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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.

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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)

**PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
PROPOSED RE-ELECTION OF DIRECTORS
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS**

* for identification purpose only

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company for the year ended 31 December 2005 to be held on 30 May 2006
“Annual Report”	annual report of the Company in respect of the year ended 31 December 2005
“associates”	having the meaning as ascribed in the Listing Rules
“Bye-laws”	the bye-laws of the Company
“Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“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 2006, 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 paragraph headed “Proposed general mandates to repurchase and issue shares” under “Letter of the Board”
“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”	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
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. 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

28 April 2006

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
PROPOSED RE-ELECTION OF DIRECTORS
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS**

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; (ii) re-election of the Directors who are due to retire; and (iii) amendments to the Bye-laws. 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 purpose 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, Mr. Li Ka Fai, Fred, 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.

Bye-law 87(1) of the Bye-laws has 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, Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred and Mr. Chan Ho Man, shall retire by rotation in accordance with the Bye-laws and Mr. Tong Shek Lun and Mr. Chan Ho Man, being eligible, offer themselves for re-election at the Annual General Meeting.

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The Directors confirmed that there is no matter that need to be brought to the attention of the Stock Exchange and the Shareholders in relation to the retirement of Mr. Li Ka Fai, Fred. Set out below are the brief biographical and other details of Mr. Tong Shek Lun and Mr. Chan Ho Man:

(A) Mr. Tong Shek Lun

Mr. Tong Shek Lun, aged 51, was appointed as the chairman and managing Director of the Company and the founder of the Group. He is responsible for formulating the overall business strategy, strategic planning and business development of the Group. Mr. Tong had been involved in the trading of watches and clocks from 1980 to 1991 before he established the Group. He has more than 16 years' experience in the electronic industry. He was also appointed as a director of all of the subsidiaries of the Company including Champeace Investment Limited, China Ample Investments Limited, Dongguan Humen Taida Electric Co., Ltd, Dongguan Karce Electronics Co., Ltd, Dongguan Shatian Tehsheng Silicon Rubber Products Co., Ltd, Champion Keypad Manufacturing Limited (formerly known as On Shing Telephone Keypads Limited), Dongguan Tai Shan Electronics Co., Ltd, Dragon Spirit Enterprise Limited, Habermann Limited, Hong Shing Industrial Limited, Interconn Electronics Limited, Jet Master Limited, Joyham Jade Limited, Karce Co. Limited, Karce Communications Limited, Karce Electronics Limited, Karce Electronics Toys Limited, Master Key Industrial Limited, On Shing Holdings Company Limited, Pristine Limited, Redditch Enterprises Limited, Sabic Electronic Limited, T & S Industrial Company Limited, Tachibana Limited and Xinyu Electronics Limited. Save as being a director of the Company and all subsidiaries of the Company, he does not hold any position with other members of the Group. He did not hold any directorship in any listed public companies in the last three years.

As at the Latest Practicable Date, he is interested in 231,180,000 shares of the Company within the meaning of Part XV of the SFO. He is not connected with any Directors, senior management, substantial or controlling shareholders of the Company.

He has entered into a service contract with the Company for a period of three years commencing from 1 April 2004 to 31 March 2007. He is entitled to an annual emolument of HK\$1,713,000 which is determined with reference to his duty and responsibility with the Company.

Save as disclosed above, he confirmed that there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 13.51(2)(h)-(v) of the Listing Rules. 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 Mr. Tong.

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(B) Mr. Chan Ho Man

Mr. Chan Ho Man, aged 51, was appointed as an independent non-executive Director. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Save as being a Director, he does not hold any position with other members of the Group. He has over 28 years of corporate finance, accounting and finance experience.

Mr. Chan was an executive director of one of the Hong Kong listed companies during the last three years, namely Kingmaker Footwear Holdings Limited and was the company secretary of one of the Hong Kong listed companies during the last three years, namely Kin Yat Holdings Limited. He was also a director of a Hong Kong private company. Save as disclosed, he did not hold any directorship in any listed public companies in the last three years.

As at the Latest Practicable Date, he is not interested in and does not hold any shares or underlying shares of the Company within the meaning of Part XV of the SFO. He is not connected with any Directors, senior management, substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Chan, but he is appointed for a specific term of one year from 21 September 2005 to 20 September 2006 and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws. He is entitled to an annual emolument of HK\$120,000 which is determined with reference to his duty and responsibility with the Company. He is not entitled to receive any discretionary bonus which is to be determined by reference to the Group's performance and profitability.

Save as disclosed above, he confirmed that there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 13.51(2) (h)-(v) of the Listing Rules. 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 Mr. Chan.

E. PROPOSED AMENDMENTS TO THE BYE-LAWS

To enhance good corporate governance practices and to comply with the recent amendments to the Listing Rules which took effect on 1 March 2006, the Directors propose to amend the Bye-laws to ensure full compliance with the Listing Rules as follows:

- (a) to require that any Director appointed by the board of Directors to fill a casual vacancy should be subject to election by Shareholders at the first general meeting of the Company after such Director's appointment;
- (b) to specify that voting by poll can be required by Director(s) attending the meeting holding proxies of Shares representing five per cent (5%) or more of the total voting rights at the meeting; and

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- (c) to specify that Directors can be removed by ordinary resolutions.

The full text of the proposed amendments to the Bye-laws is set out in the notice of the Annual General Meeting incorporated in the Annual Report.

F. 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.

G. GENERAL INFORMATION

The notice for the Annual General Meeting is set out in the Annual Report. 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 principal office 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.

H. PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the existing 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:

- (i) by the chairman of such meeting; or
- (ii) 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
- (iii) 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

LETTER FROM THE BOARD

- (iv) 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.

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.

I. RECOMMENDATION

The Directors consider that the granting of the general mandates, the re-election of Directors and the amendments to the Bye-laws proposed 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

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. On the Latest Practicable Date, there were in issue an aggregate of 549,328,000 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 54,932,800 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 2005 (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 repurchase

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% 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 (Note 1)	231,180,000	42.1%	46.8%
Perfect Treasure Investment Limited (Note 2)	88,100,000	16.0%	17.8%

Notes:

1. Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina own 90.41%, 3.46%, 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 six months preceding the Latest Practicable Date, the Company repurchased its own Shares on the Stock Exchange as follows:

Date of repurchase	Number of Shares	Price per Share		Average Price per Share <i>(approximately)</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
17 March 2006	800,000	0.270	0.265	0.267
20 April 2006	148,000	0.285	0.285	0.285
21 April 2006	500,000	0.300	0.295	0.297

Save as disclosed, the Company has not repurchased any of its Shares during the six months immediately preceding the Latest Practicable Date.

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>
2005		
April	0.415	0.320
May	0.395	0.355
June	0.420	0.350
July	0.355	0.305
August	0.335	0.285
September	0.350	0.250
October	0.290	0.235
November	0.300	0.236
December	0.280	0.249
2006		
January	0.330	0.270
February	0.285	0.249
March	0.335	0.250
Latest Practicable Date	0.320	0.285