
THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the 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 or transferred all your shares in Karce International Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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.

**KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED**

(泰盛實業集團有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

**PROPOSED GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES****AND****PROPOSED RE-ELECTION OF DIRECTORS**

The notice convening the Annual General Meeting of Karce International Holdings Company Limited to be held at Crystal Room IV, 3rd Floor, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong, on Tuesday, 29 May 2007 at 11:00 a.m. at which the above proposals will be considered is set out on pages 4 to 9 of the 2006 annual report of Karce International Holdings Company Limited. Whether or not you are able to attend the meeting, please complete and return the relevant form of proxy as instructed as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting to the registered office of the Company. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

27 April 2007

* For identification purpose only

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Definitions | 1 |
| Letter from the Board | |
| A. Introduction | 3 |
| B. Proposed general mandates to repurchase and issue shares | 4 |
| C. Explanatory statement | 4 |
| D. Proposed re-election of Directors | 4 |
| E. Responsibility statement | 6 |
| F. General information | 6 |
| G. Procedures for demanding a poll | 7 |
| H. Recommendation | 7 |
| Appendix — Explanatory Statement | 8 |

DEFINITIONS

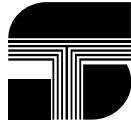
In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

| | |
|---------------------------|---|
| | the annual general meeting of the Company for the year ended 31 December 2006 to be held on 29 May 2007 |
| “Annual Report” | annual report of the Company in respect of the year ended 31 December 2006 |
| “associates” | having the meaning as ascribed in the Listing Rules |
| “Bye-laws” | the bye-laws of the Company |
| “Company” | Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Latest Practicable Date” | 21 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Repurchase Mandate” | As defined under the section headed “Proposed general mandates to issue and repurchase Shares” |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| “Shareholders” | holders of the Share and a “Shareholder” shall be construed accordingly |

DEFINITIONS

| | |
|------------------|---|
| “Shares” | ordinary shares of HK\$0.1 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time) and a “Share” shall be construed accordingly |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |

LETTER FROM THE BOARD



KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

(泰盛實業集團有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

Directors:

Mr. Tong Shek Lun
Ms. Ko Lai King, Kinny
Ms. Chung Wai Yu, Regina

Non-executive Directors:

Mr. Lee Kwok Leung
Mr. Yang Yiu Chong, Ronald Jeffrey

Independent non-executive Directors:

Mr. Sun Yaoquan
Mr. Goh Gen Cheung
Mr. Chan Ho Man

Principal Office:

Units 1 and 2
29th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

27 April 2007

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES
AND
PROPOSED RE-ELECTION OF DIRECTORS**

A. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting for the proposed (i) granting of general mandates to repurchase Shares and to allot, issue and deal with new Shares and (ii) re-election of the Directors who are due to retire. This circular contains the explanatory statement in compliance with the Listing Rules and to give all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions.

* For identification purposes only

LETTER FROM THE BOARD

B. PROPOSED GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be granted a general mandate (the “**Repurchase Mandate**”) to exercise all powers of the Company to repurchase issued and fully paid Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the resolution. The Repurchase Mandate allows the Company to make or agree to make repurchases only during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by law or by the Bye-laws; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

Ordinary resolutions will also be proposed at the Annual General Meeting to (i) grant the Directors a general mandate to allot, issue and deal with new Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the resolution; and (ii) extend the general mandate granted to the Directors to allot, issue and deal with new Shares as mentioned in paragraph (i) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the Repurchase Mandate.

C. EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement is provided to you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate.

D. PROPOSED RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the executive Directors are Mr. Tong Shek Lun, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina; two non-executive Directors are Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey; and three independent non-executive Directors are Mr. Sun Yaoquan, Mr. Goh Gen Cheung and Mr. Chan Ho Man.

The Bye-laws have provided that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Accordingly, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan, shall retire by rotation in accordance with the Bye-laws and Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan, being eligible, offer themselves for re-election at the Annual General Meeting.

LETTER FROM THE BOARD

Set out below are the brief biographical and other details of Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan:

(A) Ms. Ko Lai King, Kinny, an executive Director

Ms. Ko Lai King, Kinny, aged 45, is an executive Director. She is responsible for the overall administration and human resources management of the Group. Ms. Ko joined the Group in November 1991 and has over 17 years' experience in the electronic industry.

As at the Latest Practicable Date, she is interested in 231,180,000 shares of the Company within the meaning of Part XV of the SFO.

She has entered into a service contract with the Company for a period of three years commencing from 1 April 2007 to 31 March 2010. She is entitled to an annual emolument of HK\$1,247,000 which is determined with reference to her duty and responsibility with the Company.

(B) Ms. Chung Wai Yu, Regina, an executive Director

Ms. Chung Wai Yu, Regina, aged 38, is an executive Director. She is responsible for the overall sales and marketing of the products manufactured by the Group. Ms. Chung holds a bachelor of arts degree in religious studies from the Hong Kong Baptist College, a diploma in business management from the Hong Kong Management Association and a master degree in strategic marketing from the University of Hull in the United Kingdom. She joined the Group in August 1993 and has over 14 years' experience in the sales and marketing of products manufactured by the Group.

As at the Latest Practicable Date, she is interested in 231,180,000 shares of the Company within the meaning of Part XV of the SFO.

She has entered into a service contract with the Company for a period of three years commencing from 1 April 2007 to 31 March 2010. She is entitled to an annual emolument of HK\$1,512,000 which is determined with reference to her duty and responsibility with the Company.

(C) Mr. Sun Yaoquan, an independent non-executive Director

Mr. Sun Yaoquan, aged 60, has been a Director since 1998. He was the ex-secretary of the Humen Town Town Council. Prior to being appointed as the secretary in April 1995, he was the mayor of the Humen Town Town Council.

As a non-executive Director, Mr. Sun is appointed for a specific term of one year from 1 January 2007 to 31 December 2007 but is subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the bye-laws of the Company. Mr. Sun is entitled to an annual emolument of HK\$120,000 which is determined with reference to his duty and responsibility with the Company. In addition, Mr. Sun is not entitled to receive any discretionary bonus from the Group.

LETTER FROM THE BOARD

Save as disclosed hereof and as at the Latest Practicable Date, the Directors confirmed that:—

- (a) each of Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan does not have any other relationships with any Director, senior management or substantial or controlling shareholder of the Company;
- (b) each of Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan has no other interests in the Shares within the meaning of Part XV of the SFO;
- (c) each of Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Sun Yaoquan does not hold any directorships in listed public companies in the last three years;
- (d) there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 13.51(2) of the Listing Rules; and
- (e) the Company is not aware of any other matter that needs to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Directors.

E. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The information contained herein relating to the Company has been supplied by the Directors, who jointly and severally 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading insofar as it relates to the Company.

F. GENERAL INFORMATION

The notice for the Annual General Meeting is set out in the 2006 Annual Report of the Company. Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the head office and principal place of business of the Company at Units 1 and 2, 29th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of the proxy form will not preclude you from attending and voting in person if you so wish.

LETTER FROM THE BOARD

G. PROCEDURES FOR DEMANDING A POLL

Pursuant to the Bye-laws, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by a poll is required by the rules of the designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (e) by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. or more of the total voting rights at the meeting.

A demand by a person as proxy for a member or in the case of a member being a corporate by its duly authorised representative shall be deemed to be the same as a demand by a member.

H. RECOMMENDATION

The Directors consider that the granting of the Repurchase Mandate and the re-election of Directors are in the interest of the Company. The Directors therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,

By order of the Board

Karce International Holdings Company Limited

Tong Shek Lun

Chairman and Managing Director

This Appendix serves as an explanatory statement given to all the Shareholders, as required by the Listing Rules, to provide requisite information of the Repurchase Mandate.

1. LISTING RULES FOR REPURCHASES OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their fully-paid shares subject to certain restrictions, the more important of which are summarised below:

(a) Share capital

Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the relevant resolutions granting the Repurchase Mandate. The Company's authority is restricted to purchase in accordance with the Listing Rules. As at the Latest Practicable Date, there were in issue an aggregate of 544,356,000 Shares. Exercise in full of the Repurchase Mandate, on the basis that no further Shares would be issued or repurchased prior to the date of the Annual General Meeting, would accordingly result in up to 54,435,600 Shares being repurchased by the Company. The Shares repurchased by the Company shall, subject to applicable law, be automatically cancelled upon such repurchase.

(b) Reasons for repurchase

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate will provide the Company the flexibility to make such repurchase when appropriate and is beneficial to the Company. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share. As compared with the financial position of the Company as at 31 December 2006 (being the date of its latest audited accounts), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the Repurchase Mandate is exercised in full at any time during the proposed repurchase period. In the circumstances, the Directors do not propose to exercise the Repurchase Mandate to such an extent that would have a material adverse impact on the working capital or gearing ratio of the Company.

(c) Funding of repurchases

Repurchase of the Shares will be funded out of funds legally available for such purpose in accordance with the memorandum of association and bye-laws of the Company and the applicable laws of Bermuda.

(d) Directors, their associates and connected persons

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their associates has any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

At the Latest Practicable Date, no connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Repurchase Mandate is granted.

(e) Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate in the proposed resolution in accordance with the Listing Rules, the memorandum of association and bye-laws of the Company and the applicable laws of Bermuda.

(f) Effect of the Takeovers Code

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 26 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the register of the substantial Shareholders maintained by the Company pursuant to Section 336 under Part XV of the SFO showed that the Company has been notified of the following interests, being 5 per cent. or more of the Company's issued share capital:

| Name of Shareholder | Number of Shares held | Approximate percentage of the shareholding as at the Latest Practicable Date | Approximate percentage of shareholding if the Repurchase Mandate is exercised in full |
|--|--------------------------|--|--|
| Sapphire Profits Limited (<i>Note 1</i>) | 231,180,000 | 42.5% | 47.2% |
| Perfect Treasure Investment Limited (<i>Note 2</i>) | 88,100,000 | 16.2% | 18.0% |

Notes:

1. The shares are held by Sapphire Profits Limited, a substantial shareholder of the Company. Mr. Tong Shek Lun, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina each owns 93.87%, 3.46% and 2.67% of the issued share capital of Sapphire Profits Limited, respectively.
2. Perfect Treasure Investment Limited is an indirectly wholly owned subsidiary of Sing Tao News Corporation Limited, a listed company on the Stock Exchange.

In the event that the Directors shall exercise in full the Repurchase Mandate and assuming that no Shares are issued or repurchased between the Latest Practicable Date and the date of repurchase, the total interests of the above substantial Shareholders would be increased to approximately the respective percentages shown in the last column above and such increases may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Directors have no current intention to exercise the Repurchase Mandate to such extent as would give rise to such obligation.

2. SHARE PURCHASE MADE BY THE COMPANY

During the year, the Company repurchased 6,420,000 shares on the Stock Exchange at an aggregate consideration of HK\$2,074,520 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the share repurchases are as follows:

| Month of repurchases | Number of ordinary shares repurchased | Highest price paid per share HK\$ | Lowest price paid per share HK\$ | Aggregate consideration paid HK\$ |
|-----------------------------|--|--|---|--|
| March 2006 | 800,000 | 0.270 | 0.265 | 213,500 |
| April 2006 | 2,048,000 | 0.355 | 0.285 | 659,180 |
| May 2006 | 2,968,000 | 0.375 | 0.320 | 1,036,720 |
| September 2006 | 332,000 | 0.280 | 0.280 | 92,960 |
| October 2006 | 72,000 | 0.280 | 0.280 | 20,160 |
| November 2006 | 200,000 | 0.270 | 0.250 | 52,000 |
| | 6,420,000 | | | 2,074,520 |

The repurchased shares were cancelled on delivery of the share certificates during the year. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the relevant aggregate consideration was paid out from the Company's retained profits.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

3. SHARE PRICES

During each of the previous 12 months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

| Month | Per Share | |
|---|-------------------------------|------------------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2006 | | |
| April | 0.385 | 0.290 |
| May | 0.375 | 0.305 |
| June | 0.320 | 0.285 |
| July | 0.310 | 0.280 |
| August | 0.300 | 0.260 |
| September | 0.305 | 0.270 |
| October | 0.285 | 0.255 |
| November | 0.285 | 0.200 |
| December | 0.260 | 0.241 |
| 2007 | | |
| January | 0.280 | 0.232 |
| February | 0.350 | 0.250 |
| March | 0.340 | 0.275 |
| April (up to the Latest Practicable Date) | 0.355 | 0.295 |