



KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

(泰盛實業集團有限公司)

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

HIGHLIGHTS

The Group's turnover increased by 5.5 per cent. to approximately HK\$554.5 million

Profit attributable to shareholders increased by 31.1 per cent. to approximately HK\$8.1 million

Bank balances and cash was approximately HK\$68.7 million

Total net assets increased by 3.9 per cent. to approximately HK\$321.1 million

Basic earnings per share increased by 28.1 per cent. to HK1.46 cents

ANNUAL RESULTS

The board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002, together with the comparative figures for the corresponding year in 2001 are as follows:

		For the year ended 31 December	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	554,548	525,527
Cost of sales		(454,633)	(443,003)
Gross profit		99,915	82,524
Other operating income		13,302	7,478
Distribution costs		(12,035)	(9,567)
Administrative expenses		(87,480)	(68,373)
Profit from operations	4	13,702	12,062
Finance costs		(3,607)	(3,778)
Share of result of an associate		124	–
Profit before taxation		10,219	8,284
Taxation	5	(1,644)	(1,574)
Profit before minority interests		8,575	6,710
Minority interests		(488)	(542)
Profit for the year		8,087	6,168
Dividend proposed	6	HK0.5 cent	HK1.0 cent
Earnings per share	7		
Basic		HK1.46 cents	HK1.14 cents

Notes:

1. Basis of presentation

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 8 July 1997. The consolidated results include the results of the companies comprising the Group. All material intra-group transactions and balances have been eliminated on consolidation.

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies.

The adoption of these new and revised SSAPs has resulted in the changes to the Group’s accounting policies but has had no significant effect on the results for the current or prior accounting periods.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

3. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31 December 2002, analysed by business segments and by geographical segments, are as follows:

Business segments:

For management purposes, the Group is currently organised into three principal operating divisions-electronic calculators and organisers, conductive silicon rubber keypads and printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2002

	Electronic calculators and organisers HK\$'000	Conductive silicon rubber keypads HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
OPERATING RESULTS						
REVENUE						
External sales	321,043	105,682	86,583	41,240	-	554,548
Inter-segment sales	4,363	10,065	12,701	-	(27,129)	-
Total revenue	<u>325,406</u>	<u>115,747</u>	<u>99,284</u>	<u>41,240</u>	<u>(27,129)</u>	<u>554,548</u>
RESULT						
Segment result	<u>13,263</u>	<u>8,524</u>	<u>4,130</u>	<u>(11,620)</u>	<u>-</u>	<u>14,297</u>
Other operating income						831
Unallocated corporate expenses						(1,426)
Profit from operations						13,702
Finance costs						(3,607)
Share of result of an associate						124
Profit before taxation						10,219
Taxation						(1,644)
Profit before minority interests						8,575
Minority interests						(488)
Profit for the year						<u>8,087</u>

	Electronic calculators and organisers <i>HK\$'000</i>	Conductive silicon rubber keypads <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OPERATING RESULTS						
REVENUE						
External sales	384,291	40,881	88,148	12,207	–	525,527
Inter-segment sales	2,181	11,251	14,591	–	(28,023)	–
Total revenue	<u>386,472</u>	<u>52,132</u>	<u>102,739</u>	<u>12,207</u>	<u>(28,023)</u>	<u>525,527</u>
RESULT						
Segment result	<u>6,531</u>	<u>4,094</u>	<u>3,402</u>	<u>(7,520)</u>	<u>–</u>	6,507
Other operating income						7,478
Unallocated corporate expenses						<u>(1,923)</u>
Profit from operations						12,062
Finance costs						<u>(3,778)</u>
Profit before taxation						8,284
Taxation						<u>(1,574)</u>
Profit before minority interests						6,710
Minority interests						<u>(542)</u>
Profit for the year						<u>6,168</u>

Geographical segments:

The Group's customers are principally located in Japan, Hong Kong, America and Europe.

The following table provides an analysis of the Group's sales by geographical market:

	Turnover		Contribution to profit from operations	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Japan (<i>note a</i>)	141,697	129,099	3,653	1,598
Hong Kong (<i>note b</i>)	99,903	118,465	2,576	1,467
America	66,367	100,854	1,711	1,249
Europe	92,919	56,898	2,396	705
People's Republic of China ("PRC"), other than Hong Kong	78,318	45,048	2,019	558
Other Asian countries	59,193	57,805	1,526	716
Others	16,151	17,358	416	214
	<u>554,548</u>	<u>525,527</u>	<u>14,297</u>	6,507
Other operating income			831	7,478
Unallocated corporate expenses			<u>(1,426)</u>	<u>(1,923)</u>
Profit from operations			<u>13,702</u>	<u>12,062</u>

Notes:

- The Directors believe that a substantial portion of the Group's sales attributable to the Japanese market was subsequently resold to the European and American markets.
- The Directors believe that a portion of the Group's sales attributable to the Hong Kong market was subsequently resold to other markets.

4. Profit from operations

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	540	650
Under (over) provision in the prior year	5	(20)
Depreciation and amortisation:		
Property, plant and equipment	31,958	28,417
Intangible assets – development costs	9,360	1,170
Operating lease rentals	1,256	399
Loss on disposal of property, plant and equipment	463	–
Property, plant and equipment written off	8,047	2,597
Allowance for doubtful debts	521	3,042
Allowance for obsolete and slow-moving inventories	316	9,068
Research and development costs expensed	5,579	3,798
Revaluation deficit of land and buildings included in administrative expenses	346	367
Staff costs	97,013	77,420

5. Taxation

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax:		
Current year	40	185
Overprovision in prior years	–	(4)
PRC enterprise income tax	1,604	1,659
	1,644	1,840
Deferred taxation	–	(266)
	1,644	1,574

Hong Kong Profits Tax is calculated at 16% (2001:16%) on the estimated assessable profit for the year.

PRC enterprise income tax is calculated at the rates prevailing.

6. Dividend proposed

The final dividend of HK0.5 cent (2001: HK1.0 cent) per share with the amount of approximately HK\$2,754,000 (2001: approximately HK\$5,571,000) has been proposed by the directors and is subject to approval by the shareholders in the following annual general meeting.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the year under review of approximately HK\$8,087,000 (2001: approximately HK\$6,168,000) and the weighted average number of 555,598,268 (2001: 539,514,718) ordinary shares in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for shares in both years.

8. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Statutory reserves HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	79,648	35,597	19,487	6,246	44,867	(1,847)	(31,539)	–	91,225	243,684
On repurchase of shares	(626)	–	–	–	–	–	–	286	(286)	(626)
Revaluation surplus on land and buildings	–	–	–	–	6,247	–	–	–	–	6,247
Minority share of post- acquisition reserve	–	–	–	–	(52)	–	–	–	–	(52)
Profit for the year	–	–	–	–	–	–	–	–	6,168	6,168
Transfer	–	–	–	307	–	–	–	–	(307)	–
At 31 December 2001	79,022	35,597	19,487	6,553	51,062	(1,847)	(31,539)	286	96,800	255,421
On repurchase of shares	(258)	–	–	–	–	–	–	636	(636)	(258)
On issue of shares	3,600	–	–	–	–	–	–	–	–	3,600
Revaluation surplus on land and buildings	–	–	–	–	4,865	–	–	–	–	4,865
Minority share of post- acquisition reserve	–	–	–	–	(39)	–	–	–	–	(39)
Final dividend for 2001 paid	–	–	–	–	–	–	–	–	(5,571)	(5,571)
Profit for the year	–	–	–	–	–	–	–	–	8,087	8,087
At 31 December 2002	<u>82,364</u>	<u>35,597</u>	<u>19,487</u>	<u>6,553</u>	<u>55,888</u>	<u>(1,847)</u>	<u>(31,539)</u>	<u>922</u>	<u>98,680</u>	<u>266,105</u>

DIVIDEND

The Directors will recommend at the forthcoming annual general meeting a final dividend of HK0.5 cent (2001: HK1.0 cent) per share payable on or before 30 June 2003 to shareholders whose names appear on the register of members of the Company on 28 May 2003 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2003 to 28 May 2003, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for attending the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 21 May 2003.

BUSINESS AND OPERATIONAL REVIEW

Despite the less than favourable market conditions over the past year, the Group has made significant progress in ensuring that the operations remained competitive. The Directors will continue to focus on improving the sales and enhancing the quality of products, while at the same time building up the research and development capabilities and improving the facilities management in terms of cost and productivity.

For the year ended 31 December 2002, the Group recorded a turnover of approximately HK\$554.5 million, representing an increase of approximately 5.5 per cent. as compared with approximately HK\$525.5 million in 2001.

Net profit attributable to shareholders has also increased by approximately 31.1 per cent. to approximately HK\$8,087,000 (2001: approximately HK\$6,168,000).

SEGMENTAL ANALYSIS

Electronic calculators and organisers

During the year under review, the Group continued to focus on the sales of electronic calculators and organisers under the branded customers located throughout Japan, Europe and America. The Group moves forward with a strategy that combines proven excellence in product development and cost-effective manufacturing with a new customer-centric approach.

For the year ended 31 December 2002, the turnover of electronic calculators and organisers decreased by approximately 16.5 per cent. to approximately HK\$321 million (2001: approximately HK\$384.3 million), representing approximately 57.9 per cent. of the turnover of the Group. In the past year, the market was extremely tough. Price competition was fierce as traders and suppliers slashed prices to liquidate their inventory.

The management focus on tight cost control, mainly contributed by the raw materials and components, which was substantially offset by the decrease in turnover during the year under review.

In line with our strategy to focus on profitability, the gross profit margin rose by approximately 3.4 per cent. to approximately 19.4 per cent. (2001: approximately 16 per cent.). Demand in Europe and America remained strong and in line with its economic growth but prices were subdued. Given that the recovery is under way, it is expected that the turnover will continue to grow in the year of 2003 and the profitability will continue to improve.

As a result, the operating profit for the year ended 31 December 2002 amounted to approximately HK\$13.3 million (2001: approximately HK\$6.5 million).

In the coming year, the Group will continuously adopt its business strategy for customer diversification, high value added production, effective cost control and quality management.

Conductive silicon rubber keypads

Along with the successful acquisition of Dongguan Tehsutec Electronic Limited (“Dongguan Tehsutec”) in 2002, for the year ended 31 December 2002, the turnover of conductive silicon rubber keypads significantly increased by approximately 158.4 per cent. to approximately HK\$105.7 million (2001: approximately HK\$40.9 million) representing approximately 19.1 per cent. of the turnover of the Group.

Through this strategic alliance, the Group explored new business opportunities to expand its customer base and serve a broad range of well known customers in Japan and the People’s Republic of China. The effort was rewarded as the contribution to operating profit amounted to approximately HK\$8.5 million (2001: approximately HK\$4.1 million).

The Group’s conductive silicon rubber keypads are mainly made for use in electronic calculators, databanks, electronic organisers, mobile phones and remote controls. Looking ahead, the Directors believe that the acquisition of Dongguan Tehsutec will continue to give the Group the opportunity to better develop the conductive silicon rubber keypads’ business and the acquisition will contribute positively to the revenue growth of the Group in the coming year.

Printed Circuit Boards (“PCB”)

For the year ended 31 December 2002, the turnover of PCB has slightly decreased to approximately HK\$86.6 million (2001: approximately HK\$88.1 million) representing approximately 15.6 per cent. of the turnover of the Group.

The management focused on stringent cost control on raw materials, the reward of which was offset by the slight decrease in turnover. Accordingly, the operating profit was maintained at approximately HK\$4.1 million. (2001: approximately HK\$3.4 million)

During the year under review, the Group spent approximately HK\$7.9 million for the acquisition of additional machineries. Upon the acquisition of additional machineries, the Group has further reverted back about one-third of the complexity work from outside subcontractors and the subcontracting fees reduced to approximately HK\$5.8 million for the year ended 31 December 2002 (2001: approximately HK\$7.4 million).

In the coming year, the Group will continue to adopt its business strategy for stringent cost control and consolidation of its key client base. The Directors believe that the future performance and prospects of PCB business are optimistic.

Other operations

Electronic toys products

In line with the Group’s ongoing efforts in diversifying its products and capturing new business opportunities, turnover derived from a new business segment of electronic toys products, such as infant toys and electronic learning products, recorded approximately HK\$20.5 million for the year ended 31 December 2002 (2001: approximately HK\$533,000). As these product lines are still at the investment stage, their contribution remains small in the financial year of 2002, inevitably affecting our bottom line.

For the year ended 31 December 2002, the electronic toys segments recorded an operating loss before taxation of approximately HK\$2.3 million (2001: nil).

Although the investment in new products and business lines has clearly impacted the Group’s earnings this year, the Directors believe that it is a sound investment in exciting new areas of growth that will sustain returns to shareholders in the coming years, as earnings from new businesses come in.

Cordless telephone products

For the year ended 31 December 2002, the turnover derived from the cordless telephone segments recorded approximately HK\$20.7 million (2001: approximately HK\$11.7 million).

During the year under review, the Group incurred development costs amounting to approximately HK\$9.4 million payable to Arkon Technologies Inc. for the development of new Digital Enhanced Cordless Telephones (“DECT phones”) and telecommunication products in the cordless telephone segments (2001: approximately HK\$9.4 million). Upon the agreement with Ascalade Communications Holdings Limited (the “Ascalade Holdings”), the associate of the Group, which together with its subsidiaries (the “Ascalade Group”) on 14 August 2002, the Group still owns the telecommunication technology on the DECT phones and agreed to grant Ascalade Group a right to use such technology for the remaining useful life until December 2003. Accordingly, the Group will provide an amortization on the incurred development costs on a straight line basis over its estimated useful life of two years.

As a result, for the year ended 31 December 2002, the cordless telephone segments recorded an operating loss before taxation of approximately HK\$9.3 million (2001: loss from operations of approximately HK\$7.5 million).

Share of result of an associate, Ascalade Group

To sustain the growth momentum, the Group has established an associate, Ascalade Holdings, and owns 49 per cent. of the equity interest in Ascalade Holdings. Ascalade Holdings is principally engaged in the design, manufacture and distribution of cordless phones and other telecommunications products for the markets in Hong Kong, Europe and North America.

Accordingly, the Group entered into an agreement with Ascalade Holdings on 14 August 2002, pursuant to which the Group transferred its business and certain assets amounting to approximately HK\$16.7 million of the cordless telephone segments to Ascalade Group. After the establishment of Ascalade Holdings, the business was transferred to and the telecommunication activities have to be performed by Ascalade Group. In return, Ascalade Group agreed to pay the Group a compensation fee in the sum of approximately HK\$6.3 million to cover the operating costs in the previous telecommunication operation.

Through such establishment of Ascalade Group in August 2002, turnover derived from the above businesses and new products, such as Parafone, 1.8 GHz and 2.4 GHz DECT phones, recorded approximately HK\$99.4 million in the second half of 2002. The effort was rewarded as the share of positive contribution to the Group's operating profit amounted to approximately HK\$124,000 (2001: nil).

Supported by a capable and dedicated management team, Ascalade Group is well positioned to take on further challenges and opportunities in full confidence and the Directors believe that the future performance and prospects of the telecommunication business are optimistic.

Overall

For the year ended 31 December 2002, the overall gross profit margin of the Group increased by approximately 14.6 per cent. to approximately 18.0 per cent. (2001: approximately 15.7 per cent.).

The Directors maintain a strict and prudent plant and equipment control system and make a written off on the property, plant and equipment whenever they consider necessary. During the year under review, certain models of moulding equipment amounted to approximately HK\$8,047,000 (2001: approximately HK\$2,597,000) were obsolete and the Directors made a written off of approximately HK\$8,047,000 (2001: approximately HK\$2,597,000) for these moulding equipment.

With a disciplined financial management policy, during the year under review, certain models of raw materials and finished goods amounted to approximately HK\$316,000 (2001: approximately HK\$9,068,000) were recorded which mainly represented the provision for obsolete and slow moving inventories of the Group.

Nevertheless, consolidated profit attributable to shareholders for the year ended 31 December 2002 amounted to approximately HK\$8.1 million, representing an increase of approximately 31.1 per cent. over 2001.

Shareholders' equity increased to approximately HK\$321.1 million as at 31 December 2002 from approximately HK\$309.1 million as at 31 December 2001.

FUTURE PLANS AND PROSPECTS

The Middle East conflict could have a dampening effect on consumer sentiment, and business activity may be affected across the globe. Given these difficult circumstances, the Group will actively try to minimize any resultant negative impact.

Conflict aside, major opportunities continue to exist in the European and American markets. Although the electronic industry expects another challenging year ahead, our business outlook is positive.

The Group believes that there are still many opportunities for growth that can be leveraged from new markets and new products, which are being launched in the new financial year.

The Group is investing for the future and is expanding its production and research and development resources. It is also planning to implement in the second quarter in this year the "Oracle" Enterprises Resources Planning (ERP) systems to improve the operational efficiency and knowledge sharing within the Group.

The Directors believe that the acquisition of Dongguan Tehsutec will continue to provide opportunities for the Group to widen its customers' base for the manufacture of conductive silicon rubber keypads' business in Mainland China and the acquisition will contribute positively to the future revenue growth of the Group.

Although the Group has been proud to present a set of satisfactory results for this year of very difficult business environment, it is still constantly working on ways to further improve its operating performance. On the sales and distribution front, the Group will focus on increasing the number of regional distributors for "Karce" branded products. At the same time, the Group will continue to explore new opportunities, new markets and new technologies. On the cost front, the Group will further strengthen its proactive stance in making operational changes and implementing aggressive cost efficiency measures.

Looking forward, the Group foresees the next few years as extremely challenging and the Directors are cautiously optimistic based on their experience and strong management direction.

Barring unforeseeable circumstances, the management is confident of improved performances in the coming financial year as the Group's growth platform has been refined and strengthened.

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK\$321.1 million as at 31 December 2002 from approximately HK\$309.1 million as at 31 December 2001. As at 31 December 2002, the short term and long term interest bearing debts to shareholders' equity was approximately 26.4 per cent. (2001: approximately 22.3 per cent).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled us to maintain a strong financial position. As at 31 December 2002, the Group had fixed deposits and cash balances aggregated to approximately HK\$68.7 million (2001: approximately HK\$81.0 million).

As at 31 December 2002, total indebtedness including bank borrowings and obligations under finance leases contracts amounted to approximately HK\$84.9 million (2001: approximately HK\$69.1 million).

The total indebtedness as at 31 December 2002 represented approximately 26.4 per cent. of the total shareholders' equity (2001: approximately 22.3 per cent).

The Directors considered that the Group shall have enough and strong financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's cash balances are deposited in Hong Kong dollars or the United States dollars with major banks in Hong Kong.

Apart from the above, most of the Group's assets and liabilities, revenues and payments are either in Hong Kong dollars or the United States dollars. Therefore, the Directors consider the exposure risk to foreign currency fluctuations minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the Group employed approximately 6,424 full time employees, of which 63 were based in Hong Kong and 6,361 were based in the People's Republic of China. The Group remunerates its employees on the basis of industry's practice and the performance of the individual employee. Employees may also participate in the share option scheme of the Company.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the year under review, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save and except that all non-executive Directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee ("Committee") has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the audited consolidated results for the year ended 31 December 2002.

The members of the Committee included the two independent non-executive Directors of the Company.

PURCHASE, SALES AND REDEMPTION OF SECURITIES

During the year ended 31 December 2002, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. All these listed securities were subsequently cancelled by the Company, the details of which are set out below:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2002				
July	412,000	0.185	0.181	76
August	912,000	0.180	0.172	161
October	3,320,000	0.128	0.118	419
November	1,724,000	0.143	0.132	238
	<u>6,368,000</u>			<u>894</u>

The repurchases mentioned above were made for the purpose of enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board
Tong Shek Lun
Chairman and Managing Director

Hong Kong, 16 April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Karce International Holdings Company Limited (the "Company") for the financial year ended 31 December 2002 will be held at Sheung Shui and Fanling Rooms, 30th Floor, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong on Wednesday, 28 May 2003 at 11:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2002;
2. to declare a final dividend for the year ended 31 December 2002;
3. to re-elect directors and authorise the board of directors to fix the remuneration of the directors;
4. to re-appoint auditors and authorise the board of directors to fix their remuneration; and
5. to consider as special business and, if thought fit, pass with or without amendments, the following resolutions each as Ordinary Resolution:
 - A. **"THAT:**
 - (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) the exercise of any option under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers, employees of the Company and/or any of its subsidiaries or other eligible participants of shares or rights to acquire shares in the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
- (iii) the date of which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

B. “THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase shares of the Company, subject to and in accordance with all applicable laws and requirements, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which may be purchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
- (iii) the date which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

- C. “**THAT** conditional upon Resolutions A and B set out above being passed, the aggregate nominal amount of the shares of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution B above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Resolution A above.”

By Order of the Board
Wong Hei Chiu
Company Secretary

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
3. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the principal office of the Company, Units 1 and 2, 29th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting.
4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.

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