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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)*

### **DISCLOSURE PURSUANT TO PRACTICE NOTE 19**

This announcement is made pursuant to Practice Note 19 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This announcement is made by Karce International Holdings Company Limited (the "Company") pursuant to Practice Note 19 to the Listing Rules in view of the fact that the amount of financial assistance granted to its affiliated company is in excess of 25% of the consolidated net tangible asset value of the Company together with its subsidiaries (the "Group") as at 31st December, 2002.

In compliance with paragraph 3.3 of Practice Note 19 of the Listing Rules, the Company discloses the following information:

- (1) Pursuant to a loan agreement dated 14th August, 2002 (the "Loan Agreement"), the Group agreed to grant Ascalade Communications Holdings Limited ("Ascalade") a loan in a total sum of US\$5,000,000 (equivalent to HK\$39,000,000 based on the exchange rate of US\$1.00 = HK\$7.8). Ascalade is a company of which 49% of its issued share capital is owned by the Group. The remaining 51% of Ascalade is owned by independent third parties not connected with any of the directors (the "Directors"), chief executives, substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). As at 31st July, 2003 (the "Latest Practicable Date"), the Group has lent Ascalade an aggregate amount of approximately HK\$38,800,000 pursuant to the Loan Agreement (the "Loan").

The Loan granted by the Group pursuant to the Loan Agreement is unsecured. It bears interest at the London Interbank Offer Rate and is repayable by monthly instalments of US\$280,000 (equivalent to HK\$2,184,000 based on the exchange rate of US\$1.00 = HK\$7.8) upon first written demand by the Group to be served on Ascalade at any time on or after 15th January, 2004. The Directors confirm that the terms of the Loan are made on normal commercial terms which are not less favourable to the Group than terms available to or from independent third parties.

- (2) Apart from the Loan Agreement, the Group has also granted Ascalade advances for its general working capital purpose, and, as at the Latest Practicable Date, the Group has already advanced to Ascalade an aggregate amount of approximately HK\$25,000,000 (the "Advances").

The Advances granted by the Group for the general working capital purpose of Ascalade are unsecured, bear interest at prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited at the end of each month and has no fixed terms of repayment. The Directors confirm that the terms of the Advances are made on normal commercial terms which are not less favourable to the Group than terms available to or from independent third parties.

(3) As at the Latest Practicable Date, among various corporate guarantees provided by the Group, the Group has also provided corporate guarantees to the members of the Group and Ascalade collectively for the purpose of their general trading facilities (the “Corporate Guarantee”). The facilities under the Corporate Guarantee which may be utilised collectively by the Group and Ascalade are offered by 2 banks with a limit of HK\$80,000,000. As at the Latest Practicable Date, the Group and Ascalade have utilised facilities amounting to approximately HK\$5,827,000 and approximately HK\$32,707,000 respectively under the Corporate Guarantee.

The Loan and Advances to Ascalade were funded by internal resources and by bank borrowings of the Group for its general working capital purposes. As at the Latest Practicable Date, the aggregate of the Loan and Advances to Ascalade and facilities utilised by Ascalade under the Corporate Guarantee amounted to approximately HK\$96,507,000, representing approximately 30% of the Group’s audited net tangible asset value as at 31st December, 2002. Taking into account of the remaining balance of the Loan of approximately HK\$200,000 available to Ascalade pursuant to the Loan Agreement and the facilities which may be utilised by Ascalade under the Corporate Guarantee, the total estimated loans, advances and facilities under the Corporate Guarantee to Ascalade may be increased to approximately HK\$144,000,000, which will represent approximately 44.8% of the Group’s audited net tangible asset value as at 31st December, 2002.

Ascalade 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. The Group has provided the Loan, Advances and Corporate Guarantee to Ascalade to facilitate its general working capital and to cope with its expansion in the telecommunication business. The Directors believe that the Loan, Advances and Corporate Guarantee to Ascalade is for the best interests of the shareholders of the Group because it will sustain the growth momentum by diversifying the business as well as generating additional profits for the Group. The Directors are in full confidence on the future performance and prospects of the telecommunication business.

Disclosure will be included in the interim and annual reports of the Company according to paragraph 3.10 of Practice Note 19 of the Listing Rules for so long as the obligation continues to exist.

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

Hong Kong, 6th August, 2003

*\* for identification purpose only*

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