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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**

Independent Financial Adviser to the Independent Board Committee



HANTEC CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular. A letter from Hantec Capital Limited, the Independent Financial Adviser to the Independent Board Committee containing its advice and recommendation to the Independent Board Committee is set out on pages 13 to 21 of this circular.

A notice convening an extraordinary general meeting to be held at 10:30 a.m. on Thursday, 30 January 2003 at Suite 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting should you so wish.

14 January 2003

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement”	the agreement dated 13 December 2002 entered into between the Company, Octopus and Baron in relation to the provision of the Services by the Consultant and the acquisition of the Sale Shares from Baron by Octopus;
“Associate”	has the meaning ascribed in the Listing Rules and “Associates” shall be construed accordingly;
“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.;
“Capital Builder”	Capital Builder Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 10 May 2000;
“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 Sale 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;

DEFINITIONS

“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 each;
“Directors”	the directors of the Company;
“EGM”	an extraordinary general meeting of the Company, the notice of which is set out on pages 31 to 32 of this circular, and any adjournment thereof;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative 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;
“Independent Board Committee”	the committee of independent non-executive Directors comprising Mr. Wong Tat Tong and Mr. Chan Wing Yau, George;
“Independent Shareholders”	all the Shareholders who are independent of the transaction contemplated by the Agreement and not the Associates of Mr. Thomas Wan and Mr. Joseph Wan;
“Issued Price”	an issue price of HK\$1.25 per Consideration Share;
“Latest Practicable Date”	means 13 January 2003, being the latest practicable date for the Company to ascertain certain information for the purposes of this circular;
“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;

DEFINITIONS

“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 circular;
“Right”	an non-exclusive right to use the data including, but not limited to, telephone numbers and information on business enterprises 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 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, representing the entire issued share capital of Astonishing Profits;
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong;
“Services”	include the following: <ul style="list-style-type: none">(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;

DEFINITIONS

- (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;

“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;
“Valuation Report”	a valuation report dated 14 January 2003 prepared by the Valuer, the text of which is set out in Appendix I to this circular;
“Valuer”	BMI Appraisals Limited; and
“%”	per cent.

LETTER FROM THE BOARD



KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Ip Ki Cheung
Cheung Shui Kwai
Chan Siu Chung

Independent Non-executive Directors:

Wong Tat Tong
Chan Wing Yau, George

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal place of business

in Hong Kong:

Suite 2803, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

14 January 2003

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

As stated in the Company's announcement dated 18 December 2002, 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.

THE AGREEMENT

Date: 13 December 2002

LETTER FROM THE BOARD

Parties: Octopus (which 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 interest in the 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 at the issue price of HK\$1.25 per Share (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.

LETTER FROM THE BOARD

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 will 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 the Valuer, the Board is of the view that the transaction contemplated under the Agreement is in the interests of the Company and are fair and reasonable so far as the Shareholders are concerned. Given that the independent valuation carried out by the Valuer on the Right has arrived at the sum of HK\$19 million and there is huge market potential in the PRC for exhibition business and the use of the information which is not contained in the annual edition of Imperial Guide (such as who's who in the business enterprises, contact numbers and the nature of businesses of those enterprises) can facilitate the development of exhibition business, especially it enables the Group to penetrate into the PRC market for exhibition business and to directly approach the potential clients, the Board is of the view that it is fair and reasonable and in the interests of the Shareholders and the Company to spend HK\$19 million to obtain the right to use such information. The sum of HK\$1,900,000 previously paid by Capital Builder to acquire Astonishing Profits; and the licence fee of RMB1.00 payable annually by Astonishing Profits to 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju) pursuant to the Licence Agreement, did not form the basis for the Board to reach the above view.

Given that it is relatively more time-consuming for the Company itself to collect and verify the information of business enterprises in Beijing, the PRC than the acquisition of Astonishing Profits which allows the Company to immediately and directly approach the potential clients; and that as confirmed by the Directors, there is no other opportunity to obtain the right to use the information of business enterprises in Beijing, the PRC, which is similar to that used under the Right (in terms of the nature, scope, extent of verification and frequency of updating), the Board is of the view that the acquisition of Astonishing Profits is the most efficient way to obtain the right to use the information of business enterprises in Beijing, the PRC.

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 has been made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

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 8 February 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 extensive information on a large number of business enterprises which are not printed in the Imperial Guide (such as who's who in those business enterprises, contact numbers and nature of business of those 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. In contrast, the general public can only use the information printed in the Imperial Guide. 北京尚文廣告有限公司 (Beijing Shang Wan Guang Gong Advertising Limited), a company established in the PRC, which is responsible for the updating of the Imperial Guide in the past and will continue to do so subsequent to the transaction as contemplated by the Agreement.

LETTER FROM THE BOARD

Astonishing Profits was founded by 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju). In 2000, Astonishing Profits was acquired by Capital Builder and was subsequently disposed to Baron during May 2002.

The beneficial owner of each of Capital Builder (being the former beneficial owner of Astonishing Profits) and Baron (being the existing beneficial owner of Astonishing Profits subject to the terms of the Agreement) is Mr. Joseph Wan. The total consideration paid by Capital Builder to 陳家駒 (Chen Jia Ju) and 熊子文 (Xiong Zi Wen) to acquire Astonishing Profits on 31 August 2000 was HK\$1,900,000 which consideration was arrived at after arm's length negotiation. As confirmed by Capital Builder and Baron, there is no cash flow generated for Astonishing Profits since the acquisition of Astonishing Profits by Capital Builder and Baron. The consideration paid by Baron to acquire Astonishing Profits from Capital Builder was HK\$1 and the basis of the consideration was nominal.

Copies of the annual edition of the Imperial Guide are available for distribution free of charge in Beijing, the PRC. Only the basic data (such as company name, address and telephone number) contained in the Imperial Guide can be used by the general public. The first edition of the Imperial Guide was published in 1996.

The value of the Right is HK\$19,000,000 based on an independent valuation as at 12 December 2002 conducted by the Valuer, an independent third party not connected with the directors, chief executive or substantial shareholder of the Group or any of their respective Associates 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 and the Company's 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 projections 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;

LETTER FROM THE BOARD

- (vii) the financial projections and business plan of Astonishing Profits and the Company in respect of organizing 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 manufacturers and buyers. 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 is of the view 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 the PRC which contains the contact details of the business 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 business 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 circular and prior approval by Shareholders in the EGM for the Agreement is also required.

Mr. Joseph Wan is one of the directors of Baron Capital Limited which in turn is the sponsor of the Company in its initial public offering in early 2002.

LETTER FROM THE BOARD

EGM

Set out on pages 31 to 32 of this circular is a notice convening the EGM to be held at 10:30 a.m. on Thursday, 30 January 2003 at Suite 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Agreement. Mr. Thomas Wan, Mr. Joseph Wan and their respective Associates will abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

The Independent Board Committee has been appointed to advise the Independent Shareholders on the terms of Agreement. The "Letter from the Independent Board Committee" containing its recommendation in respect of the terms of Agreement is set out on page 12 of this circular.

The Board concurs with the Independent Board Committee's opinion to recommend you to vote in favour of the ordinary resolution, as set out in the notice of the EGM for the approval of the terms of the Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the letter set out on pages 13 to 21 of this circular from Hantec Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Agreement, the Valuation Report and the general information set out in Appendix II to this circular.

Yours faithfully,
For and on behalf of
Kenfair International (Holdings) Limited
Ip Ki Cheung
Chairman



KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

14 January 2003

To the Independent Shareholders

Dear Sir/Madam,

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

We refer to the circular issued by the Company to the Shareholders dated 14 January 2003 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the execution of the Agreement (and the transactions contemplated thereunder) by the Company with Octopus and Baron constitutes a connected transaction for the Company. We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the Agreement (and the transactions contemplated thereunder) are fair and reasonable so far as the Independent Shareholders are concerned. Hantec Capital Limited has also been appointed as the independent financial adviser to advise the Independent Board Committee in respect thereof. Details of Hantec Capital Limited’s advice and recommendation, together with the principal factors and reasons considered in arriving at such advice and recommendation, are contained in its letter set out on pages 13 to 21 of the Circular. We urge you to read that letter carefully.

Having considered the principal factors and reasons, together with the advice and recommendation mentioned in the letter from Hantec Capital Limited, we consider that the terms of the Agreement (and the transactions contemplated thereunder) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders that they vote in favour of the ordinary resolution as set out in the notice of the EGM on pages 31 to 32 of the Circular to approve the terms of the Agreement (and the transactions contemplated thereunder).

Yours faithfully,

Independent Board Committee

Wong Tat Tong

Independent Non-executive Director

Chan Wing Yau, George

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter from Hantec Capital Limited in connection with the terms of the Agreement which letter has been prepared for the purpose of inclusion in this circular:



45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

14 January 2003

*To the Independent Board Committee of
Kenfair International (Holdings) Limited*

Dear Sirs,

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

We refer to our appointment to advise the Independent Board Committee in respect of the agreement dated 13 December 2002 (the "**Agreement**") entered into among the Company, Octopus and Baron. Pursuant to the Agreement, the Company will, subject to the fulfilments of certain conditions precedent, pay an aggregate consideration of HK\$28,750,000 for (i) the Services to be provided by the Consultant and (ii) the entire equity interests in Astonishing Profits. Details of the Agreement are set out in the letter from the Board (the "**Board's Letter**") contained in the circular of the Company dated 14 January 2003 (the "**Circular**"), of which this letter forms part. Capitalised terms used herein without definition shall have the same meaning as defined in the Circular unless the context otherwise requires.

The Agreement constitutes a connected transaction of the Company under the Listing Rules since the ultimate shareholder of both Baron and the Consultant is a brother of the former independent non-executive director of the Company, who resigned from the post of the Company on 10 December 2002. The Agreement also constitutes a discloseable transaction of the Company under Rule 14.12 of the Listing Rules. The Agreement is therefore subject to, among others, the approval of the Independent Shareholders at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed the Agreement, the License Agreement, the Deed of Assignment and the Valuation Report, and we have also discussed with the Company and the Valuer, separately, the major bases and assumptions adopted in the Valuation Report. We have discussed with the Valuer with respect to each of their major assumptions and bases, market research in Beijing, as well as the view of their internal working sheet prepared for the Valuation Report. We therefore concur with the Valuer that such bases and assumptions are made with due care and objectivity and on a reasonable basis in line with the market practice and that the valuation on Astonishing Profits is fair and reasonable and that we are satisfied to rely on the Valuation Report. We have also reviewed an extract of Imperial Guide information of which is available for public access (the "**Public Version of Imperial Guide**") as well as an extract of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Imperial Guide information of which is accessible pursuant to the Rights (the “**Private Version of Imperial Guide**”). We have relied on the statements, information, opinions and representations and warranties contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations, warranties and opinions contained in the Circular and the Agreement provided by the Directors and management of the Company are true and accurate at the time they were made and will continue to be accurate at the date of dispatch of the Circular. The Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or omissions which would make any statement in the Circular, including this letter, untrue, inaccurate or misleading. We have no reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

We believe that we have been provided with sufficient information which forms reasonable basis for our opinion. We have not, however, carried out any independent investigation of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion with regard to the Agreement, we have taken into consideration the following principal factors and reasons:

I. Reasons for entering into the Agreement

Information on the Company

The Company is an investment holding company and the Group is principally engaged in the organisation of trade fairs, trade shows and related activities to promote and facilitate trades between international buyers and manufacturers (Asian manufacturers in particular). As stated in the Company’s prospectus dated 25 March 2002 (the “**Prospectus**”), the Directors believe that the PRC’s accession to the World Trade Organisation (“**WTO**”) will present a great opportunity for the development of trade show and exhibition industry in the PRC. The Group established a representative office in Shanghai in June 2000 to develop the PRC market and planned to further develop relationships and connections with local industry participants in the PRC.

Asset to be acquired – Services and Astonishing Profits

The Consultant under the Agreement will provide the Company with the Services. The Consultant was incorporated in May 2002 under the laws of the British Virgin Islands, in alliance with Staunton Capital Limited which was incorporated in 1992. The Consultant mainly provides a wide range of financial advisory and consulting services to private and public companies in the PRC, Hong Kong and Taiwan. In financial restructuring transactions, the Consultant redesigns corporate structure, provides strategic planning and introduces business partners and/or overseas investors and/or venture capital funds. The Consultant also assists its clients in obtaining business license, recruiting and setting up operating systems. Among its various achievements, one of the directors of the Consultant helped its clients in establishing one of the milestone Sino-foreign joint-venture banks in the PRC.

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In addition, the Company under the Agreement will acquire Astonishing Profits. Astonishing Profits was incorporated on 31 March 2000 under the laws of the British Virgin Islands with limited liability, and on 2 August 2000 it obtained a non-exclusive right to use the Private Version of the Imperial Guide (the “**Rights**”) for a term of ten years for an annual license fee of RMB1.00, which Rights constitute the principal asset of Astonishing Profits. First edition of the Imperial Guide was issued in 1996, and the Public Version of Imperial Guide is free of charge.

On 31 August 2000, the founders of Astonishing Profits sold Astonishing Profits to Capital Builder for a consideration of HK\$1,900,000 which was arrived at after arm’s length negotiation. Capital Builder then in May 2002 sold Astonishing Profits to Baron for a nominal consideration of HK\$1. Mr. Joseph Wan is the beneficial owner of each of Capital Builder and Baron. The Directors are of the view that the price of HK\$1,900,000 transacted in August 2000 is not an appropriate comparison to the consideration of HK\$19,000,000 under the Agreement since the market circumstances in the PRC have changed since the transaction entered into in August 2000. Taking into consideration that the PRC entered into the WTO in November 2001 and that the whole PRC import and export is under a different market, we concur with the Directors that the previous consideration of HK\$1,900,000 is not comparable to the consideration to be paid by the Company for Astonishing Profits.

Potential benefits derived from the Agreement

Pursuant to the Agreement, the Company will receive the Services from the Consultant and will have the Rights to use the Private Version of Imperial Guide. The Directors are of the opinion that the transactions contemplated under the Agreement are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned taking into accounts that (i) the Group intends to develop the PRC market in view of the market potential in trade shows and exhibition business in the PRC; (ii) the Group’s large proprietary database of exhibitors is one of its principal strengths, which enables the Group to efficiently market its services and attract more business opportunities; (iii) the Consultant has extensive business connections in the PRC; and (iv) the Imperial Guide contains detailed contact information on Beijing enterprises and governmental institutes.

Based on the extracts provided by Baron, the Public Version of Imperial Guide provides the name, address, and telephone number of enterprises, while the Private Version of the Imperial Guide further specifies the business scope, legal representative, person in charge, fax number and website (if any) of each of the enterprises. The Directors confirmed that there is no alternatives to acquire similar information contained in the Private Version of the Imperial Guide since it is more time-consuming for the Company to collect and verify the information on business enterprises in Beijing than to acquire Astonishing Profits. Taking into consideration of the immediate availability of the business data which may take a much longer time for the Group to obtain (for comparison purpose only, the Group spent approximately ten years accumulating its current business data of approximately 300,000 enterprises) as well as the fast development of the PRC market, we concur with the Directors that acquisition of

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Astonishing Profits is the most efficient way to obtain the Rights. We have also reviewed the Consultant's experience in the PRC and the business plan prepared by the Consultant with respect to the Company's investments in PRC exhibition business. According to the business plan, the Company will be responsible for the management of exhibition business in the PRC and the strategic partner will be responsible for compliance with the PRC legal formalities. We are of the view that entering into the Agreement is in line with the corporate strategy of the Group and is in the interest of the Company and the Independent Shareholders taking into consideration that (i) the Group will be able to leverage on its expertise in exhibition business; (ii) the number of exhibition held in the PRC increased by approximately 5% and 26% in 1999 and 2000, respectively, on a year-to-year basis. According to the project prospectus of New China International Exhibition Centre, the annual growth in PRC exhibition industry for the coming five to ten years is expected to be approximately 15% to 20%; (iii) the Private Version of the Imperial Guide is more extensive and practicable than the Public Version, in particular the person in charge and the business scope of each of the enterprises which enables the Group to structure marketing plans for its target clients; and (iv) the Consultant has track record in assisting its clients identifying strategic partners and completing milestone investments in the PRC.

II. Basis of the Consideration

The Company will pay the Consideration of HK\$28,750,000 pursuant to the Agreement, HK\$9,750,000 of which will be paid for the Services and the balance of HK\$19,000,000 will be paid for the entire share capital of Astonishing Profits. The Directors consider the Consideration reasonable based on arm's length negotiations between the Company, Octopus and Baron.

Consideration of HK\$19,000,000 for Astonishing Profits

As stated in the Board's Letter, Astonishing Profits since its incorporation in March 2000 has not prepared any financial statement and not undertaken any business activity except for the preparation of certain business plans. Since the principal asset of Astonishing Profits is the Right to use the Imperial Guide, the consideration for the entire share capital of Astonishing Profits under the Agreement is the value of the Rights of HK\$19,000,000, which is based on an independent valuation carried out on 12 December 2002 by BMI Appraisals Limited (the "Valuer"), an independent valuer not connected with any of the directors, chief executive or substantial shareholders of the Group or any of their respective associates. The Valuation Report was carried out on the basis of fair market value of Astonishing Profits and the valuation methodologies of which include market approach (for reference checking only) and income approach. For the income approach, the Valuer applies discounted cash flow method on the cashflow of Astonishing Profits after it being acquired by the Company. The valuation methodologies, in the opinion of the Valuer, are in line with market practice when valuing companies engaging in exhibition organisation business.

With the use of the Rights, the Valuer expects that Astonishing Profits and the Company are able to organize trade exhibitions and similar events in the PRC and we hereby concur with the Valuer such view that their assumptions (including the financial projections and the business plan of Astonishing Profits and the Company for the coming three years) are fair and reasonable.

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As confirmed by Capital Builder Investments Limited and Baron, there was no cashflow generated for Astonishing Profits since the acquisition of Astonishing Profits by Capital Builder Investments Limited and Baron. Notwithstanding the above, we consider the cashflow to be generated from Astonishing Profits after the acquisition of the Company to be fair and reasonable taking into account that the Company is currently in the exhibition business and the Rights are expected to provide the Company with wider customer bases in the PRC.

Based on the facts that (i) Astonishing Profits has not carried out any business and operations and there is no cashflow since its incorporation; (ii) the Rights are expected to provide the Group with wider spectrum of business opportunities in the PRC; (iii) the PRC market is under fast development and time is essential to exploit the market and the Rights provide the Group with immediately available business information in Beijing; and (iv) the consideration paid for Astonishing Profits is based on the Valuation Report, we are of the opinion that the consideration of HK\$19,000,000 is fair and reasonable. The annual license fee of RMB1.00 paid by Astonishing Profits to the licensor for the Rights was not comparable to the purchase price of HK\$19,000,000 since the licensor was the then shareholders of Astonishing Profits when the license was granted and that the license fee was therefore a nominal price which does not reflect the true value of the Rights. However, Independent Shareholders should note that the conclusion of fair market value of the Rights was based on generally accepted valuation procedures and practices that rely exclusively on a number of assumptions and the consideration of uncertainties, not all of which can be easily quantified or ascertained. Failure of any of such assumptions would significantly affect the valuation of the Rights.

Consideration of HK\$9,750,000 for the Services

Based on the information provided by the Consultant, the Consultant and its directors have assisted its clients in identifying strategic partners and completing some milestone projects in the PRC. In particular, the Consultant is well experienced in direct investment in the PRC as well as in conforming with the PRC regulatory regime. As such, the Directors are of the view that the expertise of the Consultant will help the Group develop the exhibition market and enhance its business profile in the PRC.

Due to the customised nature of consultant services and the confidential nature of the breakdown of relevant service charge, we consider that no sufficient market information could be obtained to determine the fairness and reasonableness of HK\$9,750,000 to be paid by the Company to the Consultant for the Services. The Directors confirmed that the Company has not entered into any agreement pursuant to which the Company or other parties provided services similar to the Services. The Consultant also confirmed that there is no further breakdown of the services fees. As such, there is no comparable market practice for us to draw a direct comparison on the fees of HK\$9,750,000. However, taking into account of (i) the growth rate in the PRC export and import business (according to the China Statistical Yearbook 2002, the PRC export and import recorded an increase of approximately 6% and 8% for the year ended 31 December 2001, and an increase of approximately 27% and 26% for the year ended 31 December 2000); (ii) the Consultant's expertise in helping the Company entering into the PRC market at a strategically important position to further develop its principal business activity; and (iii) the Directors are of the view that the

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Services are essential for the Group to facilitate its process to enter into the exhibition business in the PRC and that the service fee of HK\$9,750,000 is based on arms' length negotiations, we concur with the Directors that the Services are in the interests of the Company and the Independent Shareholders as a whole. Based on the information provided by the Company, certain legal restrictions are currently imposed on exhibition business in the PRC. Under the current PRC legal regime, wholly foreign-owned enterprises are not allowed to carry out exhibition business in the PRC and setting up a joint venture with a Chinese partner is necessary for the Group to exploit the PRC market. Taking into consideration of the above legal requirement and the Consultant's track record in helping other clients in identifying Chinese partner and completing investment projects in the PRC, we are of the opinion that the fee of HK\$9,750,000 to be paid for the Services is fair and reasonable to the Independent Shareholders and for the long term development of the Group.

However, Independent Shareholders should note that successful cooperation between the Company and any of the strategic partners is not guaranteed and that failure in such cooperation may deter the Group's plans to develop the trade show business in the PRC and may result in adverse impact on the Group's future profitability.

III. Satisfaction of the Consideration

In order to satisfy the consideration of HK\$28,750,000, the Company will pay HK\$5,000,000 in cash and issue the Consideration Shares valued at HK\$23,750,000 to Baron and/or its nominee(s).

Cash payment of HK\$5,000,000

The cash payment of HK\$5,000,000 will be funded by the internal resources of the Group, but not funded by the proceeds from the initial public offering of the Company in 2002. The Group had cash and bank balances of HK\$77,189,000 as at 30 September 2002, and the Directors confirmed that there has been no significant change in the cash and bank balances of the Group since 30 September 2002. We are of the opinion that it is appropriate for the Company to satisfy the Consideration partly by cash payment taking into account that (i) cash payment will avoid the interest expenses incurred by bank borrowings or other debt instruments; (ii) based on the Group's unaudited consolidated balance sheet as at 30 September 2002, the Group has sufficient working capital to pay the cash payment; and (iii) the cash payment amounts to approximately 6.5% of the Group's cash and bank balances as at 30 September 2002, which will not heavily burden the Group's cash position.

Issuance of the Consideration Shares

The Directors are of the view that issuance of the Consideration Shares is a favourable method to satisfy the Consideration since it will minimise the immediate impact on the Company's liquid capital. We concur with the Directors to satisfy the Consideration partly by issuing the Consideration Shares in order to maintain prudent cash management and not to pay the full Consideration in cash, which accounts for approximately 38% of the Group's cash and bank balances as at 30 September 2002.

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The Issue Price of HK\$1.25 per Consideration Share represents:

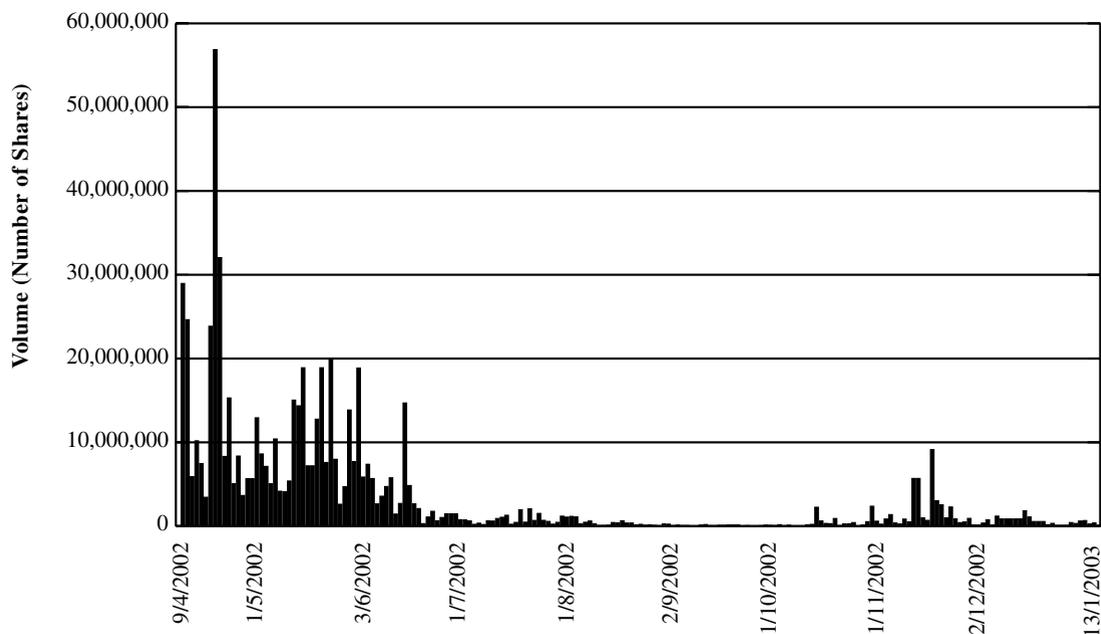
- (i) a premium of approximately 3.3% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on 13 December 2002, being the date of the Agreement;
- (ii) a premium of approximately 4.2% to the average closing price of HK\$1.20 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 13 December 2002;
- (iii) a premium of approximately 44% to the unaudited consolidated net asset value of approximately HK\$0.87 per Share based on the Group's unaudited consolidated net asset value as at 30 September 2002;
- (iv) a premium of approximately 7.8% to the closing price of HK\$1.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 12.6% to the average closing price of approximately HK\$1.11 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date.

The following charts show a summary of the closing price and daily trading volume of the Shares during the period from 10 April 2002 (the first trading day of the Shares on the Stock Exchange) to the Latest Practicable Date (the "**Track Period**").



(Source: Bloomberg)

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(Source: Bloomberg)

The following table shows monthly turnover of the Company as well as ratio of the monthly turnover over the entire issued share capital of the Company (“the Ratio”) during the Track Period. For the purpose of clarification, the entire issued share capital of the Company is with reference to 190,800,000 Shares.

Month, 2002	Monthly average turnover	The Ratio
April	17,337,206	9.1%
May	11,061,901	5.8%
June	4,136,968	2.2%
July	1,252,696	0.7%
August	430,532	0.2%
September	106,124	0.1%
October	311,768	0.2%
November	1,976,684	1.0%
December	804,693	0.4%

We consider the terms of the Consideration Shares are in the interests of the Company and the Independent Shareholders in view of (i) the low trading volume the Shares during the Track Period (from the above table, the Ratio shows a significant decrease since the first trading day of the Shares on the Stock Exchange on 10 April 2002); and (ii) the aforementioned premiums to the market performance of the Shares.

IV. Dilution effect

The public shareholding of the Company is approximately 43.4% and will be approximately 39.5% upon Completion, representing a dilution of approximately 3.9%. The public shareholding of the Company upon Completion is in compliance with the public float requirement as imposed on listed companies by the Listing Rules. Taking into account the potential benefits of the Group upon Completion, the premiums of the Issue Price to the market performance of the Shares, as well as the prudent policy adopted in respect of the Group’s cash and liquidity management, we consider the dilution in public shareholding acceptable and justifiable.

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RECOMMENDATION

Having considered the above factors and reasons, in particular that:

- the Group intends to further develop exhibition business in the PRC by leveraging its current experience, the Consultant has extensive experience in business development in the PRC, and Astonishing Profits has the Right to use the Private Version of Imperial Guide;
- The annual license fee of RMB1.00 paid by Astonishing Profits to the licensor for the Rights was not comparable to the purchase price of HK\$19,000,000 since the licensor was the then shareholders of Astonishing Profits when the license was granted and the license fee was therefore a nominal price which does not reflect the true value of Rights;
- The consideration of HK\$1,900,000 paid by Capital Builder for Astonishing Profits in August 2000 does not form the basis of the consideration to be paid by the Company to Baron as the market circumstances in the PRC has changed since August 2000;
- the Rights are expected to provide the Group with wider spectrum of business opportunities in the PRC;
- the PRC market is under fast development and time is essential to exploit the market and the Rights provide the Group with immediately available business information in Beijing;
- the consideration for acquisition of Astonishing Profits is supported by the Valuation Report;
- the prudent policy in the Group's cash and liquidity management to pay the Consideration partly in cash and partly by issuing the Consideration Shares; and
- terms of the Consideration Shares are favourable compared to the current market performance of the Shares,

we are of the view that the terms and conditions of the Agreement are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Andrew Tang
Director

The following is the text of the letter dated 14 January 2003 from BMI Appraisals Limited prepared for inclusion in this circular:

**BMI APPRAISALS LIMITED****邦盟滙駿評估有限公司**

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Tel: (852) 2802 2191 Fax: (852) 2802 0331
Email: info@bmi-appraisals.com Website: <http://www.bmi-appraisals.com>

14 January 2003

The Directors

Kenfair International (Holdings) Limited (“the Company”)

Suite 2803, Tower 6, The Gateway,

Harbour City, 9 Canton Road,

Kowloon, Hong Kong

Dear Sirs,

In accordance with your instructions, we have carried out a valuation to determine our independent opinion of the fair market value of a 100% equity interest in Astonishing Profits Limited (“Astonishing Profits”) as at 12 December 2002. This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

The purpose of the valuation is to express an independent opinion of the fair market value of a 100% equity interest in Astonishing Profits as of 12 December 2002. It is our understanding that this valuation is to be used for the purpose of inclusion in a circular to be sent to the shareholders of the Company in connection with the acquisition of Astonishing Profits.

COMPANY BACKGROUND

Astonishing Profits was incorporated under the laws of the British Virgin Islands with limited liability on 31 March 2000. It was founded by 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju). In the same year, it was acquired by Capital Builder Investments Limited and was subsequently disposed to Baron International Investment Holdings Limited during May 2002.

The beneficial owner of each of Capital Builder Investments Limited (being the former beneficial owner of Astonishing Profits) and Baron International Investment Holdings Limited (being the existing beneficial owner of Astonishing Profits) is Mr. Joseph Wan. The total consideration paid to 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju) by Capital Builder Investments Limited to acquire Astonishing Profits on 31 August 2000 was HK\$1,900,000 which consideration was arrived at after arm’s length negotiation and the consideration paid by Baron International Investment Holdings Limited to acquire Astonishing Profits was HK\$1 and the basis of the consideration was nominal.

During 2000, Astonishing Profits entered into an agreement with 熊子文 (Xiong Zi Wen) and 陳家駒 (Chen Jia Ju), the chief editors of the Imperial Guide whereby they agreed with Astonishing Profits that Astonishing Profits has a right to use the data, including but not limited to the public information, supplied by the Imperial Guide, a telephone directory which contains information of a large number of business enterprises based in Beijing, the PRC.

The principal asset of Astonishing Profits is the right to use the data in the Imperial Guide.

MARKET OUTLOOK

During recent years, China's economy has grown rapidly. With the entry into World Trade Organization ("WTO") in December 2001, it is anticipated that the door of the world's third largest market will be opened and is expected to witness rapid and sustained growth. There is a predictable expansion in a broad range of industries requiring scientific and industrial products.

In November 2001, China Exhibition Convention Magazine (中國展會雜誌), a magazine published in the PRC, stated that there were approximately 1,684 national exhibitions and 6 million visitors in the PRC in 2000. The total number of exhibitions in Beijing, Shanghai and Guangzhou has experienced a significant average annual growth rate of approximately 27%. Recognizing the rapid growth in the PRC market and China's entry to the WTO, the restrictions on foreign ownership of exhibition organizers will be gradually relaxed and rise in demand for commodities. Since most of China's high demand is met by imports and the government is actively supporting the transfer of technology from abroad, the Chinese market will provide significant opportunities for both overseas and domestic manufacturers. As one of the supporting industry sectors for foreign trade, the growth rate of the exhibition industry is expected to accelerate as the foreign trade industry develops.

BASIS OF VALUATION AND ASSUMPTIONS

Our valuation has been carried out on the basis of fair market value. Fair market value is defined as *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

For the purpose of this valuation, we were furnished with the financial projections and the business plan of Astonishing Profits and the Company, which were given in writing and orally respectively by the management of Astonishing Profits and the Company.

Our investigation included discussions with the management of Astonishing Profits and the Company in relation to the history and nature of the business, operations and prospects of Astonishing Profits, a study of projected financial information and the business plan of Astonishing Profits and the Company as well as a review of other relevant information provided by the management of Astonishing Profits and the Company in the implementation of such business plan. We have assumed that such information, opinions and representation provided to us by Astonishing Profits and the Company were true and accurate. We have also consulted public sources of financial and business information to supplement the information provided by the management of Astonishing Profits and the Company. We have relied to a very considerable extent on the above-mentioned information in arriving at our opinion of value.

The valuation of Astonishing Profits requires consideration of all pertinent factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in this valuation included, but were not limited to, the following:

- the nature of Astonishing Profits and the history of the operation from its inception;
- the business development plan of Astonishing Profits and the Company;
- the financial condition of Astonishing Profits and the Company;
- the economic outlook and the industry outlook in general;
- the specific economic environment and competition for Astonishing Profits;
- the operational contracts and agreements in relation to Astonishing Profits;
- market-derived investment returns of entities engaged in similar lines of business; and
- the financial and business risk of Astonishing Profits and the Company including the continuity of income and the projected future results.

Due to the changing environment in which Astonishing Profits and the Company are operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business. The major assumptions adopted in this valuation are:

- there will be no major changes in the existing political, legal, and economic conditions in the PRC;
- 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;
- availability of capital will not be a constraint to Astonishing Profits and the Company's business plan;
- Astonishing Profits and the Company obtained all necessary approval to operate and generate sales from organizing trade exhibitions and similar events in the PRC as intended by the management of Astonishing Profits and the Company;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- the financial projections and the business plan of Astonishing Profits and the Company in respect of organizing 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;

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

As Astonishing Profits has the non-exclusive right to use the data, the Group is able to organize trade exhibitions and similar events in the PRC to generate income with the use of such right. We consider the assumption adopted in this valuation is fair and reasonable.

VALUATION METHODOLOGY

In the process of valuing Astonishing Profits, we considered the traditional appraisal approaches to value, namely the Market Approach and Income Approach.

In valuing firms, the Market Approach is basically a comparison method which estimates fair market value from analyzing sales and financial data and ratios of comparable public and, whenever possible, private companies. We found a number of firms that provided similar products as the main or major part of its business. However, we desisted from using the Market Approach, since these firms were mature and had already been in operation for a number of years whereas Astonishing Profits is a start-up and has no sufficient historical accounting record. We, however, used them indirectly as a reference checking with the Income Approach.

For the Income Approach, the fair market value of the business enterprise was developed through the application of the income approach technique known as the discounted cash flow method on the cashflows of Astonishing Profits after acquired by the Company. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity. Thus, an indication of value was developed by discounting future cash flows available for distribution to shareholders to their present worth at market-derived rates of return appropriate for the risks and hazards of Astonishing Profits.

When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity was developed using Capital Asset Pricing Model (“CAPM”). CAPM states that an investor requires excess returns to compensate no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic; other risks are referred to as non-systematic. Under CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed.

VALUATION COMMENTS

We understand that our valuation report will be used for the purpose of due diligence carried out by the Company and for the purpose of inclusion in a circular to be sent to the shareholders of the Company in connection with the acquisition of Astonishing Profits. We have not been engaged to make specific purchase or sale recommendations.

We have assumed that the appraised equity interest of Astonishing Profits is freely disposable and transferable for its existing or alternative uses in the open market to both local and overseas purchasers without payment of any premium to the relevant government.

We have had no reason to doubt the truth and accuracy of the information provided to us by Astonishing Profits and the Company. We also sought and received confirmation from Astonishing Profits and the Company that no material facts have been omitted from the information supplied.

Unless otherwise stated, the base currency of this report is Hong Kong Dollar.

CONCLUSION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Astonishing Profits, the Company and the valuer.

Based on our investigation and analysis outlined in this report, it is our opinion that as at 12 December 2002, the fair market value of a 100 % equity interest in Astonishing Profits is reasonably stated in the sum of HKD19 Million (Hong Kong Dollars Nineteen Million).

We hereby certify that we have neither present nor prospective interests in Astonishing Profits or the Company or the value reported.

Yours faithfully,
For and on behalf of
BMI Appraisals Limited

Tony C.H. Cheng

*BSc, MUD, PCFA, MRICS, AHKIS, MCIArb, AFA, MIIM
Director*

Vera S.K. Lok

*BBA, ACCA, CFA
Associate Director*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the Directors and the chief executive of the Company held the following interests in the issued share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

Interests in the Shares

Name	Capacity	Personal interest	Family interest	Corporate interest	Other interest	Total number of Shares held	Approximate percentage holding of Shares
Mr. Ip Ki Cheung	Executive Director and Chairman	–	–	108,000,000 (Note 1)	–	108,000,000	56.6%
Mr. Cheung Shui Kwai	Executive Director and Managing Director	256,000	–	–	108,000,000 (Note 2)	108,256,000	56.7%
Mr. Chan Siu Chung	Executive Director	–	–	–	108,000,000 (Note 3)	108,000,000	56.6%

Notes:

- (1) These Shares were held by Capital Concord Profits Limited (“**Capital Concord**”), which is owned as to 50% by Mr. Ip Ki Cheung and therefore Mr. Ip Ki Cheung was deemed by virtue of the SDI Ordinance to be interested in these Shares. The interests of Mr. Ip Ki Cheung are accordingly “corporate interest” as described in paragraph 3(c) of the practice note 5 of the Listing Rules.
- (2) These Shares were held by Capital Concord, which is owned as to 30% by Mr. Cheung Shui Kwai and therefore Mr. Cheung Shui Kwai was deemed by virtue of the SDI Ordinance to be interested in these Shares. The interests of Mr. Cheung Shui Kwai are accordingly “other interest” as described in paragraph 3(d) of the practice note 5 of the Listing Rules.
- (3) These Shares were held by Capital Concord, which is owned as to 20% by Mr. Chan Siu Chung and therefore Mr. Chan Siu Chung was deemed by virtue of the SDI Ordinance to be interested in these Shares. The interests of Mr. Chan Siu Chung are accordingly “other interest” as described in paragraph 3(d) of the practice note 5 of the Listing Rules.

Save as disclosed above, none of the Directors and the chief executive of the Company had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at the Latest Practicable Date.

- (b) None of the Directors is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Group.
- (c) Save as disclosed in this circular, none of the Directors or Hantec Capital Limited or the Valuer has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2002, being the date to which the latest published audited accounts of the Group were made up.
- (d) Hantec Capital Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, in accordance with the register of substantial Shareholders maintained by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the Directors or chief executive of the Company, the only persons (not being a Director or chief executive of the Company) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of such persons' interests in such securities, together with particulars of any options in respect of such capital, were as follows:

Name	Number of Shares held	Approximate percentage holding of Shares
Capital Concord <i>(Note 1)</i>	108,000,000	56.6%
Best Aims Finance Limited <i>(Notes 1 and 2)</i>	54,000,000	28.3%
Harbour Rich Finance Limited <i>(Notes 1 and 3)</i>	32,400,000	17.0%
Pace Maker Finance Limited <i>(Notes 1 and 4)</i>	21,600,000	11.3%

Notes:

- (1) The entire issued share capital of Capital Concord is beneficially owned as to 50% by Best Aims Finance Limited ("**Best Aims**"), 30% by Harbour Rich Finance Limited ("**Harbour Rich**") and 20% by Pace Maker Finance Limited ("**Pace Maker**").
- (2) The entire issued share capital of Best Aims is beneficially owned by Mr. Ip Ki Cheung.
- (3) The entire issued share capital of Harbour Rich is beneficially owned by Mr. Cheung Shui Kwai.
- (4) The entire issued share capital of Pace Maker is beneficially owned by Mr. Chan Siu Chung.

Save as disclosed herein, there is no other person known to the Directors who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the issued share capital of the Company or any options in respect of such capital.

4. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2002 (being the date to which the latest published audited accounts of the Group were made up).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

Each of Mr. Ip Ki Cheung, Mr. Cheung Shui Kwai and Mr. Chan Siu Chung has entered into a director's service agreement dated 18 March 2002 with the Company under which he has been appointed to act as an executive Directors for an initial term of three years commencing from 1 April 2002 and thereafter until the agreement is terminated by either party giving to the other not less than six calendar months' notice in writing, such notice to expire not earlier than 31 March 2005.

Save as disclosed herein, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. EXPERTS

The qualifications of the experts who have given opinions or advice which are or is contained in this circular are as follows:

Name	Qualification
Hantec Capital Limited	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
BMI Appraisals Limited	Professional surveyors and property valuers

As at the Latest Practicable Date, the Valuer does not hold any shares in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Hantec Capital Limited does not hold any shares in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. CONSENTS

The Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of valuation and references to its name in the form and context in which they appear.

Hantec Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

9. GENERAL

- (a) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each of which 190,800,000 Shares had been issued and fully paid up.
- (b) The secretary of the Company is Ms. Leung Chui Wan, AHKSA.
- (c) The share registrar and transfer office of the Company in Hong Kong is located at Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong up to and including 28 January 2003:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee dated 14 January 2003;
- (c) the letter from Hantec Capital Limited dated 14 January 2003;
- (d) the written consent referred to in the section headed "Consent" above; and
- (e) the director's service agreement of each of the executive Directors.

NOTICE OF EGM



KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Kenfair International (Holdings) Limited (the “**Company**”) will be held at 10:30 a.m. on Thursday, 30 January 2003 at Suite 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong for the purpose of considering and, if though fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the agreement dated 13 December 2002 entered into among Octopus Enterprises Limited, the Company and Baron International Investment Holdings Limited (“**Baron**”) in respect of the provision of the Services (as defined in the circular to shareholders of the Company dated 14 January 2003 of which this notice forms part (the “**Circular**”)) and the acquisition of the Sale Shares (as defined in the Circular) for an aggregate 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 to Baron or its nominee the Consideration Shares (as defined in the Circular) (the “**Agreement**”), subject to the terms and conditions of the Agreement as more particularly described in the Circular, a copy of the Agreement marked “A” is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, and all other transactions contemplated under the Agreement be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to do all such acts and things as he may in his absolute discretion considered necessary or expedient to implement and give effect to the Agreement and all the transactions contemplated thereunder, and to any other matter in connection with the Agreement.”

By order of the Board
Ip Ki Cheung
Chairman

Hong Kong, 14 January 2003

Notes:

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend the EGM.
2. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy of that power of attorney or authority must be returned to the Company’s branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

NOTICE OF EGM

3. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. A form of proxy for use at the EGM is enclosed herewith.