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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 DISPOSAL OF DEBENTURES AND WARRANTS

The Board is pleased to announce that on 15th June, 2005, the Group has entered into (1) the Debenture Transfer Agreement pursuant to which the Group has agreed to sell the Purchase Debentures to Yeebo and (2) the Warrant Transfer Agreement pursuant to which the Group has agreed to sell the Purchase Warrants to Yeebo.

The Transactions constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing, inter alia, further information of the Transactions will be despatched to the Shareholders as soon as possible.

BACKGROUND

As announced by the Company on 7th March, 2005, the Group had agreed to assign certain advances owed by Ascalade Group to the Group in consideration for the issuance of Units. On 31st March, 2005, Ascalade Inc. had undergone the Consolidation pursuant to which every eight then existing common shares were consolidated into one new common share. The assignment was completed on 31st March, 2005 and as at the date of completion, the advances owed by Ascalade Group amounted to approximately US\$ 4,118,135 (approximately HK\$32,121,453). Accordingly, the total number of Units issued pursuant to such assignment was 5,009, comprising the Purchase Debentures and Purchase Warrants (as adjusted by the Consolidation). The Group is currently the holder of the Purchase Debentures and Purchase Warrants and has agreed to sell the same to Yeebo.

THE DEBENTURE TRANSFER AGREEMENT

Date:

15th June, 2005

Parties:

1. Dragon Spirit
2. Yeebo

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, Yeebo and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. To the best knowledge of the Directors, Yeebo Group is principally engaging in the business of the manufacturing and trading of liquid crystal display.

The subject transaction:

Dragon Spirit has agreed to sell and Yeebo has agreed to purchase the Purchase Debentures at a total consideration of approximately US\$ 4,118,135 (approximately HK\$ 32,121,453).

The consideration shall be paid by Yeebo to Dragon Spirit upon conversion of the Purchase Debentures into Ascalade Inc. Shares and delivery of the original share certificate(s) representing such Ascalade Inc. Shares pursuant to the conversion to Yeebo. Such conversion and delivery are expected to complete within 15 business days after completion of the Debenture Transfer Agreement.

Yeebo shall pay and reimburse all outstanding interest on the Purchase Debentures accrued up till the date of completion of the Debenture Transfer Agreement to the Group within two business days upon receipt.

The Directors confirmed that the consideration was determined on arm's length negotiations and normal commercial terms based on the approximate cost of acquisition of the Purchase Debentures paid by the Group.

Conditions:

Completion of the Debenture Transfer Agreement is conditional upon, among others:

- (a) Dragon Spirit shall have executed, delivered and performed all agreements and documents on its part to be performed and shall deliver a certificate as of completion certifying that all representations and warranties as contained therein are true and correct.
- (b) All necessary steps and proceedings as reasonably required by Yeebo shall have been taken to permit the Purchase Debentures (together with the interest accrued thereon) to be duly transferred and assigned to Yeebo.
- (c) Dragon Spirit shall have executed and delivered to Yeebo all documents, agreements or certificates as Yeebo may reasonably require for the purposes of effecting the transfer of the Purchase Debentures (together with the interest accrued thereon) to Yeebo.
- (d) Ascalade shall have completed the Proposed Listing.
- (e) The completion of the Debenture Transfer Agreement shall be contemporaneously with the completion of the Warrant Transfer Agreement.
- (f) Yeebo shall have executed, delivered and performed all agreements and documents on its part to be performed and shall deliver a certificate as of the time of completion certifying that all representations and warranties as contained therein are true and correct.
- (g) All necessary steps and proceedings as reasonably required by Dragon Spirit shall have been taken to permit the Purchase Debentures (together with the interest accrued thereon) to be duly transferred and assigned to Yeebo.
- (h) Yeebo shall have executed and delivered an agreement to be bound by the shareholders' agreement among Ascalade Inc. and its shareholders.
- (i) Yeebo shall have executed and delivered to Dragon Spirit all documents, agreements or certificates as Dragon Spirit may reasonably require for the purposes of effecting the transfer of the Purchase Debentures (together with the interest accrued thereon) to Yeebo.

If any of the above conditions have not been fulfilled or waived in writing by Dragon Spirit or Yeebo (as the case may be) prior to completion, Dragon Spirit or Yeebo (as the case may be) may rescind the Debenture Transfer Agreement by written notice to the other party and, in such event, all parties shall be released from all obligations contained thereunder. Dragon Spirit does not intend to waive any of the above conditions as at the date of this announcement.

Completion:

Completion shall take place no later than 10:00 a.m. on the fifth business day after the completion of the Proposed Listing (or such other date and time as agreed between the parties). There is no termination provision contained in the Debenture Transfer Agreement to terminate the same save as the right to rescind the Debenture Transfer Agreement due to non fulfillment of the conditions as mentioned above.

Relevant major terms of the Debentures:

The relevant major terms of the Debentures, among others, are summarized as follows:

- (a) **Maturity** – The Purchase Debentures will mature in November 2006.
- (b) **Interest** – The Purchase Debentures will bear a rate of interest of 12.00% per annum calculated and payable semi-annually in arrears.
- (c) **Conversion** – The Purchase Debentures shall be convertible into Ascalade Inc. Shares at the holder's option. The number of Ascalade Inc. Shares issuable to the holder on conversion will be equal to the principal amount of the Purchase Debentures divided by a conversion price (subject to adjustment(s)) which shall be the lesser of:
 - (i) a 15% discount of the share price pursuant to completion of the Proposed Listing; and
 - (ii) CAD 6.8 (approximately HK\$ 42.84) (as adjusted by the Consolidation) per Ascalade Inc. Share

In the event that the Proposed Listing has not occurred at the time of conversion, the conversion price will be equal to CAD 6.8 (approximately HK\$ 42.84) (as adjusted by the Consolidation) per Ascalade Inc. Share.

Subsequent to completion of the Proposed Listing and in the event a holder of the Purchase Debentures exercises its conversion rights, Ascalade Inc. will have the right to settle the conversion in cash (or a combination of cash and Ascalade Inc. Shares) in lieu of Ascalade Inc. Shares unless the holder has expressly indicated in the conversion notice that it does not wish to receive cash in lieu of Ascalade Inc. Shares.

- (d) **Redemption and Forced Conversion** – Following completion of the Proposed Listing, Ascalade Inc. will have the option to redeem the Debentures, in whole or, from time to time, in part, by issuing and delivering that number of Ascalade Inc. Shares obtained by dividing the principal amount of the outstanding Purchase Debentures by a price equal to 15% discount to the weighted average closing price of Ascalade Inc. Shares on the TSX during the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given.
- (e) **Settlement in Ascalade Inc. Shares on Maturity** – Subsequent to completion of the Proposed Listing, subject to certain exceptions, Ascalade Inc. will have the option to satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, due at maturity upon prior written notice, by delivering that number of freely tradable Ascalade Inc. Shares obtained by dividing the principal amount of the Purchase Debentures by 95% of the weighted average closing price of Ascalade Inc. Shares on the TSX during the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as the case may be.
- (f) **Purchase for Cancellation** – Ascalade Inc. may purchase the Purchase Debentures for cancellation by tender or private contract at any time, subject to any regulatory approval.

THE WARRANT TRANSFER AGREEMENT

Date:

15th June, 2005

Parties:

1. Dragon Spirit
2. Yeebo

The subject transaction:

Dragon Spirit has agreed to sell and Yeebo has agreed to purchase the Purchase Warrants at a total consideration of US\$1 (approximately HK\$ 7.8).

The consideration shall be paid by Yeebo to Dragon Spirit upon delivery of the original warrant certificate representing the Purchase Warrants to Yeebo. Such delivery are also expected to complete within 15 business days after completion of the Warrant Transfer Agreement.

The Directors confirmed that the consideration was determined on arm's length negotiations and normal commercial terms based on the nominal consideration for the acquisition of the Purchase Warrants paid by the Group.

Conditions:

Completion of the Warrant Transfer Agreement is conditional upon, among others:

- (a) Dragon Spirit shall have executed, delivered and performed all agreements and documents on its part to be performed and shall deliver a certificate as of completion certifying that all representations and warranties as contained therein are true and correct.
- (b) All necessary steps and proceedings as reasonably required by Yeebo shall have been taken to permit the Purchase Warrants to be duly transferred and assigned to Yeebo.
- (c) Dragon Spirit shall have executed and delivered to Yeebo all documents, agreements or certificates as Yeebo may reasonably require for the purposes of effecting the transfer of the Purchase Warrants to Yeebo.
- (d) Ascalade shall have completed the Proposed Listing.
- (e) The completion of the Warrant Transfer Agreement shall be contemporaneously with the completion of the Debenture Transfer Agreement.
- (f) Yeebo shall have executed, delivered and performed all agreements and documents on its part to be performed and shall deliver a certificate as of completion certifying that all representations and warranties as contained therein are true and correct.
- (g) All necessary steps and proceedings as reasonably required by Dragon Spirit shall have been taken to permit the Purchase Warrants to be duly transferred and assigned to Yeebo.
- (h) Yeebo shall have executed and delivered an agreement to be bound by the shareholders' agreement among Ascalade Inc. and its shareholders.
- (i) Yeebo shall have executed and delivered to Dragon Spirit all documents, agreements or certificates as Dragon Spirit may reasonably require for the purposes of effecting the transfer of the Purchase Warrants to Yeebo.

If any of the above conditions have not been fulfilled or waived in writing by Dragon Spirit or Yeebo (as the case may be) prior to completion, Dragon Spirit or Yeebo (as the case may be) may rescind the Warrant Transfer Agreement by written notice to the other party and, in such event, all parties shall be released from all obligations contained thereunder. Dragon Spirit does not intend to waive any of the above conditions as at the date of this announcement.

Completion:

Completion shall take place no later than 10:00 a.m. on the fifth business day after the completion of the Proposed Listing (or such other date and time as agreed between the parties). There is no termination provision contained in the Warrant Transfer Agreement to terminate the same save as the right to rescind the Warrant Transfer Agreement due to non fulfillment of the conditions as mentioned above.

Relevant major terms of the Warrants:

The relevant major terms of the Warrants, among others, are summarized as follows:

Term – The Purchase Warrants will be exercisable until November 2007.

Exercise Price – The exercise price of the Purchase Warrants (subject to adjustment(s)) is to be determined as follows:

- (a) the exercise price will be equal to a 15% premium to the share price pursuant to completion of the Proposed Listing; or
- (b) the exercise price will be equal to CAD 9.2 (approximately HK\$ 57.96) (as adjusted by the Consolidation) per Ascalade Inc. Share in the event that the Proposed Listing has not been completed by the time of such exercise.

INFORMATION OF THE GROUP AND ASCALADE INC.

The Group is principally engaging 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.

Ascalade Inc. is a corporation incorporated in November, 2004 pursuant to the laws of the Province of British Columbia. Ascalade Group is principally engaging in the businesses of design, manufacture and distribution of cordless phones and other telecommunications products and the research and design of consumer electronics products and the sales and marketing of these products.

As announced by the Company previously, Ascalade Inc. had applied to list its shares on the TSX and the TSX was still in the process of examining Ascalade Inc.'s listing application. Listing of Ascalade Inc. Shares is subject to approval by the TSX and fulfillment by Ascalade Inc. of all of the listing requirements. As of the date of this announcement, the TSX has not granted its final approval for the listing of Ascalade Inc. Shares and there is no assurance that the TSX will approve Ascalade Inc.'s listing application. **Accordingly, the Proposed Listing may or may not materialize and the Shareholders and investors are advised to exercise caution when dealing in the Shares.**

Based on the unaudited accounts prepared under Canadian Generally Accepted Accounting Principles, the consolidated net profits before taxation and extraordinary items of Ascalade Inc. for the two years ended 31st December, 2003 and 31st December, 2004 amounted to approximately US\$ 2,922,000 (approximately HK\$ 22,792,000) and US\$ 1,878,000 (approximately HK\$ 14,648,000) respectively and the consolidated net profits after taxation and extraordinary items of Ascalade Inc. for the two years ended 31st December, 2003 and 31st December, 2004 amounted to approximately US\$ 2,415,000 (approximately HK\$ 18,837,000) and US\$ 1,107,000 (approximately HK\$ 8,635,000) respectively. The financial information of Ascalade Inc. prepared under Hong Kong Generally Accepted Accounting Principles will be disclosed in the circular of the Company in relation to the proposed major transaction for assignment of loan and advances and subscription of securities as announced by the Company on 7th May, 2005.

Since the Purchase Debentures and Purchase Warrants are to be transferred by Dragon Spirit to Yeebo approximately at costs, the Group does not expect any material gain or loss arising from the Transactions. The Directors intend to use the proceeds arising from the Transactions for general working capital purpose.

The Group is currently holding approximately 39.7% of the total issued share capital of Ascalade Inc. (not including the Ascalade Inc. Shares issuable pursuant to the conversion or exercise of the Purchase Debentures, Purchase Warrants and Other Securities (as defined below)). The total number of Ascalade Inc. Shares issuable pursuant to the conversion or exercise of the Purchase Debentures and Purchase Warrants amounts to 799, 229 (comprises 736,617 Ascalade Inc. Shares pursuant to conversion of the Purchase Debentures based on the conversion price of CAD 6.8 (approximately HK\$ 42.84) and 62,612 Ascalade Inc. Shares pursuant to exercise of the Purchase Warrants), representing approximately 10.7% of the existing issued share capital of Ascalade Inc. and approximately 9.7% of the issued share capital of Ascalade Inc. as enlarged by the conversion or exercise of the Purchase Debentures and Purchase Warrants.

The Directors understand that apart from the Purchase Debentures and Purchase Warrants, Ascalade Inc. has also issued the following securities ("Other Securities") as at the date of the Agreements:

- (a) 913,500 options to purchase Ascalade Inc. Shares to directors, officers and employees of Ascalade Group;
- (b) 11,866 Units issued to investors, who to the understanding of the Directors, are not connected persons (as defined in the Listing Rules) of the Company;
- (c) 103,828 common share purchase warrants issued to agents, who to the understanding of the Directors, are not connected persons (as defined in the Listing Rules) of the Company; and
- (d) 985 common share purchase warrants issued to directors, officers and employees of Ascalade Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Though the Directors are confident in the future prospect of Ascalade Inc., the Directors consider that it is a prudent decision to realize part of the Group's investments in Ascalade Inc. through the Transactions so as to balance its possible risk, enhance its liquidity and improve its cash flow within a relatively short period of time given that the Ascalade Inc. Shares owned by the Group may be subject to a lock-up after completion of the Proposed Listing. The Directors reckon that it is in the interest of the Group to maintain a sufficient amount of capital in view of the recent unstable global market conditions such as the fluctuation of oil prices and raising interest rates. Moreover after completion of the Transactions, the Group is still holding approximately 39.7% of the shareholding interests in Ascalade Inc. (not including the Ascalade Inc. Shares issuable pursuant to the conversion or exercise of the Purchase Debentures, Purchase Warrants and Other Securities) and so will still be able to benefit from the potential growth and development of Ascalade Inc..

The Directors consider that the terms of the Agreements and the transactions contemplated therein are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The Transactions constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing, inter alia, further information of the Transactions will be despatched to the Shareholders as soon as possible.

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 two independent non-executive Directors, Mr. Sun Yaoquan and Mr. Goh Gen Cheung.

DEFINITIONS

The following defined terms are used in this announcement:

“affiliated company”	refers to a company which, in accordance with Hong Kong Financial Reporting Standards, is recorded using the equity method of accounting in any entity's financial statements
“Agreements”	referring to the Debenture Transfer Agreement and Warrant Transfer Agreement
“Ascalade Group”	Ascalade Inc. and/or its subsidiaries or any of them
“Ascalade Inc.”	Ascalade Communications Inc., a corporation incorporated pursuant to the laws of the Province of British Columbia and is an affiliated company of the Company
“Ascalade Inc. Shares”	fully paid common shares in the share capital of Ascalade Inc.
“Board”	the board of Directors
“Company”	Karce International Holdings Company Limited
“Consolidation”	the consolidation of every eight then existing common shares into one new common share in Ascalade Inc. effective on 31st March, 2005
“Convertible Debenture(s)”	each unit consists of CAD 1,000 (approximately HK\$ 6,300) principal amount of 12% convertible unsecured subordinated debentures in Ascalade Inc.
“Debenture Transfer Agreement”	the debenture transfer agreement dated 15th June, 2005 in relation to the transfer of the Purchase Debentures from Dragon Spirit to Yeebo
“Directors”	the directors of the Company
“Dragon Spirit”	Dragon Spirit Enterprise Limited, a limited company incorporated in the British Virgin Islands and is an indirect wholly owned subsidiary of the Company
“Group”	the Company and/or its subsidiaries or any of them
“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 of Hong Kong Limited
“Proposed Listing”	the proposed listing of Ascalade Inc. Shares on the TSX
“Purchase Debentures”	mean 5,009 units of Convertible Debentures (i.e. representing CAD 5,009,000 (approximately HK\$ 31,556,700) principal amount of 12% convertible unsecured subordinated debentures in Ascalade Inc.) to be sold by Dragon Spirit to Yeebo pursuant to the Debenture Transfer Agreement
“Purchase Warrants”	mean 5,009 units of Warrants (i.e. representing 62,612 (round down to the nearest whole figure) common share purchase warrants in Ascalade Inc.) to be sold by Dragon Spirit to Yeebo pursuant to the Warrant Transfer Agreement
“Shareholders”	holders of the Share(s)
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“TSX”	Toronto Stock Exchange

“Transactions”	the disposal of the Purchase Debentures and Purchase Warrants pursuant to the Agreements
“Yeebo”	Yeebo Investment Limited, a company incorporated in Labuan, Malaysia and is a subsidiary of Yeebo (International Holdings) Limited, a company listed on the Main Board of the Stock Exchange
“Yeebo Group”	Yeebo (International Holdings) Limited and its subsidiaries
“Unit(s)”	each unit consists of (1) one unit of Convertible Debenture and (2) one unit of Warrant .
“Warrant Transfer Agreement”	the warrant transfer agreement dated 15th June, 2005 in relation to the transfer of the Purchase Warrants from Dragon Spirit to Yeebo
“Warrant(s)”	each unit consists of 12.5 units of common share purchase warrants in Ascalade Inc. (after the Consolidation)
“HK\$”	the lawful currency of Hong Kong
“US\$”	the lawful currency of the United States of America. For information only, US\$ has been translated to HK\$ as to US\$1 to HK\$ 7.8. No representation is made that such amounts were or could be exchanged at such rate
“CAD”	the lawful currency of Canada. For information only, CAD has been translated to HK\$ as to CAD1 to HK\$ 6.3. No representation is made that such amounts were or could be exchanged at such rate

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

Hong Kong, 16th June, 2005

** for identification only*

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