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K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**DISCLOSEABLE TRANSACTION:
SHAREHOLDERS' AGREEMENT IN RELATION TO
AN ASSOCIATED COMPANY OF THE COMPANY**

A letter from the board of directors of K & P International Holdings Limited is set out on pages 3 to 8 of this circular.

14 March 2003

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DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules;
“Business Day”	a day (other than Saturday) on which licensed banks in Hong Kong are open for business throughout their normal business hours;
“Board”	the board of Directors;
“Company”	K & P International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company from time to time;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Board”	the board of directors of the JV Company;
“JV Company”	YOUEAL TTI Limited, a company incorporated in Hong Kong and is beneficially owned as to 41% by Technology Trends, as to 51% by YouEal and as to 8% by YEC;
“JV Shares”	the shares of US\$1.00 each in the capital of the JV Company;
“JV Shareholder(s)”	Technology Trends, YouEal and YEC or where the context otherwise requires, any one of them;
“Latest Practicable Date”	12 March 2003, being the latest practicable date for the purpose of ascertaining certain information contained in this circular;
“LCD”	liquid crystal display;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Notes”	collectively, (i) the 2% convertible loan notes in an aggregate principal amount of US\$1,242,188 (issuable to MC Capital B.V.), US\$3,125 (issuable to Naomichi Komuro), US\$4,687 (issuable to Ma So Lan, Ivy), US\$32,500 (issuable to First Idea Holdings Limited); and (ii) the 5% loan notes in an aggregate principal amount of US\$1,242,188 (issuable to MC Capital B.V.), US\$3,125 (issuable to Naomichi Komuro), US\$4,687 (issuable to Ma So Lan, Ivy) and US\$32,500 (issuable to First Idea Holdings Limited);

DEFINITIONS

“PRC”	the People’s Republic of China which for the purpose of this circular, exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s) of the Company;
“Shareholders’ Agreement”	the shareholders’ agreement dated 20 February 2003 and entered into between Technology Trends, YouEal, YEC and the JV Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreements”	the subscription agreements dated 3 March 2003 and entered into between the Company with each of MC Capital B.V., Naomichi Komuro, Ma So Lan, Ivy and First Idea Holdings Limited in relation to the subscription of the Notes;
“Technology Trends”	Technology Trends International Limited, a wholly owned subsidiary of the Company;
“Total Investment Amount”	US\$10,000,000, being equivalent to the amount of the authorised share capital of the JV Company;
“US”	the United States of America;
“WFOE”	YOUEAL TTI Tianjin Electronics Co. Ltd., a wholly foreign owned enterprise in the PRC established and owned by the JV Company;
“WFOE Articles”	the articles of association of WFOE;
“YouEal”	YOUEAL Electronics Co. Ltd., a company incorporated in the Republic of Korea and the shares of which are listed on the KOSDAQ Stock Market operated by The KOSDAQ Stock Market, Inc. of the Republic of Korea;
“YEC”	You Eal (China) Ltd., a company incorporated in Hong Kong;
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
“US\$”	US dollars; and
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversions of US dollars into Hong Kong dollars are based on the approximate exchange rate of US\$1.00 to HK\$7.80.

LETTER FROM THE BOARD



K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Tsao Kwang Yung, Peter
Kung Fan Cheong

*Head office and principal place
of business in Hong Kong:*

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

14 March 2003

*To the Shareholders, and for information only,
the holders of options of the Company*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION:
SHAREHOLDERS' AGREEMENT IN RELATION TO
AN ASSOCIATED COMPANY OF THE COMPANY**

INTRODUCTION

On 21 February 2003, the Directors announced that on 20 February 2003, Technology Trends, a wholly owned subsidiary of the Company, entered into the Shareholders' Agreement with YouEal, YEC and the JV Company to, among other matters, regulate the respective rights and obligations of the JV Shareholders and the arrangements between them with respect to the ownership, management and operations of the JV Company.

The JV Company was formed as a special vehicle to act as the holding company of the WFOE and the sole asset of the JV Company is its equity interest in the WFOE. The JV Company is beneficially owned as to 41% by Technology Trends, as to 51% by YouEal and as to 8% by YEC. Pursuant to the Shareholders' Agreement, the funding of the JV Company shall be made by way of subscription of the JV Shares by the JV Shareholders up to the Total Investment Amount. Each of the JV Shareholders shall further subscribe JV Shares in proportion to their existing shareholding in the JV Company. As the aggregate amount to be contributed by the Group in funding the JV Company represents more than 15% but less than 50% of the net tangible assets of the Group as shown in its condensed consolidated financial statements made up to 30 June 2002, the transaction contemplated under the Shareholders' Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

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The purpose of this circular is to give you details of the Shareholders' Agreement and other relevant information.

THE SHAREHOLDERS' AGREEMENT

- Date : 20 February 2003
- Parties : 1. Technology Trends;
2. YouEal;
3. YEC; and
4. the JV Company.

Each of YouEal and YEC and their respective beneficial owners are not connected persons (as defined in the Listing Rules) to the Company.

- Authorised share capital of the JV Company : US\$10,000,000 divided into 10,000,000 shares of US\$1.00 each.
- Funding of the JV Company : The JV Company was formed as a special vehicle to act as the holding company of the WFOE and its principal activity is investment holding.

The funding of the JV Company shall be made by way of subscription of the JV Shares by the JV Shareholders up to the Total Investment Amount. Each of the JV Shareholders shall subscribe further JV Shares in proportion to their existing shareholding in the JV Company.

The aggregate amount to be contributed by the Group in funding the JV Company would be US\$4,100,000, representing 41% of the Total Investment Amount. As it represents more than 15% but less than 50% of the net tangible assets of the Group as shown in its condensed consolidated financial statements made up to 30 June 2002, the transaction contemplated under the Shareholders' Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

Pursuant to the Shareholders' Agreement, (i) 15% of the Total Investment Amount shall be contributed by the JV Shareholders within 90 days from the date of issue of the business licence of the WFOE, being 23 December 2002; and (ii) 85% of the Total Investment Amount of the JV Company shall be made by the JV Shareholders within three years from the date of issue of the business licence of the WFOE.

The maximum capital obligations of the JV Shareholders are limited to the Total Investment Amount. Any additional funding for the JV Company and/or the WFOE should be furnished in so far as practicable from external sources and save as agreed

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between the JV Shareholders, there shall be no obligation or requirement upon the JV Shareholders to provide any additional funding whether by way of subscription of further share capital or loan capital of the JV Company, or the making of any loan.

Save as may be expressly agreed between the JV Shareholders in writing from time to time, neither of the JV Shareholders shall be required or obliged to provide any security in respect of any borrowings or other indebtedness of the JV Company.

Organisation of the JV Board : The maximum number of directors of the JV Company shall be five.

YouEal shall be entitled to appoint a maximum of three directors to the JV Board and Technology Trends shall be entitled to appoint a maximum of two directors to the JV Board. YEC shall not be entitled to appoint any director to the JV Board.

The quorum of any meeting of the JV Board shall be four, consisting of at least one director appointed by YouEal and one director appointed by Technology Trends. The chairman of the JV Board shall be a director appointed by YouEal and the vice chairman of the JV Board shall be a director appointed by Technology Trends. In accordance with the articles of association of the JV Company, the chairman of the JV Board shall have a casting vote in the event of equality of votes.

Meeting of JV Shareholders : A quorum at any meeting of the JV Shareholders shall consist of any two JV Shareholders.

Transfer of JV Shares : No JV Shares shall be transferred unless, among other matters, with the prior written consent of other JV Shareholders.

Any transfer of the JV Shares shall be subject to the pre-emptive right of other JV Shareholders. The price per JV Share payable in such transfer shall be such price (the “**Offer Price**”) per JV Share as fixed by the proposing transferor or, if such price is not accepted by the purchasing JV Shareholder, shall be a price which, in the opinion of the auditors of the JV Company, is the fair value (the “**Fair Value**”) of a JV Share.

Events of default : A JV Shareholder shall be deemed to have committed an event of default if:

- (i) a resolution has been passed to wind it up or its winding-up is commenced or a receiver or manager is appointed over any of its assets or business or it proposes a composition with any class or all of its creditors;

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- (ii) it has committed a breach of the Shareholders' Agreement which cannot be remedied or which it fails to remedy within 20 Business Days of receipt of a written notice from any other JV Shareholders requiring the same; or
- (iii) it becomes ultimately controlled by any person or group of persons acting in concert who do not possess such control as at the date of the Shareholders' Agreement without the written consent of all JV Shareholders.

In the event of a JV Shareholder has committed an event of default, the non-defaulting JV Shareholder can serve a notice on the defaulting JV Shareholder specifying and requiring, among other matters:

- (i) that the defaulting JV Shareholder is deemed to have given a transfer notice to transfer all of the JV Shares held by it at a price being 50% of the Fair Value; or
- (ii) that the defaulting JV Shareholder shall purchase the JV Shares held by the non-defaulting JV Shareholder at a price being 100% of the Fair Value; or
- (iii) that the defaulting JV Shareholder shall sell all or part of the JV Shares held by it to any third party at a price not less than 50% of the Fair Value.

- Termination : If none of the non-defaulting JV Shareholders purchase all of the JV Shares held by the defaulting JV Shareholder, any of the non-defaulting JV Shareholder may give a written notice to the defaulting JV Shareholder and the JV Company requiring that the JV Company be wound up. If such notice has been served, the JV Shareholders shall procure as soon as practicable that, among other matters, the WFOE be wound up in accordance with the provisions of the laws of the PRC.
- Winding-up : The JV Company shall not be wound up except by agreement of the JV Shareholders or in the situation contemplated in the paragraph headed "Termination" above.
- Term : The term of the Shareholders' Agreement shall be for a period during which the WFOE shall exist under the laws of the PRC.

THE WFOE

Principal terms of the WFOE Articles

- Scope of business : manufacturing and sale of mobile phone keypads
- Total investment : US\$10,000,000

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- Registered capital : US\$4,990,000, which shall be paid up in full within 18 months from the date of issue of the business licence of the WFOE.
- Board of directors : the board of directors of the WFOE shall comprise of five directors, all of whom shall be appointed by the JV Company.
- Term : 50 years from the date of issue of the business licence of the WFOE.
- Distribution of profit : all after-tax profit shall, after the deduction of any portion to be retained by the WFOE in accordance with the state regulations of the PRC, be distributed in the discretion of the board of directors of the WFOE.
- Dissolution : upon dissolution of the WFOE, the remaining assets after paying off the debts of the WFOE shall be distributed to the JV Company.

On 18 December 2002, the People's Government of the Tianjin Municipality issued the Certificate of Approval for the Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC approving the establishment of the WFOE. The WFOE obtained the business licence on 23 December 2002 and was established on the same date.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the manufacture and sale of electronic and related components and parts including keypads, synthetic rubber and plastic parts and components, as well as LCDs. It is also engaged in the design, manufacture and sale of electronic consumer products including electronic calculators, alarm clocks and LCD products.

Leveraging on the experience of the Group in the manufacture and sale of electronic components and parts including keypads, the Directors consider that the investment in the manufacture of mobile phone keypads will create a synergy effect to the Group's existing business in terms of broadened client base and diversification in the source of revenue. In such sluggish economic environment, the Directors also consider that by investing in the JV Company with other JV Shareholders, the risk in such investment would be reduced as it would be shared among the JV Shareholders instead of being borne solely by the Group.

EFFECT OF THE TRANSACTION

The JV Company is owned as to 41% by the Group and is treated as an associated company of the Company. The Group's ownership and further funding in the JV Company has been and will be made by way of subscription of JV Shares, which in turn will increase the total assets of the Group. There will be no impact on the earnings of the Group since no profit and loss has been made by the JV Company.

SOURCE OF FUNDING

The aggregate amount to be contributed by the Group in funding the JV Company would be US\$4,100,000, representing 41% of the Total Investment Amount. According to the Shareholders' Agreement, (i) 15% of the Total Investment Amount shall be contributed by the JV Shareholders

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within 90 days from the date of issue of the business licence of the WFOE, being 23 December 2002; and (ii) 85% of the Total Investment Amount of the JV Company shall be made by the JV Shareholders within three years from the date of issue of the business licence of the WFOE.

On 3 March 2003, the Company announced that the Company had entered into the Subscription Agreements. It is the present intention of the Directors that subject to the Subscription Agreements becoming unconditional and completion of each of the Subscription Agreements taking place, the net proceeds of US\$2,529,744 from the issue of the Notes will be used to finance part of the Group's obligations in funding the JV Company. According to the unaudited consolidated accounts of Group as at 28 February 2003, the cash on hand of the Group amounted to more than HK\$15,000,000. It is the present intention of the Directors that the remaining amount of US\$1,570,256 to be contributed by the Group in funding the JV Company be financed by internal resources. If there is not enough internal resources from the Group to fund such remaining amount, the Directors might consider conducting further fund raising exercise of the Company. Further announcement will be made by the Company in compliance with the Listing Rules if any fund raising exercise has been determined by the Company.

BACKGROUND OF OTHER JV SHAREHOLDERS

YouEal was founded in 1982 and is principally engaged in the design and manufacture of mobile phone keypads and inter-connectors to transmit electric signals to LCDs. Its shares are listed on the KOSDAQ Stock Market operated by The KOSDAQ Stock Market, Inc. of the Republic of Korea. The Directors are of the view that the experience and expertise in the manufacture of mobile phone keypads of YouEal would be beneficial to the WFOE.

YEC is a company incorporated in Hong Kong and is a logistics company engaged in the electronics industry. The Directors are of the view that YEC's experience in the electronics industry would be beneficial to the WFOE.

Each of YouEal and YEC and their respective beneficial owners are not connected persons (as defined in the Listing Rules) to the Company.

GENERAL

The Directors are of the view that the Shareholders' Agreement, the terms of which have been negotiated on an arm's length basis based on normal commercial terms and are fair and reasonable, is in the interests of the shareholders of the Company as a whole.

As the aggregate amount to be contributed by the Group in funding the JV Company represents more than 15% but less than 50% of the net tangible assets of the Group as shown in its condensed consolidated financial statements made up to 30 June 2002, the transaction contemplated under the Shareholders' Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

Your attention is drawn to the general information set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the 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) Director's interest in Shares

As at the Latest Practicable Date, the interests of the Directors or the chief executive of the Company and their respective associates in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Type of interests	Number of Shares
Lai Pei Wor	Other (<i>Note</i>)	97,242,000
	Personal	–
Chan Yau Wah	Personal	5,200,000
Chung Yik Cheung, Raymond	Personal	152,000

Note: These Shares are held by Celaya Limited in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Ansbacher (BVI) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung and Lai Yee Man (both children of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.

(b) Directors' rights to acquire Shares or debentures

As at the Latest Practicable Date, the following Directors have acquired rights to acquire Shares pursuant to the share option scheme of the Company with details as follows:

Name of Director	Options granted	Exercisable period	Exercise price per Share
Lai Pei Wor	2,500,000	12 July 2001 to 11 July 2004	HK\$0.16
Chan Yau Wah	2,500,000	12 July 2001 to 11 July 2004	HK\$0.16
Chung Yik Cheung, Raymond	2,500,000	12 July 2001 to 11 July 2004	HK\$0.16

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company nor their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(c) Substantial shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) were interested, directly or indirectly, in 10% or more of the issued share capital of the Company and were recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance:

Name	Number of Shares	Approximate percentage of shareholding
Celaya Limited (<i>Note</i>)	97,242,000	38.90
Ansbacher (BVI) Limited (<i>Note</i>)	97,242,000	38.90

Note: These Shares are held by Celaya Limited in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Ansbacher (BVI) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung and Lai Yee Man (both children of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.

Save as disclosed herein, as at the Latest Practicable Date, no person (other than the Directors and the chief executives of the Company, whose interests are set out under the paragraph headed “Director’s interest in Shares” above) had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to section 16(1) of the SDI Ordinance.

3. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 January 2000 and thereafter until terminated by either party giving to the other not less than six months’ notice in writing. Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

5. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Units 2304-06, 23rd Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.
- (c) The company secretary of the Company is Mr Chung Yik Cheung, Raymond, who is a fellow member of The Chartered Association of Certified Accountants and Hong Kong Society of Accountants and a member of the Institute of Canadian Chartered Accountants.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over its Chinese text.