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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: TRANSFER OF ASSETS**

The Board announces that on 29 December 2005, Sabic Electronic entered into the Agreement with the Transferee whereby Sabic Electronic agreed to transfer and the Transferee agreed to purchase the Assets at a consideration of approximately RMB16,620,000 (equivalent to approximately HK\$15,981,000) pursuant to the Agreement.

Transfer of the Assets constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, the Transfer is subject to disclosure requirement as set out in Chapter 14 of the Listing Rules.

The Company will send a circular containing details of the Transfer to each of its shareholders as soon as possible.

#### **THE AGREEMENT**

On 29 December 2005, Sabic Electronic entered into the Agreement with the Transferee with respect to the transfer of the Assets. Details of the Agreement are as follows:

##### **Parties**

- (a) Sabic Electronic; and

- (b) The Transferee. To the Directors' knowledge, information and belief having made all reasonable inquiry, the Transferee and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Subject matter of the Agreement**

Pursuant to the Agreement, Sabic Electronic agreed to transfer and the Transferee agreed to purchase the Assets free from all encumbrances and third parties rights.

### **Consideration**

The consideration for the Transfer is approximately RMB16,620,000 (equivalent to approximately HK\$15,981,000) and shall be paid by the Transferee in one lump sum on or before the date of the Agreement as deposit and which will be used to settle the consideration upon completion.

The consideration for the Transfer is arrived at after an arm's length negotiation between Sabic Electronic and the Transferee by reference to the net book value of the Assets of approximately RMB15,797,000 (equivalent to approximately HK\$15,189,000) and the purchase cost of brand-new Assets of approximately RMB17,656,000 (equivalent to approximately HK\$16,977,000) both as at 31 December 2004 as valued by 東莞市德正會計師事務所有限公司 (Dongguan City Diligent Certified Public Accountants), an independent valuer.

To the Directors' knowledge, there is no comparable market in the PRC for the Assets and therefore the Group is unable to obtain reliable indicative information on the market value of the Assets. Based on the reasons that there is no comparable market in the PRC for the Assets and with a view to increase the liquidity of the Group, the Transfer was made at a consideration determined at a price higher than the net book value of the Assets and at a discount on the purchase cost of brand-new Assets, which the Board considers to be fair and reasonable and in the interests of the Group and its shareholders as a whole.

### **Conditions precedent**

The Transfer is subject to the following conditions:

- (a) (where necessary) all approvals from the PRC Customs have been obtained for the Transfer;
- (b) the board of directors of Sabic Electronic and the Transferee have passed resolutions to approve the Transfer and the Agreement; and
- (c) the Transferee has paid the consideration of approximately RMB16,620,000 (equivalent to approximately HK\$15,981,000) to Sabic Electronic.

Sabic Electronic and the Transferee have the absolute right to waive in whole or in part condition (a) above. Sabic Electronic also has the absolute right to waive in whole or in part the approval from the board of directors of the Transferee as referred to in condition (b) above and condition (c) while the Transferee has the absolute right to waive in whole or in part the approval from the board of directors of Sabic Electronic as referred to in condition (b) above. If any of the conditions have not been fulfilled or waived on or before 30 June 2006, the Agreement will be of no effect, upon which Sabic Electronic is required to refund to the Transferee within five business days from the termination of the Agreement any payment of the consideration received prior to termination.

### **Completion**

Completion will take place on the fifth business day after the conditions have been fulfilled.

### **INFORMATION OF THE TRANSFEREE**

To the Directors' knowledge, information and belief having made all reasonable inquiry, the Transferee is a company incorporated in the British Virgin Islands and whose principal business activity is investment holding. The Transferee is a wholly-owned subsidiary of Ascalade Inc.. As at the date of this announcement, the Group had approximately 14.7% interests in the Ascalade Group.

### **INFORMATION OF THE GROUP**

The Group is principally engaging in the businesses of manufacturing and distribution of electronic calculators and organizers, conductive silicon rubber keypads and printed circuit boards.

### **REASONS FOR THE TRANSFER**

In exploring the development of distribution and manufacture of telecommunications products, the Group had established an associate, Ascalade Communications Holdings Limited ("**Ascalade Holdings**") in 2002, in which the Group then owned approximately 49%. To the Directors' knowledge, Ascalade Holdings was principally engaged in the design, manufacture and distribution of cordless phones and other telecommunications products. In preparation for the listing on TSX, Ascalade Holdings became a wholly-owned subsidiary of Ascalade Inc.

The Group is providing the sub-contracting services to the Ascalade Group. The Assets are mainly used by the Group to undergo the manufacture of plastic components on cordless phones products which were sub-contracted by the

Ascalade Group. Subsequent to the listing of Ascalade Inc. and the conversion of convertible debentures, as at the date of this announcement, the Group had approximately 14.7% interests in the Ascalade Group.

On one hand, subsequent to the listing of Ascalade Inc., the Ascalade Group is contemplating to relocate its manufacturing facilities in order to reorganize and rationalize its production facilities by itself.

On the other hand, the Directors are of the view that it will be in the interests and for the benefit of the Group as a whole to concentrate its resources on the development of its core businesses, namely manufacturing and distribution of electronic calculators and organizers, conductive silicon rubber keypads and printed circuit boards.

Through the restructure of the Group's internal production resources, the Group decided to transfer part of its existing manufacturing equipment, mainly the plastic injection machineries to the Ascalade Group and the Ascalade Group agreed to purchase the Assets. Since the Assets are mainly used by the Group to perform the sub-contracting services to the Ascalade Group, the Directors confirmed that the transfer of the Assets to the Ascalade Group will not have a material effect on the operation of the Group. In this circumstance, the Directors confirmed that the Transfer is fair and reasonable, of normal commercial terms and will be in the interests and for the benefit of the Group as a whole.

#### **USE OF PROCEEDS**

The net sales proceeds of the Transfer of approximately HK\$15,800,000 are intended to be used as general working capital of the Group.

#### **FINANCIAL EFFECT OF THE TRANSFER**

The Directors confirmed that since the Assets were mainly equipment used in a process of the assembly production of a finished product, it is difficult to segregate the accurate amount of the relevant profits of the Group attributable to the Assets for the two financial years immediately preceding the Transfer.

The net book value of the Assets is approximately RMB15,797,000 (equivalent to approximately HK\$15,189,000) as at 31 December 2004. It is estimated that, upon completion of the Transfer, the Group will record a profit of approximately HK\$792,000 (being the aggregate value of consideration received minus net book value of total assets being realised), subject to audit.

## **GENERAL**

The Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules. A circular containing details of the Transfer will be despatched to the shareholders of the Company as soon as practicable.

As at the date of this announcement, the Board consists of four executive Directors, Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina, two non-executive Directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey and three independent non-executive Directors, Mr. Sun Yaoquan, Mr. Goh Gen Cheung and Mr. Chan Ho Man.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Agreement”	the asset transfer agreement dated 29 December 2005 and entered into between Sabic Electronic and the Transferee with respect to the transfer and purchase of the Assets
“Ascalade Group”	Ascalade Inc. and its subsidiaries
“Ascalade Inc.”	Ascalade Communications Inc., a corporation incorporated pursuant to the laws of the Province of British Columbia and is listed on TSX
“Assets”	assets of the Group including plastic injection machineries, three air compressors, quarter facilities, office decoration, reliability laboratory decoration, plastic barrels, computers, printers, scanners, etc., 407 wooden shelves and 150 working platforms currently located in Humen, Dongguan, the PRC
“Board”	the board of Directors
“Company”	Karce International Holdings Company Limited, an exempted company incorporated in Bermuda and whose securities are listed on the Stock Exchange
“Directors”	the directors of the Company from time to time
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Sabic Electronic”	Sabic Electronic Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer and purchase of the Assets as stipulated under the Agreement
“Transferee”	Apex Glory Investments Limited, a company incorporated in the British Virgin Islands. To the Directors’ knowledge, information and belief having made all reasonable inquiry, the Transferee and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“TSX”	Toronto Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, as to HK\$1.00 = RMB1.04.

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

Hong Kong, 4 January 2006

\* *For identification purpose only*

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