
THIS 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 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.

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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
ACQUISITION OF PROPERTY**

* for identification only

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property pursuant to the Agreement
“Agreement”	the 《房地產轉讓合同》 (Property Transfer Contract) dated 27 August, 2004 entered into between the Vendor and the Purchaser for the acquisition of the Property
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Karce International Holdings Company Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	17 September, 2004, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“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 circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the property and the underlying land use rights situated at 東莞市沙田鎮稔州管理區 (Dongguan City Shatin Town Ren Zhou Management Zone), the PRC with a total land use right area of approximately 4,768 sq.m. and a total building area of approximately 9,034 sq.m. as specified in the respective 《國有土地使用證》 (State-owned Land Use Right Certificate) and 《房地產權證》 (Real Estate Ownership Certificates) as referred to in the Agreement
“Purchaser”	東莞德鉅電子有限公司 (Dongguan Tehsutec Electronic Company Limited)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 in the capital of the Company
“Shareholders”	holders of the Share(s)
“Vendor”	東莞液視通半導體有限公司 (Dongguan Ye Shi Tong Semi-Conductor Company Limited)
“sq.m.”	square meters
“HK\$”	the lawful currency of Hong Kong
“RMB”	the lawful currency of the PRC. For information only, RMB has been translated to HK\$ as to HK\$1 to RMB1.06. No representation is made that such amounts were or could be exchanged at such rates

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)

Directors:

Mr. Tong Shek Lun

(Chairman and Managing Director)

Mr. Li Ka Fai, Fred

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. Tsao Kwang Yung, Peter

Mr. Goh Gen Cheung

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place
of business in Hong Kong:*

Units 1 and 2, 29th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

21 September, 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

As announced by the Board on 31 August, 2004, the Group had entered into the Agreement with the Vendor to purchase the Property at a total consideration of RMB11,180,000 (equivalent to approximately HK\$10,547,170). The purpose of this circular is to provide you with further information in relation to the Acquisition.

THE AGREEMENT

Date

27 August, 2004

* for identification only

LETTER FROM THE BOARD

Parties

- Vendor: 東莞液視通半導體有限公司 (Dongguan Ye Shi Tong Semi-Conductor Company Limited). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, the Vendor 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 Vendor is principally engaged in the businesses of property holding and letting.
- Purchaser: 東莞德鉅電子有限公司 (Dongguan Tehsutec Electronic Company Limited), a company incorporated in the PRC and is an indirect wholly owned subsidiary of the Company.

Assets to be acquired

The property and the underlying land use rights situated at 東莞市沙田鎮稔州管理區 (Dongguan City Shatin Town Ren Zhou Management Zone), the PRC with a total land use right area of approximately 4,768 sq.m. and a total building area of approximately 9,034 sq.m. as specified in the respective 《國有土地使用證》 (State-owned Land Use Right Certificate) and 《房地產權證》 (Real Estate Ownership Certificates) as referred to in the Agreement.

As advised by the PRC lawyer of the Company, the underlying land of the Property is 出讓地 (granted land) and the Property is transferable by the Purchaser after completion. To the understanding of the Directors, the land premium in relation to the Property had been settled.

Consideration

The consideration of an aggregate amount of RMB11,180,000 (equivalent to approximately HK\$10,547,170) was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by reference to the valuation of the Property conducted on 23 July, 2004 by a PRC valuer, 東莞市德正會計師事務所 (Dongguan City Diligent Certified Public Accountant), with a fair market value of RMB11,287,530 (equivalent to approximately HK\$10,648,613). To the best of the Directors' knowledge, information and belief, the valuer is not a connected person (as defined in the Listing Rules) of the Company.

The consideration is payable in 36 monthly installments ("Installments") before the end of each month commencing from the subsequent month of signing of the Agreement (i.e. September 2004). An aggregate sum of RMB311,000 (equivalent to approximately HK\$293,396) shall be payable for each of the first 35 installments and the remaining balance of RMB295,000 (equivalent to approximately HK\$278,302) shall be payable for the last installment.

Completion

Before the payment of the 5th Installment, the Vendor shall transfer the 《國有土地使用證》 (State-owned Land Use Right Certificate) and 《房地產權證》 (Real Estate Ownership Certificates) to the Purchaser. In the event where the Vendor fails to transfer the title documents as mentioned above, the Purchaser shall have the right to terminate the Agreement, to demand the repayment of all installments paid and to claim for compensation.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The Group is principally engaged in the businesses of manufacturing and distribution of electronic calculators and organizers, conductive silicon rubber keypads, printed circuit boards, electronic toys products and cordless telephone products.

The setup of the Property is a factory and the Group has been leasing the Property from the Vendor for the past approximately 5 years with the most current monthly rental payment of HK\$85,000 to engage in one of its core businesses, manufacturing of conductive silicon rubber keypads (“**Business**”). The Group acquires the Property mainly to cope with its expansion in the Business as it believes that such acquisition can secure the place of production and thus provide a platform to secure orders from its customers. The Directors believe that the Acquisition is for the best interests of the Shareholders because it will sustain the growth momentum of the Group by diversifying its businesses as well as generating additional profits for the Group.

The net profits before taxation and extraordinary items of the Group attributable to the Business operated in the Property for the two years ended 31 December, 2002 and 31 December, 2003 amounted to approximately HK\$5,273,000 and HK\$321,000 respectively and the net profits after taxation and extraordinary items of the Group attributable to the Business operated in the Property for the two years ended 31 December, 2002 and 31 December, 2003 amounted to approximately HK\$4,635,000 and HK\$321,000 respectively. The Directors consider that the Acquisition will not have material effect on the assets and liabilities of the Group as the Acquisition will be financed by internal cashflow of the Group and the Property amounted to only around 3.6% of the total fixed assets of the Group as at 31 December, 2003. Also, the Directors consider that the Acquisition will not have material effect on the earnings of the Group as it will not have any significant profit and loss effect except that the Group is not required to pay the annual rental amount of HK\$1,020,000 for the leasing of the Property after the Acquisition.

The Directors consider that the terms of the Agreement were arrived at after arm’s length negotiations based on normal commercial terms and are considered to be fair and reasonable.

GENERAL

The Acquisition contemplated under the Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Karce International Holdings Company Limited
Tong Shek Lun
Chairman and Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually 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 and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

1. DISCLOSURE OF INTERESTS**Interests and short positions of Directors and chief executive in the share capital of the Company and its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, would be required to be notified to the Company and the Stock Exchange.

Directors' interests in the Shares

Name of Director	Type of interest	Number of Shares held (Long position)	Percentage of issued share capital of the Company
Mr. Tong Shek Lun	Corporate	231,180,000	42%
Mr. Li Ka Fai, Fred	Corporate	231,180,000	42%
Ms. Ko Lai King, Kinny	Corporate	231,180,000	42%
Ms. Chung Wai Yu, Regina	Corporate	231,180,000	42%

The above Shares were held by Sapphire Profits Limited, a substantial shareholder of the Company. Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina owned 90.41%, 3.46%, 3.46% and 2.67% of the issued share capital of Sapphire Profits Limited, respectively.

2. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors were aware of any person (other than a Director or chief executive of the Company), who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or would be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Name	Number of Shares held (Long position)	Percentage of issued share capital of the Company
Sapphire Profits Limited	231,180,000	42%
Perfect Treasure Investment Limited	88,100,000	16%

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or arbitration of material importance was pending or threatened against the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December, 2003, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, the Company has entered into service contract with each of the executive Directors for a term of 3 years and appointment letter with each of the non-executive Directors and each of the independent non-executive Directors for a term of 1 year.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who had given opinion or advice which is contained in this circular:

Name	Qualification
東莞市德正會計師事務所 (Dongguan City Diligent Certified Public Accountant)	Property valuer

東莞市德正會計師事務所 (Dongguan City Diligent Certified Public Accountant) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of information from its report and references to its name in the form and context in which they appeared.

7. EXPERT'S INTEREST

As at the Latest Practicable Date, 東莞市德正會計師事務所 (Dongguan City Diligent Certified Public Accountant) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competed or may compete with the business of the Group.

9. MISCELLANEOUS

- (a) The company secretary as well as the qualified accountant of the Company is Mr. Wong Hei Chiu. Mr. Wong holds a bachelor's degree in business administration from Lingnan University, Hong Kong. He is a Certified Public Accountant, a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principle place of business of the Company in Hong Kong is located at Units 1 and 2, 29th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.