agreement is terminated or postponed or there are other material changes, the Company will make a further announcement in this regard.

5. Consideration

The aggregate consideration for the Disposal is US\$4,715,000 (approximately HK\$36,777,000), comprising US\$4,100,000 (approximately HK\$31,980,000, and being the Vendor's aggregate funding commitment) for the sale of the Sale Shares and US\$615,000 (approximately HK\$4,797,000, and being the face value of the Shareholder's Loan) for the sale and assignment of the Shareholder's Loan.

A deposit of US\$943,000 (the "Deposit") has been paid, in cash, by the Purchaser to the Vendor, with the balance of US\$3,772,000 to be paid upon Completion.

The Deposit shall be forfeited by, and in favour of, the Vendor if after the Conditions shall have been satisfied, the Purchaser fails to complete the Agreement, but such Deposit shall be refunded to the Purchaser, if after the Conditions shall have been satisfied, the Vendor fails to complete, or the Conditions are not fulfilled or waived on or before the Long Stop Date.

6. Completion

Completion shall take place on the third business day after the Conditions have been satisfied or waived.

7. Financial matters relevant to the Disposal

The consolidated net loss before and after taxation and extraordinary items of the YTTI Group attributable to the percentage of the Sale Shares relative to the entire issued share capital of YTTI for the financial year ended 31st December, 2004, was approximately HK\$6,128,000. Over the same period, YTTI recorded a gross loss of approximately HK\$5,500,000.

The consolidated net loss before and after taxation and extraordinary items of the YTTI Group attributable to the percentage of the Sale Shares relative to the entire issued share capital of YTTI for the financial year ended 31st December, 2003, was approximately HK\$4,335,000. Over the same period, YTTI recorded a gross loss of approximately HK\$3,700,000.

The carrying value of the Sale Shares and the Shareholder's Loan as recorded in the audited consolidated balance sheet as at 31st December, 2004 of the Company was HK\$21,506,422 and the HK Dollar equivalent of its face value of US\$615,000 (being HK\$4,797,000), respectively.

Since the results of YTTI are equity accounted for in the consolidated financial statements of the Company and YTTI has been making losses since its inception as referred to above, the carrying value of the Sale Shares in the Company's consolidated financial statements (being the sum of approximately HK\$17,108,000 as at 30th June, 2005) is less than the accumulated total investment costs (before share of loss of associated company) of approximately HK\$31,980,000 as recorded in its books of accounts. Accordingly, since the Sale Shares are to be sold at the Group's initial investment cost and assuming the Completion will take place, taking into account the aggregate consideration of US\$4,715,000 (approximately HK\$36,777,000) and the unaudited financial results of YTTI for the six months ended 30th June, 2005, it is expected, on an unaudited basis, that there will be a gain on disposal of the Sale Shares and the Shareholder's Loan (before incidental expenses) of approximately HK\$14,872,000 accrued to the Company's consolidated accounts for the financial year ending 31st December, 2005. However, as the Sale Shares will continue to be equity accounted for by the Company until Completion, depending on the performance of YTTI up to Completion, the aforesaid expected gain on the Disposal is subject to change.

As stated in the audited consolidated balance sheet as at 31st December, 2004 of the Company, the Group had approximately HK\$19,117,426 cash in hand. On the basis that Completion will take place, the Group will receive US\$4,715,000 (approximately HK\$36,777,000) (before incidental expenses), and disregarding any other changes in cash position in the Group between 31st December, 2004 and the date of this announcement, the cash in hand of the Group will increase by approximately 192%. Save as to the 51% interest in YTTI, the Purchaser is not otherwise connected to the Company and its connected persons.

8. Reasons for the Disposal

YTTI has thus far incurred substantial net losses of HK\$10,482,454 and HK\$14,946,193 for the two financial years ended 31st December, 2004, and the Company and the Purchaser also hold different views regarding the future plan for the operation and expansion of YTTI. Accordingly, after arm's length negotiation with the Purchaser, in particular in view of the fact that YTTI has suffered losses and the Group can recuperate its accumulated total investments (except for funding costs), the Company and Purchaser agree to enter into the Agreement for the Disposal.

The Directors believe that the terms and conditions of, including the consideration for, the Disposal are fair and reasonable given the current financial conditions of YTTI, and in the interests of the shareholders of the Company as a whole, as the Sale Shares represent only a minority interest and the consideration is equal to the aggregate value of the Company's total cost of investment in, and the value of the Shareholder's Loan to, YTTI.

9. Use of proceeds

The proceeds (before incidental expenses) of the Disposal of US\$4,715,000 (approximately HK\$36,777,000) will be used for general working capital purposes.

10. Listing Rules implications

The Disposal constitutes a major transaction (disposal) for the Company under the Listing Rules, as based on the "consideration test", the consideration receivable by the Group from the Disposal exceeds 25% of the average market capitalisation of the Company for the five business days immediately preceding the date of the Agreement, and it is therefore subject to the approval of the shareholders of the Company.

To the best knowledge, information and belief of the Directors, the interests of all shareholders of the Company in relation to the Disposal are the same in all material respects. To the best of the Directors' knowledge, information and belief and having made reasonable enquiry, the Purchaser and its controlling shareholder is independent of the Company and its connected persons.

The Company will send a circular to its shareholders as soon as possible containing details of the Disposal and a notice of special general meeting. No shareholders of the Company are required to abstain from voting at the said special general meeting.

11. Background information on the Company and the Purchaser

The principal business of the Group at the time of its listing on the Stock Exchange was the manufacture and sale of electronic calculators, alarm clocks and silicone rubber products. Over the years, the Group continued to rationalise and expand its business in tandem with market changes, and its principal business leveraging off its traditional core competencies currently comprises the following two business divisions: (i) precision parts and components (including keypads, synthetic rubber and plastic components and parts, and liquid crystal displays (“LCDs”)), and (ii) consumer electronic products (comprising time, weather forecasting and other products).

The principal activity of the Purchaser is, to the best of the knowledge, information and belief of the Directors, the design and manufacture of mobile phone keypads and inter-connectors for the transmission of electric signals to LCDs. As the Purchaser is a listed company on KOSDAQ, the controlling shareholder of the Purchaser is, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, independent of the Company and its connected persons.

12. Sale of shares and shareholder’s loan by the Other Shareholder

On the same day as the Agreement, the Other Shareholder has also entered into a sale and purchase agreement for the sale of its 8% interest in the share capital of YTTI and the assignment of its shareholder’s loan, to the Purchaser. The Other Shareholder is not a connected person, nor it is an associate of a connected person, of the Company. Completion of the Agreement is not conditional on the completion of the Other Shareholder’s Disposal. The per share consideration receivable by the Other Shareholder under the aforesaid agreement is the same as that receivable by the Vendor under the Agreement, and that the Other Shareholder is also assigning its shareholder’s loan to the Purchaser at its face value.

13. Trading in the shares of the Company

Trading in the shares of the Company on the Stock Exchange was suspended as from 9:30 a.m. on 15th July, 2005 at the request of the Company, pending the issue of this announcement. An application has been made by the Company for the resumption of trading in its shares from 9:30 a.m. on 18th July, 2005.

Definitions

In this announcement, the following terms have the following meanings:–

“Agreement”	the agreement dated 14th July, 2005 between, the Vendor, the Purchaser, the Other Shareholder and the Company relating to the sale by the Vendor of the Sale Shares, and the Shareholder’s Loan, to the Purchaser;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Completion”	completion of the Disposal pursuant to the Agreement;
“Conditions”	being the conditions referred to in the section headed “4. Conditions of the Agreement” in this announcement;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;
“Disposal”	the sale of the Sale Shares and the assignment and sale of the Shareholder’s Loan pursuant to the Agreement;
“Group”	the Company and its subsidiaries;
“HK\$” or “HK Dollar”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“KOSDAQ”	the KOSDAQ Stock Market operated by The KOSDAQ Stock Market, Inc. in the Republic of Korea;
“Kunshan WFOE”	Kunshan YOUEAL Electronic Components Limited, a WFOE owned by YTTI;
“Listing Rules” and “Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Stop Date”	24th October, 2005, or such other date as the parties to the Agreement may agree in writing;
“Other Shareholder”	You Eal (China) Ltd., being the holding of 8% of the entire issued share capital of YTTI;
“Purchaser”	Youeal Electronics Co. Ltd., a company incorporated in the Republic of Korea;
“Sale Shares”	the 4,100,000 shares of US\$1.00 each in the capital of YTTI, representing 41% of the entire issued share capital of YTTI;
“Shareholder’s Loan”	the interest free shareholder’s loan in the amount of US\$615,000 made by the Vendor to YTTI;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin WFOE”	YOUEAL TTI Tianjin Electronics Co. Ltd., a WFOE owned by YTTI;
“US\$” or “US Dollar”	the lawful currency of the United States;
“Vendor”	Technology Trends International Limited, a wholly owned subsidiary of the Company;
“WFOE”	wholly foreign owned enterprise established in the PRC with limited liability;
“YTTI”	Youeal TTI Limited, a company incorporated in Hong Kong, the entire issued share capital of which is held by the Vendor as to 41%, the Purchaser as to 51% and the Other Shareholder as to 8%; and
“YTTI Group”	YTTI and its subsidiaries.

By Order of the Board
K & P International Holdings Limited
Mr. Lai Pei Wor
Chairman

Hong Kong, 15th July, 2005

As at the date of this announcement, the Board comprises Mr. Lai Pei Wor, Mr. Chan Yau Wah and Mr. Chung Yik Cheung, Raymond (being executive Directors) and Mr. Kung Fan Cheong and Mr. Leung Man Kay (being independent non-executive Directors).

This announcement contains translations of US Dollar into HK Dollar at the rate of US\$1.00 for HK\$7.8 solely for reference. No representation or assurance is made or given that the US Dollar amounts set out in this announcement have been, could have been, could be, may be or will be converted into HK Dollar as such rate or any other rates.

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