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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)

**CONNECTED TRANSACTION,
PROPOSED PRIVATE PLACING OF 43,160,000
WARRANTS BEING WARRANTS
IN REGISTERED FORM TO SUBSCRIBE FOR
SHARES IN THE CAPITAL OF
KENFAIR INTERNATIONAL (HOLDINGS) LIMITED
AT AN ISSUE PRICE OF HK\$0.58 PER WARRANT**

Underwriters



 **HANTEC INTERNATIONAL FINANCE GROUP LIMITED**

The Company has entered into the Placing and Underwriting Agreement with the Underwriters on 17 October 2003 in connection with the Placing of 43,160,000 Warrants conferring rights to subscribe for up to approximately HK\$29.8 million in aggregate in cash for 43,160,000 Shares at an initial subscription price of HK\$0.69 per Share (subject to adjustment) with investors. The Warrants are to be placed at HK\$0.58 per Warrant. The Placing is conditional upon the fulfillment of several conditions. If the Placing is completed, the net proceeds to the Company will be about HK\$24 million, which will be used as to (i) HK\$10 million in exploring and developing new trade shows in Asian countries (such as organizing shows with new theme or set up new shows) including but not limited to, the PRC, Hong Kong and Thailand which have not been participated by the Company; (ii) HK\$10 million in expanding the size of the developed trade shows (such as differentiation of existing shows or extending the show periods); and (iii) the remaining HK\$4 million as general working capital.

The entering into the Placing and Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to Shareholders' approval in a general meeting. Accordingly, an independent board committee will be established to advise the Shareholders in relation to the fairness and reasonableness of the terms of the Placing and Underwriting Agreement and an independent financial adviser will be appointed to advise such independent board committee in this regard.

The Placing and Underwriting Agreement contains provisions entitling the Underwriters to terminate their obligations thereunder upon occurrence of certain events (see the section headed “Force Majeure” below for details). If the obligations of the Underwriters under the Placing and Underwriting Agreement are so terminated, the Placing will not proceed.

A circular containing, among other things, detailed information of the Placing and Warrants and the notice of EGM will be despatched to the Shareholders on or about 7 November 2003, and a copy of the Prospectus will also be despatched to the Shareholders for information only if and when such Prospectus has been duly registered by the Registrar of Companies in Hong Kong.

Trading in the Shares was suspended from 9:30 a.m. on 24 September 2003 at the request of the Company pending the issue of an announcement in relation to a proposed open offer, which has now been cancelled as the proposed participating underwriters have withdrawn their participation in view of the availability of other business opportunities to them. The proposed open offer is substituted by the Placing. Application has been made for trading in the Shares to resume at 9:30 a.m. on 20 October 2003.

PLACING AND UNDERWRITING AGREEMENT DATED 17 OCTOBER 2003

Amount of Warrants to be issued by the Company and to be placed and underwritten by the Underwriters

43,160,000 Warrants conferring rights in registered form to subscribe for up to approximately HK\$29.8 million in aggregate in cash for 43,160,000 Shares at an initial subscription price of HK\$0.69 per Share (subject to adjustment) will be issued by the Company and placed and fully underwritten by the Underwriters pursuant to the terms of the Placing and Underwriting Agreement.

Upon full exercise of the subscription rights attaching to the Warrants, a total of 43,160,000 new Shares will fall to be issued, representing approximately 20% of the existing issued share capital of the Company of 215,800,000 Shares and approximately 16.7% of the enlarged issued share capital of the Company of 258,960,000 Shares as to be enlarged by the issue of new Shares from the full exercise of the subscription rights attaching to the Warrants. As at the date of this announcement, there are no outstanding warrants in issue.

Underwriters

Ping An is a connected person for the purposes of Rules 14.23 to 14.32 by virtue of the fact that one of their ultimate beneficial owners, Mr. Wan Chuen Chung, Joseph being the brother of Mr. Wan Chuen Fai, a former independent non-executive director of the Company who resigned on 10 December 2002. As at the date of this announcement, each of Mr. Wan Chuen Chung, Joseph and Mr. Wan Chuen Fai has confirmed to the Directors that he is not interested in any Shares, and Mr. Wan Chuen Fai has further confirmed to the Directors that he does not have any interest in either Ping An or in the Placing and Underwriting Agreement. Save as disclosed above, Ping An together with its ultimate beneficial owners, are independent of and not connected with the Company, any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

Hantec, a company incorporated in Hong Kong, together with its ultimate beneficial owners, are independent of and not connected with the Company, any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Underwriters have agreed to place the Warrants, as agent for the Company, by way of private placement, and to fully underwrite the Placing. Pursuant to the Placing and Underwriting Agreement, the Underwriters are entitled to a commission equal to 3% of the aggregate Issue Price in respect of all of the Warrants, which is expected to be approximately HK\$751,000, and reimbursement as to other out-of-pocket expenses.

Placees

The placees and their respective associates shall be investors independent of and not connected with and not acting in concert with the Company, any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The number of placees will not be less than 100 and the Placing will comply strictly with the requirements set out in Appendix 6 to the Listing Rules.

Issue Price and initial subscription price

The Issue Price is HK\$0.58 per Warrant and the initial subscription price under the Warrant is HK\$0.69 per Share (subject to adjustment), each of which is determined based on arm's length negotiation between the Company and the Underwriters. The Directors, having regard to the information relating to the Issue Price and Share price set out in the section headed "Terms of the Warrants" below and to the discussion with the Underwriters in the course of negotiating the terms of the Placing and Underwriting Agreement, consider that the Issue Price and the initial subscription price under the Warrant are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Terms of the Warrants

The Warrants will be issued subject to and with the benefit of a separate instrument in registered form by way of a deed poll to be executed by the Company and will form one class and rank pari passu in all respects with each other.

Each Warrant will give the holder thereof the right to subscribe in an amount of HK\$0.69 for Share based on an initial subscription price of HK\$0.69 per Share (subject to adjustment). The initial subscription price per Share of HK\$0.69 represents: (a) a discount of approximately 55.5% to the closing price of HK\$1.55 per Share as quoted on the Stock Exchange on 23 September 2003 (being the last trading day prior to the date of the Placing and Underwriting Agreement); (b) a discount of approximately 54.6% to the average closing price of a Share of approximately HK\$1.52 per Share as quoted on the Stock Exchange on the last 10 trading days up to and including 23 September 2003. The aggregate of the Issue Price and the initial subscription price of HK\$1.27 per Share represents a discount of approximately 18% over the closing price of HK\$1.55 per Share on the Stock Exchange on 23 September 2003 (being the last trading day prior to the date of the Placing and Underwriting Agreement) and a discount of about 16.4% over the average closing price of a Share of approximately HK\$1.52 per Share as quoted on the Stock Exchange on the last 10 trading days up to and including 23 September 2003.

The subscription rights attaching to the Warrants may be exercised within a two-year period commencing from the date of issue of the Warrants, which is expected to be 2 December 2003, and expiring on 1 December 2005 (both days inclusive). Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Subscription Period will lapse following such date and the Warrants will cease to be valid for all purposes. For the purpose of dealings on the Stock Exchange, a board lot of the Warrants will be Warrants entitling the holder to subscribe in an amount of HK\$2,760 for, initially, 4,000 Shares.

The new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing issued Shares.

Force Majeure

The Placing and Underwriting Agreement contains provisions entitling Ping An (on behalf of the Underwriters) to terminate their obligations thereunder upon occurrence of, among others, any local, regional, national or international event or change of a political, military or economic or other nature which, in the reasonable opinion of the Underwriters, will or may result in a material adverse change in political, economic or stock market conditions and which in each such case may reasonably be expected to have a material adverse effect on the success of the Placing, or any material breach of the warranties and representations on the part of the Company under the Placing and Underwriting Agreement prior to 5:30 p.m. (Hong Kong time) on the day on which the Placing Period closes.

If the obligations of the Underwriters under the Placing and Underwriting Agreement is so terminated, the Placing will not proceed.

Reasons for the Placing and use of proceeds

The Directors consider that the Placing is an ideal opportunity to raise further capital for the Company. In particular, (i) it does not have an instant dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon the completion of the Placing and if and when the Warrants are exercised, further funds will be raised for additional general working capital and the financial conditions and shareholder base of the Company will accordingly be strengthened; and (iii) it provides investors with an alternative means to invest in the Company.

If the Placing is completed, the net proceeds to the Company will be about HK\$24 million, which will be used as to (i) HK\$10 million in exploring and developing new trade shows in Asian countries (such as organizing shows with new theme or set up new shows) including but not limited to, the PRC, Hong Kong and Thailand which have not been participated by the Company; (ii) HK\$10 million in expanding the size of the developed trade shows (such as differentiation of existing shows or extending the show periods); and (iii) the remaining HK\$4 million as general working capital.

The preliminary expenses of the Placing is approximately HK\$1,000,000.

Conditions of the Placing

Completion of the Placing and Underwriting Agreement is conditional on the fulfillment of the following conditions, failing which the Placing and Underwriting Agreement will terminate and the Placing will not proceed:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the Warrants and any Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants either unconditionally or subject to conditions to which the Company accepts by no later than 5:30 p.m. on 31 December 2003 (Hong Kong time) (or such later time or date as the parties may agree);
- (b) the delivery to and registration by the Registrar of Companies in Hong Kong of a copy of each of the Prospectus and the application form relating thereto, each duly certified by two directors of the Company (or by their agents duly authorised in writing) as having been approved by resolution of the directors of the Company and having annexed to it all documents required to be annexed thereto, in accordance with section 342C of the Companies Ordinance, by no later than 4:00 p.m. on 31 December 2003 (Hong Kong time) (or such later time or date as the parties may agree); and
- (c) the Shareholders having approved unconditionally by ordinary resolutions at the EGM of the Company the Placing and the allotment and issue of the Shares falling to be issued upon the exercise of the subscription rights attaching to the Warrants.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. Subject to the fulfillment of the above conditions, it is expected that the dealing in the Warrants will commence on 5 December 2003.

As at the date of this announcement, the Principal Shareholder is beneficially interested in an aggregate of 108,000,000 Shares, representing approximately 50.05% of the existing issued share capital of the Company. Upon exercise in full of the subscription rights attaching to the Warrants at the initial subscription price of HK\$0.69 per Share, 43,160,000 Shares will be allotted and issued and the Principal Shareholder will then be beneficially interested in approximately 41.7% of the enlarged issued share capital of the Company.

General

The Company is an investment holding company. Its subsidiaries are principally engaged in the organisation of trade fairs, trade shows and related activities in Hong Kong, the United States and the United Kingdom to promote and facilitate trades between international buyers and manufacturers.

The Company intends to seek Shareholders' approval of (i) the Placing and specific authority to allot and issue Shares falling to be allotted and issued upon exercise of the Warrants (or any of them); and (ii) the grant to the Directors a new general mandate for the allotment and issue of new Shares up to 20% of the aggregate of the issued share capital of the Company as at the date of passing of the resolutions at the EGM and the maximum number of Shares falling to be allotted and issued upon exercise of all the Warrants. The Directors believe that the grant of the new general mandate to the Directors is in the best interests of the Company and its subsidiaries as a whole as it will allow the Company to raise equity funding in future in a more efficient and flexible manner. As at the date of this announcement, the Directors have no definite plan for utilising the new general mandate (if granted).

“Company”	Kenfair International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of approving, among other matters, the Placing and the grant of a general mandate to the Directors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hantec”	Hantec International Finance Group Limited, a deemed licensed corporation to carry on Type 1 regulated activity as defined in Schedule 5 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Issue Price”	HK\$0.58, being the issue price per Warrant payable on application under the Placing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Ping An”	Ping An Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), which is a fellow subsidiary of Baron Capital Limited. Save and except that Ping An is a connected person for the purposes of Rules 14.23 to 14.32 by virtue of one of the ultimate beneficial owners of Ping An, Mr. Wan Chuen Chung, Joseph, being the brother of Mr. Wan Chuen Fai, a former independent non-executive director of the Company who resigned on 10 December 2002, Ping An is an independent third party not connected with the directors, chief executives and substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Placing”	the placing of 43,160,000 Warrants pursuant to the Placing and Underwriting Agreement
“Placing and Underwriting Agreement”	a conditional placing and underwriting agreement dated 17 October 2003 entered into by the Company and the Underwriters in relation to the Placing
“Placing Period”	<p>the period:</p> <p>(a) commencing at 9:00 a.m. (Hong Kong time) on the business day immediately following the date on which a copy of each of the Prospectus and the application form relating thereto is registered by the Registrar of Companies in Hong Kong (the “Commencement Date”); and</p>

	(b) ending at 3:00 p.m. (Hong Kong time) on the second business day immediately following the Commencement Date
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus relating to the issue of the Warrants by the Company
“Principal Shareholder”	Capital Concord Profits Limited, an investment holding company incorporated in the British Virgin Islands with limited liability which are beneficially owned as to 50%, 30% and 20% by Mr. Ip Ki Cheung, Mr. Cheung Shui Kwai and Mr. Chan Siu Chung, respectively, all of whom are executive Directors
“Share(s)”	shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the two-year period commencing from the date of issue of the Warrants, which is expected to be 2 December 2003 and expiring on 1 December 2005 (both days inclusive)
“Underwriters”	Ping An and Hantec
“Warrant(s)”	Warrant(s) of the Company conferring rights in registered form to subscribe for Share(s) at an initial subscription price of HK\$0.69 (subject to adjustment)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

By order of the board of
KENFAIR INTERNATIONAL (HOLDINGS) LIMITED
Ip Ki Cheung
Chairman

Hong Kong, 17 October 2003

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