
IMPORTANT

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Tsao Kwang Yung, Peter
Kung Fan Cheong

Principal Place of Business:

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

26th April, 2002

To shareholders

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

INTRODUCTION

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

The purpose of this circular is to provide you with information relating to the Ordinary Resolutions to be proposed at the forthcoming annual general meeting to be held on 27th May, 2002 (the “Annual General Meeting”): (i) to grant the directors of the Company (“the Directors”) a general mandate to exercise the powers of the Company to undertake repurchases of the Company’s fully paid up shares representing up to a maximum of 10% of the existing issued share capital of the Company on the date of the Ordinary Resolution; (ii) to grant a general mandate to the Directors to issue new shares not exceeding 20% of the existing issued share capital on the date of the Ordinary Resolution; and (iii) to increase the number of shares which the Directors may issue under their general mandate by the number of shares repurchased.

In accordance with the Listing Rules, this circular also serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against Resolutions 5 to 7 to be proposed at the Annual General Meeting of the Company.

REASONS FOR SHARE BUYBACK

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

SHARE CAPITAL

As at 24th April, 2002, the latest practicable date prior to the printing of this circular, the issued share capital of the Company comprised 250,004,800 shares of HK\$0.10 each (“Shares”).

Subject to the passing of the Ordinary Resolution 5, the Company would be allowed under the buyback mandate to repurchase a maximum of 25,000,480 Shares on the basis that no further shares will be issued or repurchased prior to the date of the forthcoming Annual General Meeting.

FUNDING OF REPURCHASES

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

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

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31st December, 2001) in the event that the repurchase mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as

would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

MARKET PRICES

The highest and lowest prices at which Shares of the Company have been traded on the Stock Exchange in the previous twelve months before 24th April, 2002 (being the latest practicable date prior to the printing of this document) were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2001		
April	0.196	0.132
May	0.180	0.144
June	0.200	0.158
July	0.160	0.160
August	—	—
September	—	—
October	—	—
November	0.140	0.140
December	—	—
2002		
January	0.174	0.140
February	0.160	0.160
March	0.165	0.155

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

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

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

The Ordinary Resolution 7 to be proposed at the Annual General Meeting relates to the extension of the general mandate to be granted to the Directors to issue new shares during the relevant period by adding to it the number of shares purchased under the Repurchase Proposal, if any.

DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases under the Repurchase Proposal in accordance with the Listing Rules and laws of Bermuda. The Directors are not aware of any consequences which will arise under the Code on Takeovers and Mergers as a result of any purchases to be made under the Repurchase Proposal.

As at 24th April, 2002, the latest practicable date prior to the printing of this circular, Mr Lai Pei Wor, Mr Chan Yau Wah, Mr Wong Kwong Ming and Mr Chung Yik Cheung, Raymond, Directors of the Company, were interested in an aggregate of 106,000,000 shares (of which 97,242,000 shares representing approximately 38.90% of the Shares were interested by Mr Lai Pei Wor), representing approximately 42.40% of the Shares issued by the Company. In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the interests of Mr Lai Pei Wor, Mr Chan Yau Wah, Mr Wong Kwong Ming and Mr Chung Yik Cheung, Raymond in the Shares of the Company would be increased to approximately 47.11% of the issued Shares of the Company (whereas Mr Lai Pei Wor's interests in the Shares would be increased to approximately 43.22%). Such an increase may not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code.

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

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

SHARES PURCHASES MADE BY THE COMPANY

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

PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31st December, 2001. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's Branch Registrars in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting.

RECOMMENDATION

Your Directors consider that the Repurchase Proposal and the granting of the general mandate to issue new shares are in the best interests of the Company and its shareholders and accordingly recommend that all shareholders should vote in favour of Resolutions 5 to 7 to be proposed at the Annual General Meeting as they intend to do themselves in respect of the shares controlled by them.

Yours faithfully,
Lai Pei Wor
Chairman