

Listed Company Information

KARCE INTL HOLD<1159> – Announcement & Resumption of Trading

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KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED
(incorporated in Bermuda with limited liability)

CONNECTED AND SHARE TRANSACTION

On 17th January, 2000, the Company agreed to take up one-third of the enlarged registered capital of TianJin Jinke. The investment will be satisfied by the issue of the Consideration Shares by the Company.

Proudgrowth, an existing shareholder of TianJin Jinke, is a connected person to the Company by virtue of the fact that it is an approximately 58.33% owned subsidiary of Car Po (Holdings) Limited, which is an approximately 99.99% owned subsidiary of Stagelight Group Limited. Stagelight Group Limited together with its associates constitute associates (as defined in the Listing Rules) of Perfect Treasure Holdings Limited, which together with its subsidiaries, is the substantial shareholder of the Company.

The Transaction constitutes a connected and share transaction for the Company under the Listing Rules. Accordingly, the Transaction is conditional upon, inter alia, approval by a resolution of independent shareholders of the Company at a duly convened special general meeting. Sapphire Profits Limited, the controlling shareholder of which also owns less than 1% of the entire issued share capital of

Perfect Treasure Holdings Limited, and Perfect Treasure Investment Limited will abstain from voting on the resolution. Application will also be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

A circular containing, inter alia, further details of the Transaction, the advice from the independent board committee of the Company and the independent financial adviser will be despatched to the shareholders of the Company as soon as practicable.

SUBSCRIPTION AGREEMENT:

Parties:

Existing shareholders: 1. TianJin Nankai
2. Proudgrowth

Subscriber: the Company

Date:

17th January, 2000

Investment:

The existing registered capital of TianJin Jinke is RMB11,000,000 and is beneficially owned by TianJin Nankai as to 50% and Proudgrowth as to the other 50%. The existing authorised share capital of TianJin Jinke is RMB15,450,000. The audited net assets of TianJin Jinke as at 31st December, 1998 was approximately RMB16,597,422. The enlarged registered capital of TianJin Jinke upon completion of the Transaction will be RMB16,500,000 and will be owned by TianJin Nankai, Proudgrowth and the Company as to one-third each. The profit sharing ratio to each to TianJin Nankai, Proudgrowth and the Company in TianJin Jinke will be pro-rata to their beneficial interests in TianJin Jinke. The then enlarged authorised share capital of TianJin Jinke will be RMB20,000,000.

Consideration:

The Consideration is determined by the directors of the Company based on the net asset value of TianJin Jinke and is to be satisfied by the issue of the Consideration Shares,

credited as fully paid, to TianJin Jinke or its nominee(s). The subscription price of the Consideration Shares of HK\$1.70 per share represents a discount of approximately 5.03% to the closing price of the shares of the Company of HK\$1.79 as of 17th January, 2000. The enlarged net asset value of TianJin Jinke, based on its audited net assets as of 31st December, 1998 as adjusted by the Consideration is approximately RMB27,147,621 (equivalent to approximately HK\$25,371,609). Accordingly, the Consideration represents a premium of approximately 16.6% to the Company's share of the net assets of TianJin Jinke. The Consideration Shares represent approximately 1.29% of the existing issued share capital of the Company (450,000,000 shares of HK\$0.10 each) and approximately 1.27% of the enlarged issued share capital of the Company (455,800,000 shares of HK\$0.10 each) upon completion of the Transaction.

Other terms

Upon completion of the Transaction, the board of directors of TianJin Jinke shall comprise of 9 members. The chairman of TianJin Jinke shall be a director nominated by TianJin Nankai and the two deputy chairmen shall be a director nominated by each of Proudgrowth and the Company.

Both of TianJin Nankai and Proudgrowth provided guarantee in favour of the Company confirming that the net asset value of TianJin Jinke as at 31st December, 1999 was not less than RMB16,500,000. In the event of default of this guarantee, the Company shall have the option to rescind the subscription agreement.

Conditions precedent:

The completion of the Transaction shall be conditional upon:

1. the Transaction being approved by a resolution of those shareholders of the Company (other than Perfect Treasure Investment Limited, which owns approximately 20.00% of the existing issued share capital of the Company, and Sapphire Profits Limited, which owns approximately 51.37% of the existing issued share capital of the Company, who are both connected persons interested in the Transaction) attending and voting at a duly convened special general meeting of the Company, in accordance with the Listing Rules;

2. the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Consideration Shares;

3. TianJin Nankai and Proudgrowth shall procure TianJin Jinke to obtain all approvals required to hold the Consideration Shares from relevant government authority in the PRC including the State Assets Administrative Bureau, the Ministry of Foreign Trade and Economic Cooperation, State Administration of Foreign Exchange and the PRC Customs (where applicable); and

4. the Company has performed due diligence exercise on the financial matters of TianJin Jinke and is satisfied with the financial position of TianJin Jinke.

Completion Date:

Completion shall take place when all the abovementioned conditions precedent are fulfilled and all approvals regarding the subscription agreement are obtained.

Information about TianJin Jinke:

TianJin Jinke is an equity joint venture limited liability company established in the PRC in 1985 and will expire in 2013. Pursuant to the existing joint venture agreement of TianJin Jinke, upon unanimous approval of the board of directors, TianJin Jinke can apply to the relevant government authority in the PRC for an extension 6 months prior to its expiry. TianJin Jinke is principally engaged in the design, research and development and manufacture of information technology products including office automation equipment, office automation system design, computer communication products, telecommunication products, voice-graphics technology products, management application software/communication network. TianJin Jinke has employed a number of well-experienced and professional engineers and academics in the telecommunication and computer software field and is among one of the top-notch research and development technology centre in the PRC.

The audited net assets of TianJin Jinke as at 31st December, 1997 and 1998 were approximately RMB16,517,709 and

RMB16,597,422 respectively. The net profit of TianJin Jinke for the two years ended 31st December, 1998 were approximately RMB96,277 and RMB 79,712 respectively.

Reasons for the Transaction:

The directors of the Company believe that the investment in TianJin Jinke can strengthen the research and development and upgrade the technology platform of the Group. The Transaction will help the Group to diversify its product range to manufacture high-value products like telecommunication and computer-network related products which will improve the profit margin of the Group. The Company issues shares as consideration in the Transaction because the existing board of directors of TianJin Jinke believes that the investment in TianJin Jinke by the Company will strengthen the business of the Group and is therefore confident with the future of the Group.

Implications to the Listing Rules:

Proudgrowth is a connected person to the Company by virtue of the fact that it is an approximately 58.33% owned subsidiary of Car Po (Holdings) Limited and Car Po (Holdings) Limited is an approximately 99.99% owned subsidiary of Stagelight Group Limited. Stagelight Group Limited together with Great Diamond Developments Limited are controlling shareholders of Perfect Treasure Holdings Limited and own approximately 50.22% of the entire issued share capital thereof. Perfect Treasure Holdings Limited is a company listed on the Stock Exchange. Perfect Treasure Holdings Limited together with its subsidiaries is a substantial shareholder of the Company. Therefore the Transaction constitutes a connected transaction for the Company under the Listing Rules and, accordingly, completion of the Transaction is conditional upon approval by a resolution of the independent shareholders of the Company, other than Sapphire Profits Limited and Perfect Treasure Investment Limited who are connected persons (as defined in the Listing Rules) interested in the Transaction, at a duly convened special general meeting of the shareholders of the Company.

An independent board committee has been formed to consider the Transaction and to make appropriate recommendation to

the independent shareholders of the Company. An independent financial adviser will be appointed to advise the independent board committee.

As this is also a share transaction, application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Trading:

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:00 a.m. on Tuesday, 18th January, 2000, pending the release of this announcement.

The Company has submitted an application to the Stock Exchange to resume trading in its securities from 10:00 a.m. on Wednesday, 19th January, 2000.

General:

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe the securities of the Company. A circular containing details of the Transaction will be despatched to the shareholders of the Company shortly.

Definitions:

"Company" Karce International Holdings
Company Limited

"Consideration" the consideration of the
Transaction, amount to HK\$9,860,000

"Consideration Shares" 5,800,000 shares of HK\$0.10 each
in the Company

"Group" the Company together with its
subsidiaries

"HK\$" Hong Kong dollars, the lawful
currency of Hong Kong

"Listing Rules" the Rules Governing the Listing of

Securities on the Stock Exchange

- "PRC" the People's Republic of China
- "Proudgrowth" Proudgrowth Development Limited, an approximately 58.33% owned subsidiary of Car Po (Holdings) Limited. Car Po (Holdings) Limited is an approximately 99.99% owned subsidiary of Stagelight Group Limited. Stagelight Group Limited together with Great Diamond Developments Limited are controlling shareholders of Perfect Treasure Holdings Limited, which together with its subsidiaries is a substantial shareholder of the Company
- "RMB" Renminbi, the currency of the PRC
- "Stock Exchange" The Stock Exchange of Hong Kong Limited
- "TianJin Jinke" (TianJin Jinke Electronics Co., Ltd.), an equity joint venture limited liability company established in the PRC in 1985
- "TianJin Nankai" (TianJin Nankai Group Co., Ltd.), a PRC enterprise not connected with any director, chief executive or substantial shareholder of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules)
- "Transaction" the Company taking up one-third of the enlarged registered capital of TianJin Jinke and to be satisfied by the issue of the

Consideration Shares by the
Company

By Order of the Board
Li Ka Fai, Fred
Director

Hong Kong, 18th January, 2000