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KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

(泰盛實業集團有限公司*)

(Incorporated in Bermuda with limited liability)
(Stock Code: 1159)

DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARY

The Directors wish to announce that on 4th January, 2005, the Group has entered into the Agreement with the Purchaser to sell the entire equity interests in DTEC, an indirect wholly-owned subsidiary of the Company.

The Disposal contemplated under the Agreement constituted a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Disposal will be sent to the Shareholders as soon as possible.

THE AGREEMENT

Date:

4th January, 2005

Parties:

Purchaser: Power Universe International Limited. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, the Purchaser and its ultimate beneficial owner are not connected persons (as defined in the Listing Rules) of the Company. To the understanding of the Directors, the Purchaser is a limited company incorporated in the BVI and is an investment holding company.

Vendor: Tachibana Limited, a company incorporated in the BVI and is an indirect wholly-owned subsidiary of the Company.

Assets to be disposed of:

The entire equity interests in DTEC owned by the Vendor.

Conditions precedent:

The completion of the Disposal is conditional upon:

- (a) the obtaining of the approval(s) from the relevant PRC authority(ies) which is/are responsible for approving the Disposal (including but not limited to 東莞市對外經濟貿易委員會(Dongguan City Foreign Economic Trading Committee)) in relation to the Disposal;
- (b) the obtaining of the approvals from the board of directors of the Vendor, the Purchaser and the Company;
- (c) the execution of a share pledge agreement/deed by the Purchaser and the relevant members of the Group pursuant to which after completion, the Purchaser shall pledge all the equity interests in DTEC to the relevant members of the Group to secure the repayment of all the amounts due from DTEC to the relevant members of the Group;

- (d) the execution of an asset pledge agreement/deed by the Purchaser, DTEC and the relevant members of the Group pursuant to which after completion, the Purchaser shall procure DTEC to pledge all its assets to the relevant members of the Group to secure the repayment of all the amounts due from DTEC to the relevant members of the Group;
- (e) the payment of the whole amount of the consideration for the Disposal by the Purchaser; and
- (f) the issuance of this announcement.

The Vendor shall have the absolute right to waive all or any of the abovementioned conditions. If any of the conditions has not been fulfilled or waived on or before 14th February, 2005, the Vendor shall have the right to (but shall not be obligated to) rescind the Agreement and the Agreement will become void. Save as provided in the Agreement and/or any prior breach, none of the parties shall have any claims or rights against the other party in respect of such rescission.

Though the Vendor has the right to waive all or any of the abovementioned conditions, the Directors do not expect the Vendor to waive any of the conditions as at the date of this announcement. Should the Vendor decide to waive any of the conditions, the Company will make relevant disclosure in further announcement(s).

Consideration:

The consideration of an aggregate amount of HK\$12,000,000 shall be settled in cash in three installments as follows:

- (a) an amount of HK\$4,000,000 which has been held in escrow by an escrow agent, which is not a connected person (as defined in the Listing Rules) of the Company, to facilitate the negotiation of the Disposal shall be transferable to pay and set off the consideration as at the signing of the Agreement (as at the date of this announcement, the escrow agent is still in the progress of transferring the escrow money and the same is not yet received by the Vendor);
- (b) a sum of HK\$2,000,000 has been received by the Vendor upon signing of the Agreement; and
- (c) the remaining balance amounting to HK\$6,000,000 shall be payable on the earlier of (i) 14th February, 2005 or (ii) the date on which the relevant PRC authority(ies) which is/are responsible for approving the Disposal (including but not limited to 东莞市對外經濟貿易委員會 (Dongguan City Foreign Economic Trading Committee)) issued its/their approval(s) in relation to the Disposal.

The consideration has been determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by reference to the net assets value of DTEC pursuant to the latest unaudited management account of DTEC prepared in accordance with the generally accepted accounting practice in Hong Kong as at 31st October, 2004 which amounted to approximately HK\$11,610,000.

Completion:

Completion shall take place upon all of the conditions being fulfilled or waived. The Directors expect that the completion will take place on or before 31st May 2005.

Share pledge and assets pledge:

As at 31st October, 2004, other members of the Group had advanced a total amount of approximately HK\$20,000,000 (subject to adjustment in view of the outstanding amounts as at 31st December, 2004 which was yet to be finalized) to DTEC as general working capital. It was agreed that all such advances shall be fully repayable after completion by DTEC to the relevant members of the Group on or before 31st December, 2005.

In order to secure the repayment of all the amounts due from DTEC to the relevant members of the Group, it was agreed in the Agreement that the following agreements/deeds shall be executed on or before completion, the terms of which shall be agreed by the Vendor:

- (a) a share pledge agreement/deed to be entered into between the Purchaser and the relevant members of the Group pursuant to which after completion, the Purchaser shall pledge all the equity interests in DTEC to the relevant members of the Group to secure the repayment of all the amounts due from DTEC to the relevant members of the Group; and
- (b) an asset pledge agreement/deed to be entered into by the Purchaser, DTEC and the relevant members of the Group pursuant to which after completion, the Purchaser shall procure DTEC to pledge all its assets (mainly consist of property, plant, machinery, equipment, stock and accounts receivables) to the relevant members of the Group to secure the repayment of all the amounts due from DTEC to the relevant members of the Group.

Such agreements/deeds have not been executed as at the date of this announcement. The Directors confirmed that there was no specific timetable for the execution of such agreements/deeds but as mentioned above, the same were expected to be executed on or before completion.

The Directors consider that the requirements for both the share pledge and asset pledge are to provide greater security to the Group to secure the repayment of the amounts due from DTEC after completion. The share pledge refers to a pledge on the equity interests in DTEC held by the Purchaser after completion and the assets pledge refers to a pledge on all the assets of DTEC. Such double pledges have been agreed between the Vendor and the Purchaser after arm's length negotiations. The Directors consider that such double pledges will provide more comfort to secure the advances and are beneficial to the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the manufacture of and trading in electronic products, conductive silicon rubber keypads, printed circuit boards and telecommunication products.

DTEC is a wholly foreign owned enterprise incorporated in the PRC on 8th July, 1999. The entire equity interests of which are owned by the Vendor, an indirect wholly-owned subsidiary of the Company before the Disposal. DTEC is principally engaged in the business of manufacturing of conductive silicon rubber keypads. After the completion of the Disposal, DTEC will cease to be a subsidiary of the Company.

The Group acquired DTEC in 2002. From there onwards, the Group owns two factories (including DTEC) which are both engaging in the business of manufacturing of conductive silicon rubber keypads ("**Rubber Keypads Business**"). The Disposal is part of the Group's strategy to streamline its Rubber Keypads Business. The Directors consider that it is the appropriate timing for the Group to concentrate on the development of its Rubber Keypads Business in one factory only as the Directors believe that a more effective management on the business operations, key employees and client base etc. can be achieved on its Rubber Keypads Business after the Disposal. Also, since the consideration has been paid or will be payable in cash, the Directors believe that the proceeds received or receivable from the Disposal will also strengthen the cash flow position of the Group. Accordingly, the Directors believe that the Disposal will be beneficial to the Company and the Shareholders as a whole.

The net proceeds of the Disposal will be applied as additional working capital of the Group.

The net profit before taxation and extraordinary items of DTEC for the two years ended on 31st December, 2002 and 31st December, 2003 amounted to approximately HK\$5,273,300 and HK\$320,800 respectively and the net profit after taxation and extraordinary items of DTEC for the two years ended on 31st December, 2002 and 31st December, 2003 amounted to approximately HK\$4,634,900 and HK\$320,800 respectively .

The Directors confirmed that the gain or loss arising from the Disposal shall be the difference between the proceeds from the Disposal and the total of: (1) the carrying amount of all assets less liabilities pursuant to the relevant Hong Kong Accounting Standards/Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants; (2) the related unamortised goodwill and (3) the related accumulated exchange reserve of DTEC, as of the date of completion.

The Directors are of the view that the Group is not able to determine the gain or loss arising from the Disposal as at the date of this announcement as the information required for such calculation as explained above will not be available until the date of completion of the Disposal. In view of the foregoing, the Directors are of the view that it will not be possible and appropriate for the Company to disclose such gain or loss arising from the Disposal in this announcement as any disclosure of the same will be misleading and inaccurate. The Group will make relevant disclosure regarding the gain or loss arising from the Disposal as soon as the same can be ascertained in its forthcoming annual report for the year ended 31st December, 2004 or if the same can be ascertained before the issue of the annual report, in further announcement(s).

The Directors consider that the terms of the Agreement have been arrived at after arm's length negotiations based on normal commercial terms and to be fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The Disposal contemplated under the Agreement constituted a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Disposal will be sent to the Shareholders as soon as possible.

As at the date of this announcement, the Board consists of four executive Directors, Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina, two non-executive Directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey and three independent non-executive Directors, Mr. Sun Yaoquan, Mr. Tsao Kwang Yung, Peter and Mr. Goh Gen Cheung.

DEFINITIONS

The following defined terms are used in this announcement:

“Agreement”	the 出資轉讓合同 (Equity Interests Transfer Agreement) dated 4th January, 2005 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Karce International Holdings Company Limited
“DTEC”	東莞德鉅電子有限公司 (Dongguan Tehsutec Electronic Company Limited)
“Directors”	the directors of the Company
“Disposal”	the sale of the entire equity interests in DTEC pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Power Universe International Limited
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Share(s)
“Vendor”	Tachibana Limited, an indirect wholly-owned subsidiary of the Company
“HK\$”	the lawful currency of Hong Kong

By order of the Board
Karce International Holdings Company Limited
Tong Shek Lun
Chairman

Hong Kong, 6th January, 2005

** for identification only*

Please also refer to the published version of this announcement in The Standard dated 7 January 2005.