**KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED**
**(泰 盛 實 業 集 團 有 限 公 司*)**

*(Incorporated in Bermuda with limited liability)*
(Stock Code: 1159)

# (1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHAREHOLDING INTEREST IN AND SHAREHOLDERS' LOANS DUE FROM THE TARGET COMPANY INVOLVING ISSUE OF CONVERTIBLE BONDS AND PROMISSORY NOTE; (2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN AND SHAREHOLDER'S LOANS DUE FROM HABERMANN LIMITED, JOYHAM JADE LIMITED, SABIC ELECTRONIC LIMITED AND XINYU ELECTRONICS LIMITED; (3) CONTINUING CONNECTED TRANSACTIONS; (4) INCREASE IN AUTHORIZED SHARE CAPITAL; (5) DELAY IN DESPATCH OF CIRCULAR; AND (6) RESUMPTION OF TRADING

## THE ACQUISITION

The Board announced that after trading hours on 30 April 2008, Sourcestar Profits (as the purchaser), a direct wholly-owned subsidiary of the Company, and the Company (as the warrantor of Sourcestar Profits) entered into the conditional Acquisition Agreement with the First Vendor, the Second Vendor and the Warrantors. Pursuant to the Acquisition Agreement, Sourcestar Profits has agreed to acquire the Acquisition Sale Shares and the Acquisition Sale Debts from the First Vendor and the Second Vendor at a total Acquisition Consideration of HK$3,400 million (subject to adjustments as referred to the paragraph headed "Adjustments to the Acquisition Consideration" below, if any).

The Target Company has no major assets and operating businesses other than its sole beneficial interests in the entire issued share capital of Starwick Development, Gold Pioneer and Sheenway, which in turn will be the holder of the TMDC Sale Patents and the TMDC Sale Machineries for carrying out the research and development, manufacturing and distribution of LCoS televisions, enlarged display units and related components after the Reorganization to be carried out before the Acquisition Completion.

* *For identification purposes only*

The Acquisition Consideration is HK$3,400 million (subject to adjustments as referred to the paragraph headed "Adjustments to the Acquisition Consideration" below, if any), which will be satisfied (i) as to HK$25 million payable in cash by Sourcestar Profits (or the Company) to the Second Vendor; (ii) as to HK$375 million by, at the option of Sourcestar Profits, the issue of the Promissory Note by Sourcestar Profits or cash payment by Sourcestar Profits (or the Company) to the First Vendor (or its nominee(s)); (iii) as to HK$885 million by the issue of the Tranche 1 Bonds by the Company to the First Vendor (or its nominee(s)); (iv) as to HK$115 million by the issue of the Tranche 1 Bonds by the Company to the Second Vendor (or its nominee(s)); and (v) as to HK$2,000 million (subject to the adjustment to the Acquisition Consideration as detailed in the paragraph headed "Earn-out adjustments" below) by the issue of the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds by the Company to the Vendors (or their respective nominee(s)). Particulars of the Acquisition Consideration, the Promissory Note and the Convertible Bonds are set out in the sections headed "Acquisition Consideration", "Promissory Note" and "Convertible Bonds" below.

Upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and for illustration only, a total of 7,500 million Conversion Shares will be issued, representing (i) approximately 1,149.7% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 92.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares assuming full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments).

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholders have any material interest in the Acquisition, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

**THE DISPOSAL AND CONNECTED TRANSACTION**

The Board announced that on 2 May 2008, Redditch (as the vendor), a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Extract Group (as the purchaser), pursuant to which Extract Group conditionally agreed to purchase, and Redditch conditionally agreed to sell the Disposal Sale Shares and assign the Disposal Sale Debts, at an aggregate Disposal Consideration of HK$250 million payable in cash at Disposal Completion.

The Disposal Group is principally engaged in the manufacture and marketing of electronic products (mainly electronic calculators and organizers).

The Disposal constitutes a very substantial disposal transaction for the Company under Chapter 14 of the Listing Rules. As Extract Group is solely owned by Mr. Tong who is an executive Director and the chairman of the Company, Extract Group is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to, among other things, approval by the Independent Shareholders at the SGM. As at the date of this announcement, to the best of the Company's knowledge after reasonable enquiry, Mr. Tong and his associates were not interested in any Shares. Should Mr. Tong or his associates hold any Shares as at the date of the SGM, Mr. Tong and his associates shall abstain from voting on the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM.

The Acquisition and the Disposal are independent from each other and the Acquisition Completion and the Disposal Completion are not inter-conditional with each other.

## CONTINUING CONNECTED TRANSACTIONS

On 22 May 2008, Redditch and the Four BVI Companies entered into the Supply Agreement for the supply of conductive silicon rubber keypads and printed circuit boards to the Disposal Group by the Group on a priority (but not exclusive) basis for the Disposal Group's production of its electronic products. Upon Disposal Completion, the Four BVI Companies will become wholly-owned subsidiaries of Extract Group and therefore the connected persons of the Company. The Supply Transactions, to be conducted pursuant to the Supply Agreement, will constitute continuing connected transactions for the Company, and with reference to the proposed annual cap amounts, will be subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should Mr. Tong or his associates hold any Shares as at the date of the SGM, Mr. Tong and his associates shall abstain from voting on the resolution to approve the Supply Agreement and the transactions contemplated thereunder at the SGM.

## INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the existing authorized share capital of the Company is HK$200,000,000 divided into 2,000,000,000 Shares, of which 652,356,000 Shares were in issue. As such, the number of Shares which the Company may issue and allot under the existing issued share capital of 1,347,644,000 Shares is insufficient to cover the issue of the Conversion Shares, if the conversion right attached thereto is exercised in full.

Accordingly, the Company proposed to increase its authorized share capital from HK$200,000,000 comprising 2,000,000,000 Shares to HK$2,000,000,000 comprising 20,000,000,000 Shares by the creation of 18,000,000,000 Shares which will be put to Shareholders' approval at the SGM. The Acquisition Completion is conditional upon such proposed increase in the authorized share capital of the Company to HK$2,000,000,000 having been approved by the Shareholders at the SGM.

## GENERAL

A circular containing, among other information, (i) further details of the Acquisition, the Promissory Note and the Convertible Bonds; (ii) further details of the Disposal and the Supply Transactions; (iii) the recommendations of the Independent Board Committee in relation the Disposal and the Supply Transactions; (iv) the advice of the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Supply Transactions; (v) further details regarding the proposed increase in the authorized share capital of the Company; (vi) the accountants' reports on the Group (including the Disposal Group) and the Target Group in accordance with Rule 14.68(2)(a)(i) and Rule 14.69(4)(a)(i) of the Listing Rules and (vii) the notice of the SGM, will be despatched to the Shareholders. Pursuant to Rules 14.38 and 14A.49 of the Listing Rules, the circular is required to be despatched to the Shareholders within 21 days after the publication of this announcement, i.e. on or before 12 June 2008. However, it is currently expected that it will take about five to seven weeks for the Company to obtain (1) a finalized valuation report in respect of the TMDC Sale Patents; and (2) accountants' reports on the Target Group for inclusion in the circular. Accordingly, the circular can only be despatched to the Shareholders on or about 31 July 2008. An application has been made to the Exchange for a waiver from strict compliance with Rules 14.38 and 14A.49 of the Listing Rules.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 2 May 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 May 2008.

## (I) THE ACQUISITION

The Board announced that after trading hours on 30 April 2008, Sourcestar Profits (as the purchaser), a direct wholly-owned subsidiary of the Company, and the Company (as the warrantor of Sourcestar Profits) entered into the conditional Acquisition Agreement with the First Vendor, the Second Vendor and the Warrantors. Pursuant to the Acquisition Agreement, Sourcestar Profits has agreed to acquire the Acquisition Sale Shares and the Acquisition Sale Debts from the First Vendor and the Second Vendor at a total Acquisition Consideration of HK$3,400 million (subject to adjustments as referred to the paragraph headed "Adjustments to the Acquisition Consideration" below, if any).

### The Acquisition Agreement

***Date***

30 April 2008

***Parties***

Vendors:

(1) China Eagle Development Limited, as the First Vendor, which holds 90% equity interest in the Target Company

(2) Fairtime International Limited, as the Second Vendor, which holds 10% equity interest in the Target Company

Each of the First Vendor and the Second Vendor is an investment holding company. The First Vendor is beneficially owned as to 51% by Ms. Lam Suk Fong (through Pacific Zone Enterprises Limited which is a company incorporated in the BVI with limited liability) and as to 49% by Ms. Hsu Ming Shan (through Goldsino Development Limited which is a company incorporated in the BVI with limited liability). The Second Vendor is entirely owned by Mr. Chan Shun Yuen who is a son of Ms. Lam Suk Fong. Ms. Hsu Ming Shan has no other relationship with Mr. Chan Shun Yuen and Ms. Lam Suk Fong save for being their business partners in the investment of the Target Company. None of Ms. Hsu Ming Shan, Mr. Chan Shun Yuen nor Ms. Lam Suk Fong has relationship with Golden Mount Limited (and its ultimate beneficial owner) or Perfect Treasure Investment Limited (and its ultimate beneficial owners), the two largest Shareholders as at the date of this announcement.

Purchaser: Sourcestar Profits Limited, a direct wholly-owned subsidiary of the Company and an investment holding company

Warrantors:

(1) Mr. Chan Shun Yuen (being the director of Pacific Zone Enterprises Limited and the sole beneficial owner of the entire equity interest in the Second Vendor), as the warrantor of the First Vendor and the Second Vendor

(2) Ms. Hsu Ming Shan, as another warrantor of the First Vendor

(3) the Company, as the warrantor of Sourcestar Profits

On 19 September 2007, Sourcestar Profits (as the purchaser) and the Company (as Sourcestar Profits' warrantor) entered into a sale and purchase agreement with Prime Sino Investments Limited (at which Mr. Chan Shun Yuen acts as a director and which is beneficially owned as to 55% by Ms. Lam Suk Fong and as to 45% by Mr. Zhang Zhuo Ming, an Independent Third Party) for the acquisition of coal mines in Mongolia, the details of which were set out in the Company's announcement dated 10 October 2007. As further announced in the announcement of the Company dated 6 February 2008, the said sale and purchase agreement was terminated, and that the Group was in preliminary stage of discussion with Mr. Chan Shun Yuen for other mining projects. Such negotiation was eventually discontinued and not pursued. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners is an Independent Third Party.

***Assets to be acquired or assigned***

(i) the Acquisition Sale Shares, being the entire issued share capital of the Target Company; and

(ii) the Acquisition Sale Debts, representing the face value of the total amounts due by the Target Company to the Vendors as at the Acquisition Completion Date.

For further details of the Target Group, please refer to the paragraph headed "Information on the Target Group" below.

***Acquisition Consideration***

The aggregate Acquisition Consideration is HK$3,400 million (subject to adjustments as set out in the paragraph headed "Adjustments to the Acquisition Consideration" below), of which the consideration for the Acquisition Sale Debts shall be the face value of the amount of the Acquisition Sale Debts as at the Acquisition Completion Date and the consideration for the Acquisition Sale Shares shall be the balance thereof.

The Acquisition Consideration shall be satisfied by Sourcestar Profits (or the Company) to the Vendors in the following manner:

(i) as to HK$25 million payable in cash by Sourcestar Profits (or the Company) to the Second Vendor as deposit (the "Deposit") upon the signing of the Acquisition Agreement;

(ii) upon Acquisition Completion:

(a) as to HK$885 million by the issue of the Tranche 1 Bonds by the Company to the First Vendor (or its nominee(s));

(b) as to HK$115 million by the issue of the Tranche 1 Bonds by the Company to the Second Vendor (or its nominee(s)); and

(c) as to HK$375 million by, at the option of Sourcestar Profits, the issue of the Promissory Note by Sourcestar Profits or cash payment by Sourcestar Profits (or the Company) to the First Vendor (or its nominee(s)); and

(iii) as to the remaining balance of HK$2,000 million by the issue of the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds by the Company to the Vendors (or their respective nominee(s)) in their respective equity interest in the Target Company, subject to the provision of the paragraph headed "Earn-out adjustments" below.

As at the date of this announcement, the Deposit (which was funded by the Company's internal resources) has already been paid to the Second Vendor. Particulars of the Promissory Note and the Convertible Bonds are set out in the sections headed "Promissory Note" and "Convertible Bonds" below.

***Adjustments to the Acquisition Consideration***

Pursuant to the terms of the Acquisition Agreement, in addition to the adjustment to the Acquisition Consideration as detailed in the paragraph headed "Earn-out adjustments" below, the Vendors have warranted to Sourcestar Profits that, among other things, as at the Acquisition Completion Date:

(i) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendors or their respective associates or otherwise), otherwise than those as shown in the unaudited consolidated management accounts in respect of the Target Group as at 31 March 2008; and

(ii) there are no guarantees given by any members of the Target Group whatsoever and howsoever, otherwise than those as shown in the audited consolidated financial statements or unaudited consolidated management accounts in respect of the Target Group as at 31 March 2008 or disclosed to and agreed by Sourcestar Profits in advance.

If there occurs any breach of the warranties set out in the above within twelve months from the Acquisition Completion Date, the Acquisition Consideration shall be reduced by an amount equal to the aggregate amount of such additional liabilities, firstly from the principal amount of the Tranche 1 Bonds and followed by the principal amount of the Promissory Note.

***Earn-out adjustments***

Pursuant to the Acquisition Agreement, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds shall be issued by the Company to the Vendors (or their respective nominee(s)) in their respective equity interest in the Target Company, with reference to the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) net profits before tax and before amortization of any of the TMDC Sale Patents of the Target Group as shown in the reviewed (or, as the case may be, audited) consolidated financial statements of the Target Group prepared in accordance with HKGAAP, in the following manner within ten Business Days from the date of the respective reviewed (or, as the case may be, audited) consolidated financial statements of the Target Group being made available to the Vendors and Sourcestar Profits:

(i) for the period of six months from 1 May 2008 not less than:

  (a) HK$300 million but less than HK$600 million, the Tranche 2 Bonds shall be issued; or

  (b) HK$600 million but less than HK$1,000 million, the Tranche 2 Bonds and the Tranche 3 Bonds shall be issued; or

  (c) HK$1,000 million, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds shall be issued;

(ii) for the period of twelve months from 1 May 2008 not less than:

(a) HK$600 million but less than HK$1,000 million, the Tranche 2 Bonds and the Tranche 3 Bonds (to the extent such Convertible Bonds or any of them will not have been issued in respect of the period of six months from 1 May 2008) shall be issued; or

(b) HK$1,000 million, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds (to the extent such Convertible Bonds or any of them will not have been issued in respect of the period of six months from 1 May 2008) shall be issued;

Provided that where (1) the Tranche 2 Bonds shall not have been issued under condition (i) above, and (2) the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) net profits before tax and before amortization of any of the TMDC Sale Patents of the Target Group for the period of twelve months from 1 May 2008 is less than HK$600 million but more than HK$300 million, then the Tranche 2 Bonds shall be issued to the Vendors (or their respective nominees);

(iii) for the period of eighteen months from 1 May 2008:

(a) not less than HK$1,000 million, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds (to the extent such Convertible Bonds or any of them will not have been issued in respect of the period of six and/or twelve months from 1 May 2008) shall be issued; or

(b) less than HK$1,000 million, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds in the total principal amount as calculated below shall be issued (but excluding such Convertible Bonds which will have been issued in respect of the period of six and/or twelve months from 1 May 2008);

Total principal amounts of Convertible Bonds to be issued:

= {HK$2,000 million} x {reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) net profits before tax and before amortization of any of the TMDC Sale Patents of the Target Group for the period of eighteen months from 1 May 2008}/{HK$1,000 million}

***Basis of determination of the Acquisition Consideration***

The Acquisition Consideration was reached after arm's length negotiations between the parties to the Acquisition Agreement and was determined based on the net assets value of the Target Group as at 31 March 2008 of approximately RMB4.2 million (equivalent to approximately HK$4.7 million) as well as taking into account of the initial valuation (in a draft form and subject to finalization) of the TMDC Sale Patents of about US$236 million (equivalent to approximately HK$1,841 million as at 31 March 2008 as valued by B.I. Appraisals Limited (the "Valuer"), an Independent Third Party, the face value of the Acquisition Sale Debts and the earning potential of the Target Group as detailed in the paragraph headed "Earn-out adjustments" above. As at 31 March 2008, the face value of the Acquisition Sale Debts was nil in balance. The Valuer has considered the cost approach, market approach and income capitalization approach for valuation of the TMDC Sale Patents. Since the prevailing valuation methodology adopted involves a discounted cash flow analysis, the Directors are aware that the valuation shall be regarded as a profit forecast pursuant to Rules 14.61 and 14.62 of the Listing Rules and the information required thereunder will be included in the circular to be despatched to the Shareholders. As at the date of this announcement, the Directors have reviewed the principal assumptions and basis of the initial valuation report of the TMDC Sale Patents as prepared by the Valuer and consider that the underlying forecast, to the best of their knowledge, has been prepared after their due and careful enquiry. However, Shareholders and investors should note that the initial valuation has not been finalized and is still in a draft form.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Acquisition Consideration are on normal commercial terms, fair and reasonable and in the interest of the Shareholders and the Company as a whole.

***Conditions precedent***

The Acquisition Completion is subject to the following conditions being fulfilled and remaining satisfied as at the Acquisition Completion Date (or waived, as the case may be):

(a) Sourcestar Profits having received a PRC legal opinion from the Vendors (in such form and substance to Sourcestar Profits' satisfaction) covering matters relating to the PRC Subsidiary, the Reorganization and the TMDC Sale Patents;

(b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Conversion Shares and the increase in the authorized share capital of the Company;

(c) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Convertible Bonds;

(d) the approval by the Shareholders (or, as the case may be, the independent Shareholders) at the SGM of the Acquisition Agreement and the transactions contemplated thereby (including but not limited to the allotment and issue of the Conversion Shares and the increase in the authorized share capital to HK$2,000 million) and all other consents and acts required under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(e) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Acquisition Agreement having been obtained;

(f) all relevant approvals, consents, registration and filing procedures (including without limitation the registration of Starwick Development as the registered holder of the entire issued shares in Precise Media) relating to Precise Media and the Business in connection with the transactions contemplated by the Acquisition Agreement having been obtained/completed;

(g) Sourcestar Profits being reasonably satisfied with the results of the due diligence exercise on the Target Group and the Business;

(h) Sourcestar Profits being satisfied, from the date of the Acquisition Agreement and at any time before the Acquisition Completion, that the representations, warranties and undertakings given by the Vendors under the Acquisition Agreement remain true, accurate, not misleading or in breach in any material respect and that no events have suggested that there were any breach of any warranties or other provisions of the Acquisition Agreement by any of the Vendors and/or the Warrantors;

(i) Sourcestar Profits being satisfied that, from the date of the Acquisition Agreement to Acquisition Completion, there has not been any change or effect which has a material adverse change on the financial position, business (including the Business) or property, results of operations or prospects of the Target Group as a whole;

(j) the Vendors providing Sourcestar Profits with a confirmation or other documents, showing that all purchase prices, licence fees and other fees required to be paid by the Target Group to TMDC and/or other governmental authorities in respect of all permits in respect of the Business having been fully paid and there are no outstanding fees;

(k) Sourcestar Profits having received a Taiwan legal opinion from the Vendors (in such form and substance to Sourcestar Profits' satisfaction) covering, among others, the valid transfer to and registration under the name of Sheenway in respect of the TMDC Sale Patents registered in Taiwan (or in the opinion of the Taiwan legal advisers, the registration of change of registered proprietor merely being a matter of procedure and there being no material impediment to the completion of such registration of change of registered proprietor), the valid transfer of the TMDC Sale Machineries to the PRC Subsidiary, the legality, validity and enforceability of the TMDC Agreement and the Reorganization (to the extent any Taiwan laws are applicable), and such other aspects of the Taiwan law as Sourcestar Profits may consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement;

(l) Sourcestar Profits having received a U.S. legal opinion from the Vendors (in such form and substance to Sourcestar Profits' satisfaction) covering, among others, the valid transfer to and registration under the name of Sheenway in respect of the TMDC Sale Patents registered in the U.S. (or in the opinion of the U.S. legal advisers, the registration of change of registered proprietor merely being a matter of procedure and there being no material impediment to the completion of such registration of change of registered proprietor), and such other aspects of the U.S. law as Sourcestar Profits may consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement;

(m) all outstanding shareholders' loans owing by the Target Group to the associates of the Vendors having been assigned to the Vendors immediately before the Acquisition Completion and all necessary approvals, consents, authorizations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned;

(n) the Vendors providing to Sourcestar Profits certified copy of the resolutions of their respective shareholder(s) and director(s) approving the Acquisition Agreement and the transactions contemplated thereunder;

(o) the Reorganization being completed in such manner to the reasonable satisfaction of Sourcestar Profits (including without limitation the TMDC Agreement being completed in accordance with its terms and conditions);

(p) no indication being received from the Stock Exchange that the transactions contemplated under the Acquisition Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under the Listing Rules; and

(q) Sourcestar Profits or the Company having obtained a valuation report issued by a professional business valuer in Hong Kong that the market value (on such bases and assumptions as such valuer considers to be necessary and appropriate) of the TMDC Sale Patents is, in the opinion of such valuer, no less than HK$1,400 million as at such reference date which is within the year 2008 and which is no later than the Long Stop Date but no earlier than 31 March 2008.

The PRC legal opinion referred to in condition (a) above is required to cover, including but not limited to, the following areas:

(i) the PRC Subsidiary having been duly established and validly subsisting;

(ii) the PRC Subsidiary having obtained all relevant operating permits required at the time of its establishment and such permits remaining valid;

(iii) the legality of the operation and business of the PRC Subsidiary;

(iv) the PRC Subsidiary having obtained the permits for the Business and all such permits being in full force and effect;

(v) (where applicable) the PRC Subsidiary having obtained the rights to use and occupy the properties owned, leased, or occupied by the Target Group;

(vi) the Reorganization being legal, valid and enforceable under the PRC laws (to the extent applicable), and having been duly completed under the PRC laws (if applicable);

(vii) in respect of the TMDC Sale Patents registered in the PRC, the transfer to and registration under the name of Sheenway being valid and having been duly effected and completed (or in the opinion of the PRC legal advisers, the registration of change of registered proprietor merely being a matter of procedure and there being no material impediment to the completion of such registration of change of registered proprietor);

(viii) (if required) all necessary approval, authorization, consent, registration and filings required having been obtained and effected by the PRC Subsidiary and other members of the Target Group (where applicable) in relation to the Acquisition Agreement and the transactions contemplated thereunder; and

(ix) such other aspects of the PRC law as Sourcestar Profits may consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement.

Sourcestar Profits may at its absolute discretion at any time waive in writing the conditions (a), (e), (f) to (o) (both inclusive)) mentioned above (to the extent it is capable of waiving). Sourcestar Profits does not have any immediate intention to waive any of the conditions precedent at present. If the conditions mentioned above are not fulfilled in full (or, where applicable, waived by Sourcestar Profits in writing) on or before the Long Stop Date, the Acquisition shall lapse and the Deposit shall be repaid to Sourcestar Profits by the Vendors within two months after the Long Stop Date without interest. None of the parties shall have any claim against or liability to the other parties (other than in respect of any antecedent breaches) under the Acquisition Agreement.

***Acquisition Completion***

The Acquisition Completion shall take place on the third Business Day after the fulfillment (or waiver) of the last of the conditions precedent referred to under the paragraph headed "Conditions precedent" above or such other date as the parties to the Acquisition Agreement shall agree.

The Acquisition and the Disposal are independent from each other and the Acquisition Completion and the Disposal Completion are not inter-conditional with each other.

The Company intends to introduce one or two people as Directors following the Acquisition Completion. The new Directors to be introduced are proposed to be appointed as executive Directors. One of the candidates to be so introduced is Mr. Chan Shun Yuen. He is one of the Warrantors, the sole shareholder of the Second Vendor, and also the son of Ms. Lam Suk Fong (i.e. the 51% shareholder of the First Vendor). Further, the Vendors are also considering to propose introducing as an executive Director, a person who is experienced in the television and/or electronics production and/or distribution sector. While such new Director will be recommended by the Vendors and will be in charge of leading and overseeing the LCoS television business for the Group after the Acquisition Completion, neither the Vendors nor the Company have yet decided whether such new Director would be an individual to represent the Vendors.

**Promissory Note**

At the option of Sourcestar Profits, HK$375 million of the Acquisition Consideration may be satisfied by the issue of the Promissory Note by Sourcestar Profits to the First Vendor (or its nominee(s)).

The principal terms of the Promissory Note are as follows:

| | |
|---|---|
| Issuer: | Sourcestar Profits. |
| Principal amount: | HK$375 million in aggregate. |
| Maturity: | The second anniversary from the date of issue of the Promissory Note. |
| Coupon rate: | Nil. |
| Security: | No security will be provided by Sourcestar Profits (as the issuer of the Promissory Note) in respect of its obligations under the Promissory Note. |
| Repayment: | At the sole discretion of Sourcestar Profits, the Promissory Note or such part thereof may be repaid earlier. Otherwise, payment of principal of the Promissory Note is upon its maturity. |

**Convertible Bonds**

HK$3,000 million of the Acquisition Consideration is to be satisfied by the issue of the Convertible Bonds by the Company to the Vendors (or their respective nominee(s)).

The principal terms of the Convertible Bonds are as follows:

| | |
|---|---|
| Issuer: | The Company. |
| Principal amount: | HK$3,000 million in aggregate. |
| Form and denomination: | The Convertible Bonds will be issued in registered form and in the denomination of HK$0.2 million each. |
| Maturity date: | The Business Day falling on the fifth anniversary of the issue date of the Tranche 1 Bonds. |
| Interest: | The Convertible Bonds shall accrue no interest. |
| Transferability: | The Convertible Bonds will be freely transferable but may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. The Company will notify the Stock Exchange immediately upon becoming aware of any dealings in the Convertible Bonds by connected persons of the Company. |

| | |
|---|---|
| Conversion: | A holder of Convertible Bonds shall have the right at any time and from time to time during the period commencing immediately on the date of issue of the Convertible Bonds up to the maturity date to convert the whole or part of the principal amount of the Convertible Bond(s) in amounts of not less than a whole multiple of HK$0.2 million of the principal amount outstanding under the Convertible Bonds into Conversion Shares on each conversion, save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK$0.2 million, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; provided that (1) no Convertible Bonds may be converted, to the extent that following such exercise, a holder of the Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer), and (2) no holders of the Convertible Bonds shall exercise the conversion rights attached to the Convertible Bonds held by such holder of the Convertible Bonds if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listing Rules and as required by the Stock Exchange. There is no restriction on subsequent sale of the Conversion Shares. |
| Initial Conversion Price: | The Convertible Bonds shall be converted at the Initial Conversion Price of HK$0.4 per Conversion Share (subject to adjustments).<br><br>The Initial Conversion Price of HK$0.4 represents (i) the same as the closing price of HK$0.4 per Share as quoted on the Stock Exchange on 30 April 2008, being the date of the Acquisition Agreement; (ii) a premium of approximately 0.5% to the average of the closing prices of approximately HK$0.398 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the date of the Acquisition Agreement; (iii) a premium of approximately 3.9% to the average of the closing prices of approximately HK$0.385 per Share as quoted on the Stock Exchange for the last thirty trading days immediately prior to and including the date of the Acquisition Agreement; and (iv) a discount of approximately 41.9% to the net assets value per Share as at 31 December 2007 of approximately HK$0.689. |
| Redemption: | The Company shall redeem any Convertible Bonds which remain outstanding on the maturity date at its principal amount.<br><br>Upon occurrence of an event of default, the holder of the Convertible Bonds may, unless such event of default has been waived by it in writing, require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at such outstanding principal amount and the Convertible Bonds shall be mandatorily redeemed by the Company.<br><br>If the Company is unable, other than by reason of the default of the holders of the Convertible Bonds, to perform its obligations regarding the issue, deposit and delivery of that number of Shares, which exceeds such number |

| | |
|---|---|
| | of unissued Shares for which the Board has been authorized by the Shareholders in general meeting to allot, issue and deal with for the time being and/or for which approval for listing (and permission to deal in) has been granted by the Listing Committee of the Stock Exchange within the 60-day postponement period, the Company shall be obliged to redeem such outstanding principal of the Convertible Bonds in relation to such excess number of Shares at such outstanding principal amount. |
| Purchase: | The Company may at any time and from time to time purchase the Convertible Bonds that remain outstanding from the holders of such Convertible Bonds at any price which shall not be more than 118% of the principal amount of the Convertible Bonds as may be agreed between the Company and the relevant holder of the Convertible Bonds provided that the Company shall at the same price offer to purchase from the other holders of the Convertible Bonds a like % of the Convertible Bonds registered in their names. |
| Cancellation: | Immediately upon redemption or purchase by the Company, the Convertible Bonds so redeemed or purchased shall forthwith be cancelled. Any Convertible Bonds so cancelled shall not be re-issued or re-sold. |
| Voting rights: | The holder of the Convertible Bonds will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder of the Convertible Bonds. |
| Ranking: | The Convertible Bonds will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion. |
| Listing: | The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. |

***Conversion Shares***

Upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and for illustration only, a total of 7,500 million Conversion Shares will be issued, representing (i) approximately 1,149.7% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 92.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares assuming full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments).

The Directors were granted the existing general mandate at the annual general meeting held on 29 May 2007 ("2006 AGM") to allot, issue and otherwise deal with a maximum of 108,871,200 Shares, representing 20% of the total amount of the issued share capital of the Company of 544,356,000 Shares as at the date of the 2006 AGM.

Since the date of the 2006 AGM, the Company has utilized a portion of the existing general mandate by the allotment and issue of an aggregate of 108,000,000 Shares for the allotment and issue of Shares under a placing and top-up subscription in February 2008 as announced by the Company on 11 February 2008. As at the date of this announcement, only a total of 871,200 new Shares may be further allotted and issued under the general mandate.

Since the balance of the then general mandate is insufficient to cover the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds, the Company will seek the grant of a specific mandate at the SGM to allot and issue Shares to satisfy the Conversion Shares.

**Effects on shareholding structure**

The following chart sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds by the Vendors provided that no Convertible Bonds have been transferred by the Vendors (or their respective nominee(s)) to any other parties or may be converted, to the extent that following such exercise, a holder of the Convertible Bonds, and parties acting in concert with it, taken together, will control or be interested in 30% or more of the entire issued Shares, assuming that there is no other change in the issued share capital of the Company from the date of this announcement except for the issue of the Conversion Shares:

| **Shareholders** | **As at the date of this announcement** | | **After issue of the Conversion Shares under the Convertible Bonds** *(Note 3)* | |
|---|---|---|---|---|
| | *Shares* | *%* | *Shares* | *%* |
| Golden Mount Limited *(Notes 1 and 5)* | 151,180,000 | 23.17 | 151,180,000 | 16.23 |
| Perfect Treasure Investment Limited *(Notes 2 and 5)* | 88,100,000 | 13.51 | — | — *(Note 4)* |
| The Vendors (and/or their respective nominee(s)) *(Note 5)* | — | — | 279,510,000 | 29.99 |
| Subtotal | 239,280,000 | 36.68 | 430,690,000 | 46.22 |
| Public shareholding: | | | | |
| Perfect Treasure Investment Limited | — | — | 88,100,000 | 9.45 *(Note 4)* |
| other public | 413,076,000 | 63.32 | 413,076,000 | 44.33 |
| Total | 652,356,000 | 100 | 931,866,000 | 100 |

*Note:*

1. Golden Mount Limited, which has became a substantial and the single largest Shareholder since 27 July 2007, is wholly-owned by Mr. Chim Pui Chung, who does not hold any position in the Company and is the father of Mr. Chim Kim Lun, Ricky, an executive Director. Based on the corporate substantial shareholder notice dated 21 February 2008 and filed for and on behalf of Golden Mount Limited received by the Company, Golden Mount Limited and its parties acting in concert hold approximately 23.17% of the issued share capital of the Company as at the date of this announcement.

2. Perfect Treasure Investment Limited is a company incorporated in Hong Kong and a wholly-owned subsidiary of Sing Tao News Corporation Limited, a company incorporated in Bermuda and whose securities are listed on the Stock Exchange.

3. The Convertible Bonds provide that no Convertible Bonds may be converted, to the extent that following such exercise, a holder of the Convertible Bonds (including each of the Vendors (or its nominee(s)) and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares ("**30% Restriction**"). Whether certain persons are acting in concert with each other is a matter of fact. When Golden Mount Limited holds 20% or more of the issued shares in the Company while the Vendors (after conversion of the relevant Convertible Bonds) will hold 20% or more of the issued shares in the Company, Golden Mount Limited will become presumed to act as a party acting in concert with the Vendors, and their shareholdings might accordingly be aggregated to that of the Vendors. If the Vendors and Golden Mount Limited are able to rebut the presumption, the presumption will no longer be applicable. If they are not able to rebut such presumption, they will in effect hold more than 30% of the shareholding in the Company, a situation which is already prohibited under the terms of the instrument of the Convertible Bonds.

4. For illustration only, as Perfect Treasure Investment Limited will no longer be a substantial Shareholder (assuming conversion of the Convertible Bonds by the Vendors (and/or their respective nominee(s)) to the extent that they are interested in approximately 29.99% of the issued share capital of the Company and no acquisition of additional Shares by Golden Mount Limited and Perfect Treasure Investment Limited after the date of this announcement) and there is no other relationship which makes it a connected person of the Company, its shareholding in the Company shall be counted as public float.

5. As at the date of this announcement, Golden Mount Limited, Perfect Treasure Investment Limited and the Vendors are not parties acting in concert with one another.

### Dilution effect on Shareholders

Due to the significant dilutive nature of the Conversion Shares, the Company would adopt the following additional disclosure measures if the transaction contemplated under the Acquisition Agreement is approved by the Shareholders:

(i) the Company will make a monthly announcement ("**Monthly Announcement**") on the website of the Stock Exchange. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form;

    (a) whether there is any conversion of the Convertible Bonds during the relevant month and if so, details of the conversion(s), including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

    (b) the number of outstanding Convertible Bonds after the conversion, if any;

    (c) the total number of Shares issued pursuant to other transactions including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and

    (d) the total issued share capital of the Company as at the commencement and the last day of the relevant months.

(ii) in addition to the Monthly Announcement, if the cumulative amount of the new Shares converted from the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) (a) — (d) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be); and

(iii) in respect of conversion of the Convertible Bonds, the Company will make an announcement in the event any such conversion will result in an increase of its shareholding in the Company by 5%.

**Information on the Target Group**

***Background***

The Target Company is an investment holding company incorporated in the BVI with limited liability on 14 January 2008 and is beneficially owned as to 90% by the First Vendor and as to 10% by the Second Vendor. Before the Reorganization as detailed below, the Target Company has no major assets or operating businesses other than the entire shareholding interests in Starwick Development, Gold Pioneer and Sheenway, each of which is an investment holding company incorporated in the BVI with limited liability on 21 February 2008, 2 January 2008 and 9 January 2008 respectively and has no major assets or operating businesses.

Upon completion of the Reorganization, the PRC Subsidiary, which principal business is the design, installation and manufacturing of high definition projection televisions and related accessories, will become an indirect wholly-owned subsidiary of the Target Company. Moreover, as a result of the Reorganization, the TMDC Sale Machineries will become vested in the PRC Subsidiary and the TMDC Sale Patents will be owned by or registered under the name Sheenway. Each of the TMDC Sale Machineries and TMDC Sale Patents are related to the production of liquid crystal on silicon (“LCoS”) televisions. LCoS is a “micro-projection” or “micro-display” technology typically applied in projection televisions. A typical liquid crystal display (“LCD”) television uses transmissive LCD chips, allowing light to pass through the liquid crystal while in LCoS television, liquid crystals are applied directly to the surface of a silicon chip coated with an aluminized layer, with some type of passivation layer, which is highly reflective. LCoS technology can therefore produce higher resolution images than conventional LCD and plasma display technologies. At present, the PRC Subsidiary is in the course of setting up a manufacturing base for the production of LCoS televisions in Suzhou, the PRC (the “Suzhou Plant”), which has leased a piece of land with a total gross floor area of approximately 3,500 square metres for the establishment of the Suzhou Plant. The initial annual production capacity of the Suzhou Plant is approximately 2 million units of LCoS televisions and it is expected to commence commercial production in the third quarter of 2008.

Upon Acquisition Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its consolidated financial results will be consolidated with those of the Group.

*Reorganization*

As a condition precedent to the Acquisition Completion, the Reorganization shall have been duly completed under the PRC laws in accordance with the TMDC Agreement dated 29 February 2008 made between TMDC and Starwick Development and further pursuant to the business plans of the Vendors as below:

(i) Precise Media has or will become a direct wholly-owned subsidiary of Starwick Development;

(ii) the TMDC Sale Machineries will become vested in the PRC Subsidiary;

(iii) the TMDC Sale Patents will be owned by Sheenway and (if required by Sourcestar Profits) registration of the TMDC Sale Patents in the name of Sheenway will have been effected;

(iv) the officers of TMDC will enter into with the PRC Subsidiary legally valid and enforceable employment contracts in the agreed form;

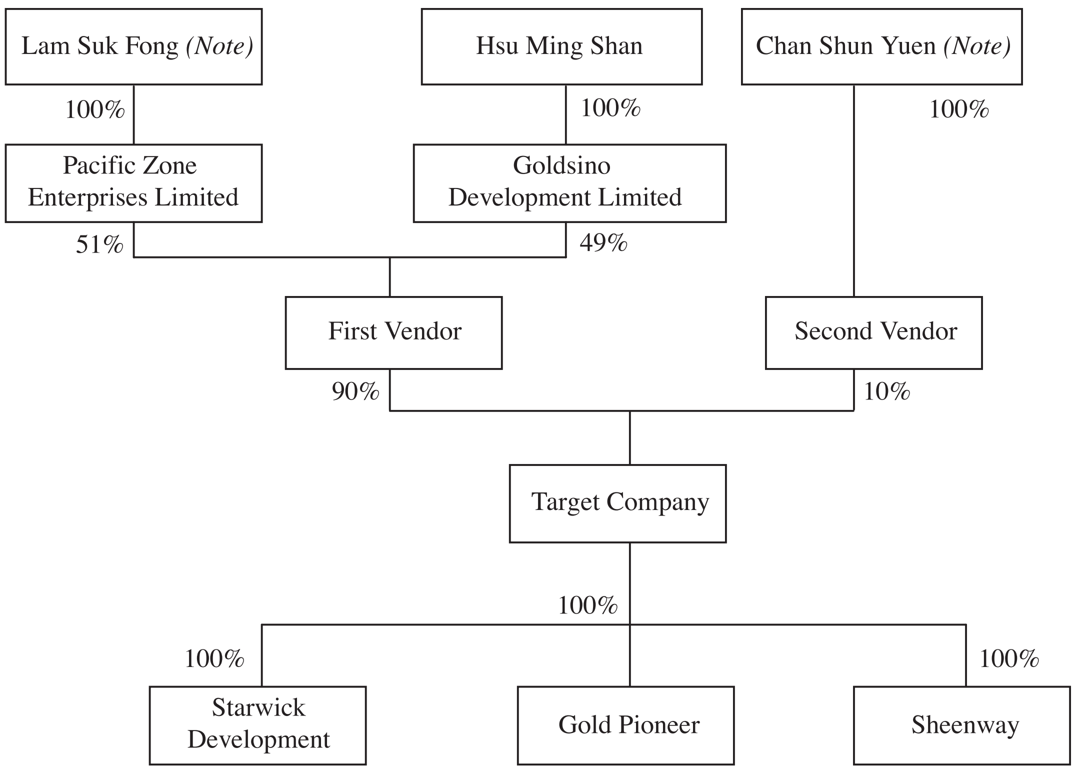
(v) all purchase prices payable by Starwick Development under the TMDC Agreement shall be settled by or on behalf of the Vendors, in such manner to the reasonable satisfaction of Sourcestar Profits that TMDC will not have any recourse against any members of the Target Group or the Company or any of the Company's subsidiaries; and

(vi) immediately before the Acquisition Completion, the loans owing by the members of the Target Group (other than the Target Company) to the respective associates of the Vendors will be assigned to become loans owing by the Target Company to the Vendors.

As at the date of this announcement, item (i) has been completed and the TMDC Agreement has yet to be completed. Accordingly, it is expected that the Reorganization will be completed in the third quarter of 2008.

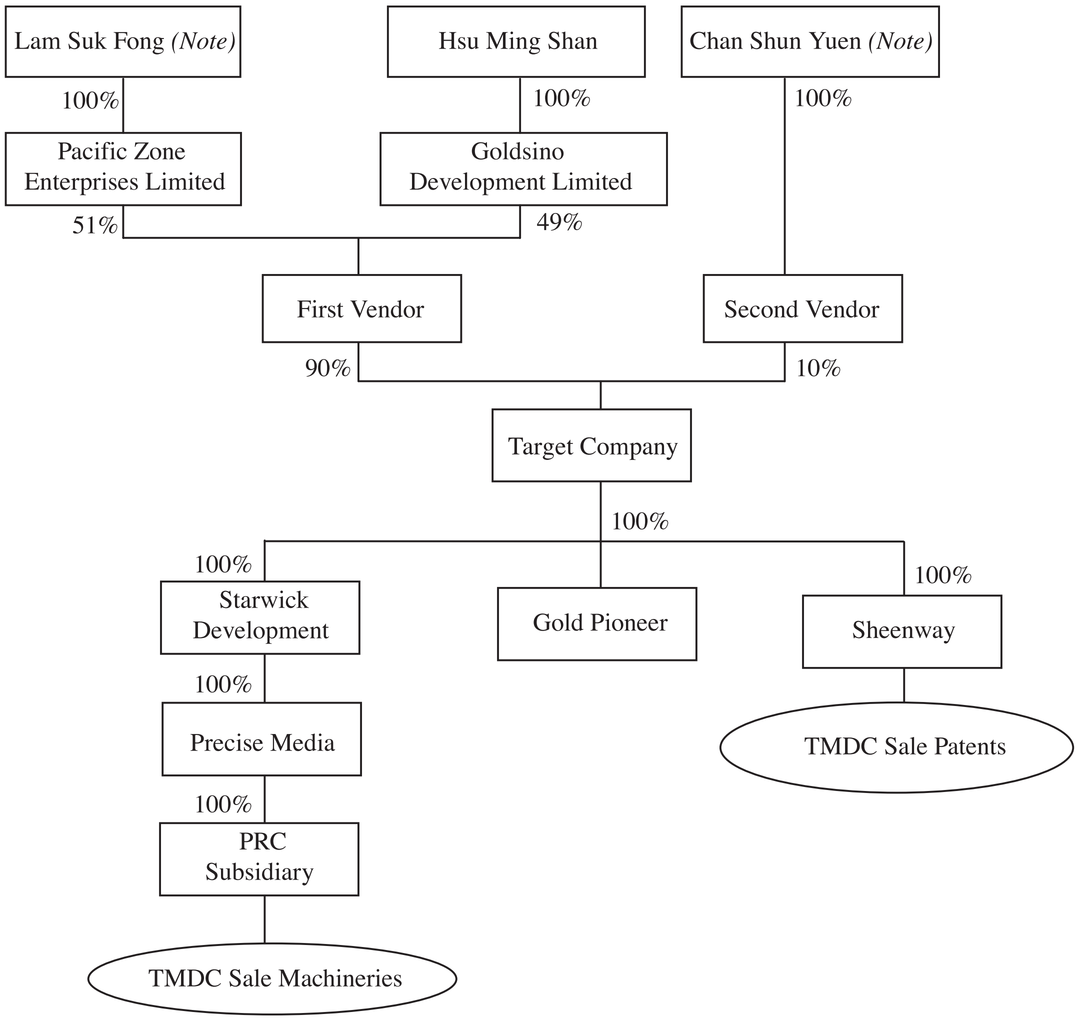
***Shareholding structure before and after the Reorganization and the Acquisition***

Immediately before the completion of the Reorganization and the Acquisition:



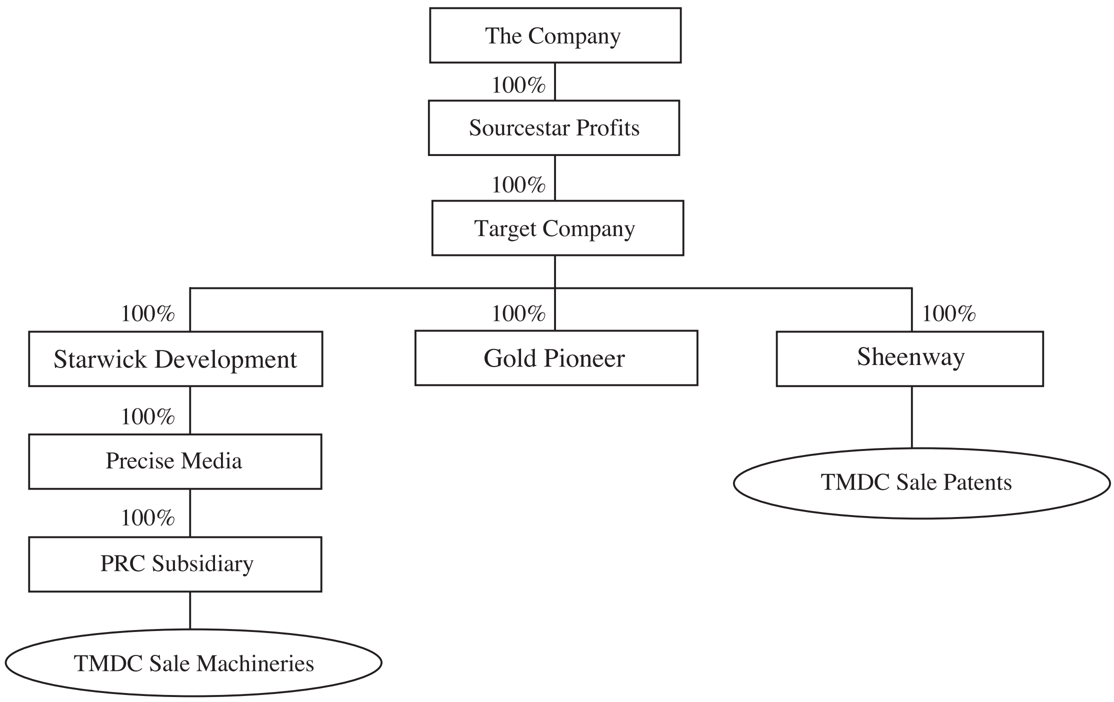

*Note: Ms. Lam Suk Fong is the mother of Mr. Chan Shun Yuen*

Immediately after the completion of the Reorganization but before the Acquisition:




*Note: Ms. Lam Suk Fong is the mother of Mr. Chan Shun Yuen*

Immediately after the completion of the Reorganization and the Acquisition:



***Information on the TMDC Sale Machineries and the TMDC Sale Patents***

Pursuant to the TMDC Agreement, the TMDC Sale Machineries mainly comprise colour analyzers, spectrometers and so forth relating to the manufacturing of LCoS televisions and related components.

Pursuant to the TMDC Agreement, the TMDC Sale Patents comprise patents and/or patents applications in the PRC, Taiwan and U.S. relating to micro-display elements and manufacturing of LCoS televisions and related components.

***Financial information of the Target Group***

The following summarizes the financial information of each of the members comprising the Target Group based on their respective unaudited management accounts prepared in accordance with HKGAAP:

*(1) Target Company*

The Target Company recorded an unaudited net assets value of approximately RMB84,874 (equivalent to approximately HK$94,210) as at 31 March 2008 and an unaudited loss before and after taxation of approximately RMB5,526 (equivalent to approximately HK$6,134) for the period from 14 January 2008 (being the date of incorporation of the Target Company) to 31 March 2008.

*(2) Starwick Development*

Starwick Development recorded an unaudited net liabilities value of approximately RMB11,259 (equivalent to approximately HK$12,497) as at 31 March 2008 and an unaudited loss before and after taxation of approximately RMB11,268 (equivalent to approximately HK$12,507) for the period from 21 February 2008 (being the date of incorporation of Starwick Development) to 31 March 2008.

*(3) Gold Pioneer*

Gold Pioneer recorded an unaudited net liabilities value of approximately RMB5,517 (equivalent to approximately HK$6,124) as at 31 March 2008 and an unaudited loss before and after taxation of approximately RMB5,526 (equivalent to approximately HK$6,134) for the period from 2 January 2008 (being the date of incorporation of Gold Pioneer) to 31 March 2008.

*(4) Sheenway*

Sheenway recorded an unaudited net liabilities value of approximately RMB6,398 (equivalent to approximately HK$7,102) as at 31 March 2008 and an unaudited loss before and after taxation of approximately RMB6,407 (equivalent to approximately HK$7,112) for the period from 9 January 2008 (being the date of incorporation of Sheenway) to 31 March 2008.

*(5) Precise Media*

Precise Media recorded an unaudited consolidated net assets value of approximately RMB4,286,539 (equivalent to approximately HK$4.8 million) as at 31 March 2008 and unaudited losses before and after taxation for the year ended 31 December 2006 and 2007 of approximately RMB593,824 (equivalent to approximately HK$0.7 million) and approximately RMB1,155,097 (equivalent to approximately HK$1.3 million) respectively.

**Reasons for entering into the Acquisition**

The Group is principally engaged in the manufacture and marketing of electronic products (mainly electronic calculators and organizers), conductive silicon rubber keypads and printed circuit boards.

As set out in the Company's annual report for the year ended 31 December 2007, as the electronic manufacturing business is highly labour intensive, persistent increase in the cost of and the shortage of skilled and experienced workers in the PRC have added to the already difficult operating environment, which is mired in escalating electricity, material and transportation costs. Operating efficiency and optimum utilization of production facilities were also affected. In view of this, the Group has been looking into the opportunity of other business and exploring more investment to offer sustainable growth to its business.

Through the Acquisition, the Group can be engaged in production and distribution of LCoS televisions, which the Directors are of the view that the LCoS technology is of considerable development potential and the Group's sources of income may be broadened. The Directors also expect that the LCoS projection televisions will receive positive response upon launch in the market.

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition (including the Acquisition Consideration and the payment methods thereof) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## (II) THE DISPOSAL AND CONNECTED TRANSACTION

The Board announced that on 2 May 2008, Reddtich (as the vendor), a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Extract Group (as the purchaser), pursuant to which Extract Group conditionally agreed to purchase, and Redditch conditionally agreed to sell the Disposal Sale Shares and assign the Disposal Sale Debts, at an aggregate Disposal Consideration of HK$250 million payable in cash.

The Board has no present intention to dispose of the two remaining two business segments (i.e. the conductive silicon rubber keypads and the printed circuit boards) of the Company.

**The Disposal Agreement**

***Date***

2 May 2008

***Parties***

| | |
|---|---|
| Vendor: | Redditch |
| Purchaser: | Extract Group Limited |

Extract Group is an investment holding company solely owned by Mr. Tong, an executive Director and the chairman of the Company. Accordingly, Extract Group is a connected person of the Company under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Extract Group and its ultimate beneficial owner and their respective associates was not interested in any Shares as at the date of this announcement and has no prior transactions with the Company other than the Disposal.

***Assets to be disposed of***

The following assets are proposed to be disposed of:—

(i) the Disposal Sale Shares, being the entire issued share capital of each of the Four BVI Companies; and

(ii) the Disposal Sale Debts, representing the net amount of the total non-trade accounts receivable and the total non-trade accounts payable by the members of the Disposal Group from and to the members of the Group (other than the members of the Disposal Group) as at 31 March 2008

For further information on the Disposal Group, please refer to the paragraph headed "Information on the Disposal Group" below.

***Disposal Consideration***

The aggregated Disposal Consideration for the Disposal Sale Shares and the Disposal Sale Debts shall be the sum equal to HK$250 million payable in cash at the Disposal Completion. The Disposal Sale Debts as at 31 March 2008 was approximately HK$63.8 million.

The Disposal Consideration was arrived at after arm's length negotiations between the parties with reference to the net assets value of the Disposal Group and the amount of the Disposal Sale Debts with a premium agreed between the parties.

***Conditions precedent***

The Disposal Completion is conditional upon, among other things, the following conditions being fulfilled (or waived) on or before 30 September 2008 (or such later date as may be agreed by the parties):

(i) the compliance of the Company of (or, as the case may be, obtaining of waiver from), where applicable, any requirement under the Listing Rules (including without limitation the obtaining of the approval from the Independent Shareholders in general meeting) as may be applicable in connection with the Disposal Agreement and the transactions contemplated thereby (including without limitation the Supply Agreement);

(ii) the Board having approved and authorized the execution and completion of the Disposal Agreement;

(iii) none of the warranties contained in the Disposal Agreement having been breached in any material respect (or, if capable of being remedied, not having been remedied) or being misleading or untrue in any material respect; and

(iv) all necessary approvals, consents, authorizations and licences (so far as are necessary) in connection with the transactions contemplated under the Disposal Agreement having been obtained from relevant parties.

All of the conditions are not waivable by Extract Group except for conditions (iii) and (iv). If any of the conditions has not been fulfilled or waived by Extract Group on or before 30 September 2008, or such later date as the parties may otherwise agree, the Disposal Agreement shall lapse and be terminated and no party to the Disposal Agreement shall have any liability under the Disposal Agreement (without prejudice to the rights of the parties in respect of any antecedent breaches). As at the date of this announcement, none of the above conditions have been fulfilled or waived.

*Disposal Completion*

The Disposal Completion shall take place on the third Business Day following the date of the fulfillment (or, as the case may be, waiver) of the conditions precedent. The Acquisition and the Disposal are independent from each other and the Acquisition Completion and the Disposal Completion are not inter-conditional with each other.

No change in the members of the Board is currently contemplated as a result of the Disposal. Mr. Tong has no current intention to resign as a Director immediately following the Disposal Completion.

At present, each of the Four BVI Companies is a wholly-owned subsidiary of the Company and their respective financial results are consolidated into the Group's financial statements. Upon the Disposal Completion, each of the Four BVI Companies will cease to be a wholly-owned subsidiary of the Company. The Group will cease to consolidate the Four BVI Companies' financial results and the Group will no longer be engaged in the business of manufacture and marketing of electronic products (mainly electronic calculators and organizers).

**Information on the Disposal Group**

Each of the Four BVI Companies is an investment holding company incorporated in the BVI with limited liability, and together with their respective subsidiaries, is principally engaged in the manufacture and marketing of electronic products (mainly electronic calculators and organizers).

The combined audited financial information of the Disposal Group for the two financial years ended 31 December 2006 and 2007 prepared in accordance with HKGAAP (after taking into account the adjustment made for the eliminations of inter-company transactions within the Disposal Group) are as follows:—

| | **Year ended 31 December 2007** *HK$'000* *(audited)* | **Year ended 31 December 2006** *HK$'000* *(audited)* |
|---|---|---|
| Turnover | 541,900 | 478,675 |
| (Loss)/profit before taxation | (20,743) | 25,624 |
| (Loss)/profit after taxation and minority interest | (21,986) | 23,930 |

As at 31 March 2008, the Disposal Group recorded combined audited consolidated net assets (including the Disposal Sale Debts) of approximately HK$168.8 million.

**Reasons for and benefits of the Disposal**

The Group is principally engaged in the production and sale of electronic products on both "Original Design Manufacturing" and "Original Equipment Manufacturing" basis. In addition, it also produces conductive silicon rubber keypads for use in the production of electronic calculators, electronic organizers, mobile phones and audio visual products, and in the manufacture of printed circuit boards. Based on the latest audited financial statement of the Company, for the year ended 31 December 2007, revenues for the electronic products division, conductive silicon rubber keypads division and the printed circuit board division were approximately HK$541,900,000, HK$114,051,000 and HK$127,081,000 respectively. Respective operating losses for the financial year ended 31 December 2007 for the above divisions were approximately HK$8,594,000 (excluding the change in fair value of derivative financial instrument and the management fee paid to the Company), HK$49,000 and HK$13,421,000 respectively.

For the past three years, profit margins of the electronic products segment had been under pressure as both material and manufacturing costs increased. The Disposal would enable the Group to sell out businesses which are non-performing, and in return, realize cash of approximately HK$250 million which can be deployed for the Group's existing printed circuits boards and conductive silicon rubber keypads divisions and other investment opportunities, such as the Acquisition.

The Directors (other than the independent non-executive Directors whose views will be included in the circular to be despatched, after being advised by the independent financial adviser to be appointed by the Company) consider that it is a prudent decision to realize part of the Group's assets and investment through the Disposal so as to balance its possible risk and raise funds for business expansion and development. Upon the Disposal Completion, the Group can enhance its liquidity and improve the cash flow within a relatively short period of time. On the other hand, the Directors note that it may be difficult for the Company to seek an Independent Third Party to acquire the Disposal Group within a short period of time, while Mr. Tong is willing to acquire the Disposal Group at a premium over the sum of the net assets value of the Disposal Group and the Disposal Sale Debts. Accordingly, the Directors (other than the independent non-executive Directors whose views will be included in the circular to be despatched, after being advised by the independent financial adviser to be appointed by the Company) consider that it is in the interests of the Company and the Shareholders as a whole to adopt a management buy-out method to dispose the Disposal Group to Mr. Tong.

The Directors (other than the independent non-executive Directors whose views will be included in the circular to be despatched, after being advised by the independent financial adviser to be appointed by the Company) are of the view that the terms of the Disposal Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

**Financial effect of the Disposal and the use of proceeds**

The Directors estimated that, upon the Disposal Completion, the Group would record a gain on disposal of approximately HK$17.4 million with reference to the combined unaudited consolidated net assets (including the Disposal Sale Debts) of the Disposal Group as at 31 March 2008 of approximately HK$168.8 million, the amount of the Disposal Sale Debts as at 31 March 2008 of approximately HK$63.8 million and the Disposal Consideration. Hence, it is expected that the Group's net assets value would be improved as a result of the Disposal.

The net sale proceeds of the Disposal after deducting all necessary charges for the Disposal of approximately HK$250 million are intended to be used for the Group's existing printed circuits boards and conductive silicon rubber keypads divisions, as general working capital and for the Group's other investment opportunities, such as the Acquisition. As at the date of the announcement, the breakdown for the intended use of the net sale proceeds of the Disposal has not been determined by the Company and there are no other investment opportunities identified by the Company save for the Acquisition.

## (III) CONTINUING CONNECTED TRANSACTIONS

On 22 May 2008, Redditch and the Four BVI Companies entered into the Supply Agreement for a term expiring on 31 December 2010 for the supply of conductive silicon rubber keypads and printed circuit boards to the Disposal Group by the Group (excluding the Disposal Group) on a priority (but not exclusive) basis for the Disposal Group's production of its electronic products. Upon the Disposal Completion, the Four BVI Companies will become wholly-owned subsidiaries of Extract Group and therefore the connected persons of the Company. The Supply Transactions, to be conducted pursuant to the Supply Agreement, will constitute continuing connected transactions for the Company.

In any event, the terms of the Supply Transactions shall be either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to Independent Third Parties.

Based on the record of the Group, during each of the three years ended 31 December 2005, 2006 and 2007, the supply of conductive silicon rubber keypads by the Group to the Disposal Group amounted to approximately HK$12.5 million, approximately HK$13.4 million and approximately HK$16.5 million respectively and the supply of printed circuit boards by the Group to the Disposal Group amounted to approximately HK$20.1 million, approximately HK$25.7 million and approximately HK$28.2 million respectively, showing a steady growth rate. It is proposed that the annual caps for the Supply Transactions under the Supply Agreement for the three years ending 31 December 2008, 2009 and 2010 will be HK$18.2 million, HK$20.0 million and HK$22 million respectively for the supply of conductive silicon rubber keypads and HK$31.0 million, HK$34.1 million and HK$37.5 million respectively for the supply of printed circuit boards. As advised by the Company, the proposed annual caps are determined with reference to the historical transaction figures of the Group for the past three years from 2005 to 2007 and an expected steady annual growth rate of approximately 10% based on current market condition.

The Directors (other than the independent non-executive Directors whose views will be included in the circular to be despatched, after being advised by the independent financial adviser to be appointed by the Company) are of the view that the proposed annual caps in respect of the Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the terms of the Supply Transactions are based on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## (IV) INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the existing authorized share capital of the Company is HK$200,000,000 divided into 2,000,000,000 Shares, of which 652,356,000 Shares were in issue. As such, the number of Shares which the Company may issue and allot under the existing issued share capital of 1,347,644,000 is insufficient to cover the issue of the Conversion Shares, if the conversion right attached thereto is exercised in full.

Accordingly, the Company proposed to increase its authorized share capital from HK$200,000,000 comprising 2,000,000,000 Shares to HK$2,000,000,000 comprising 20,000,000,000 Shares by the creation of 18,000,000,000 Shares which will be put to Shareholders' approval at the SGM. The Acquisition Completion is conditional upon such proposed increase in the authorized share capital of the Company to HK$2,000,000,000 having been approved by the Shareholders at the SGM.

## LISTING RULES REQUIREMENTS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholders have any material interest in the Acquisition, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder. The proposed increase in authorized share capital of the Company will be put to Shareholders' approval at the SGM.

The Disposal constitutes a very substantial disposal transaction for the Company under Chapter 14 of the Listing Rules. As Extract Group is solely owned by Mr. Tong who is an executive Director and the chairman of the Company, Extract Group is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to, among other things, approval by the Independent Shareholders at the SGM.

The Acquisition and the Disposal are independent from each other and the Acquisition Completion and the Disposal Completion are not inter-conditional with each other.

In addition, upon Disposal Completion, the Four BVI Companies will become wholly-owned subsidiaries of Extract Group and therefore the connected persons of the Company. The Supply Transactions, to be conducted pursuant to the Supply Agreement, will constitute continuing connected transactions for the Company, and with reference to the proposed annual cap amounts, will be subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of this announcement, to the best of the Company's knowledge after reasonable enquiry, Mr. Tong and his associates were not interested in any Shares. Should Mr. Tong or his associates hold any Shares as at the date of the SGM, Mr. Tong and his associates shall abstain from voting on the resolution to approve the Disposal Agreement, the Supply Agreement and the transactions contemplated thereunder at the SGM.

## GENERAL

A circular containing, among other information, (i) further details of the Acquisition, the Promissory Note and the Convertible Bonds; (ii) further details of the Disposal and the Supply Transactions; (iii) the recommendations of the Independent Board Committee in relation the Disposal and the Supply Transactions; (iv) the advice of the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Supply Transactions; (v) further details regarding the proposed increase in authorized share capital of the Company; (vi) the accountants' reports on the Group (including the Disposal Group) and the Target Group in accordance with Rule 14.68(2)(a)(i) and Rule 14.69(4)(a)(i) of the Listing Rules and (vii) the notice of the SGM, will be despatched to the Shareholders. Pursuant to Rules 14.38 and 14A.49 of the Listing Rules, the circular is required to be despatched to the Shareholders within 21 days after the publication of this announcement, i.e. on or before 12 June 2008. However, it is currently expected that it will take about five to seven weeks for the Company to obtain (1) a finalized valuation report in respect of the TMDC Sale Patents; and (2) accountants' reports on the Target Group for inclusion in the circular. Accordingly, the circular can only be despatched to the Shareholders on or about 31 July 2008. An application has been made to the Exchange for a waiver from strict compliance with Rules 14.38 and 14A.49 of the Listing Rules.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 2 May 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 May 2008.

## DEFINITIONS

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

| | |
|---|---|
| "Acquisition" | the purchase of the Acquisition Sale Shares and the Acquisition Sale Debts by Sourcestar Profits from the Vendors, subject to the terms and conditions of the Acquisition Agreement |
| "Acquisition Agreement" | the conditional acquisition agreement dated 30 April 2008 entered into between Sourcestar Profits (as the purchaser), the First Vendor, the Second Vendor, the Company (as warrantor of Sourcestar Profits) and the Warrantors in relation to the Acquisition |
| "Acquisition Completion" | completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement |
| "Acquisition Completion Date" | the date on which the Acquisition Completion takes place |
| "Acquisition Consideration" | the total consideration of HK$3,400 million payable by Sourcestar Profits (or the Company) to the Vendors for the Acquisition (subject to adjustments) |
| "Acquisition Sale Debts" | being the face value of the loans outstanding as at the Acquisition Completion made by or on behalf of the Vendors to the Target Company |
| "Acquisition Sale Shares" | being such number of share as shall represent the entire issued share capital in the Target Company immediately before the Acquisition Completion |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "Business" | the research and development, manufacturing and distribution of LCoS televisions, enlarged display units with related components by the Target Group |
| "Business Day" | any day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business |
| "BVI" | the British Virgin Islands |
| "Company" | Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange |
| "connected person" | has the meaning ascribed to it under the Listing Rules |
| "Conversion Shares" | new Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds (subject to adjustments) |

| | |
|---|---|
| "Convertible Bond(s)" | collectively the Tranche 1 Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds, being the zero coupon convertible bond(s) in an aggregate principal amount up to HK$3,000 million (subject to adjustments) all due on the fifth anniversary of the date of the issue date of the Tranche 1 Bonds to be issued by the Company as part of the Acquisition Consideration pursuant to the terms of the Acquisition Agreement |
| "Director(s)" | the director(s) of the Company |
| "Disposal" | the proposed disposal of the Disposal Sale Shares and the assignment of the Disposal Sale Debts, subject to the terms and conditions of the Disposal Agreement |
| "Disposal Agreement" | the conditional sale and purchase agreement dated 2 May 2008 entered into between Redditch and Extract Group in relation to the Disposal |
| "Disposal Completion" | the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement |
| "Disposal Completion Date" | the date of the Disposal Completion in accordance with the terms and conditions of the Disposal Agreement |
| "Disposal Consideration" | the consideration for the Disposal Sale Shares and the Disposal Sale Debts payable by the Extract Group to Redditch for the Disposal |
| "Disposal Group" | the Four BVI Companies and their subsidiaries |
| "Disposal Sale Debts" | amounting to approximately HK$63.8 million, being the net amount of the total non-trade accounts receivable and the total non-trade accounts payable by the members of the Disposal Group from and to the members of the Group (other than the members of the Disposal Group) as at 31 March 2008 |
| "Disposal Sale Shares" | being the entire issued share capital of each of the Four BVI Companies |
| "Extract Group" | Extract Group Limited, a company incorporated in the BVI and solely owned by Mr. Tong, an executive Director and the chairman of the Company |
| "Four BVI Companies" | Xinyu Electronics Limited, Joyham Jade Limited, Sabic Electronic Limited and Habermann Limited, each of which being a company incorporated in the BVI with limited liability |
| "First Vendor" | China Eagle Development Limited, a company incorporated in the BVI with limited liability which holds 90% equity interest in the Target Company |
| "Gold Pioneer" | Gold Pioneer Enterprises Limited, a company incorporated in the BVI with limited liability whose entire issued share capital is held by the Target Company |

| | |
|---|---|
| "Group" | collectively, the Company and its subsidiaries from time to time |
| "HKGAAP" | accounting principles generally accepted in Hong Kong |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board to be established by the Board to advise the Independent Shareholders regarding the Disposal Agreement, the Supply Agreement and the transactions contemplated thereunder |
| "Independent Shareholders" | Shareholders other than Mr. Tong and his associates, should they be interested in any Shares |
| "Independent Third Party(ies)" | to the best of the directors' knowledge, information and belief having made all reasonable enquiry, third party(ies) (and its/their ultimate beneficial owner(s)) independent of the Company and connected persons of the Company |
| "Initial Conversion Price" | HK$0.4 per Conversion Share (subject to adjustments) |
| "LCoS" | liquid crystal on silicon technology which is typically applied in projection televisions |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 5:00 p.m. on 30 September 2008 or such later date as the Vendors and Sourcestar Profits may agree in writing |
| "Mr. Tong" | Mr. Tong Shek Lun, an executive Director and the chairman of the Company |
| "PRC" | the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "PRC Subsidiary" | 聯合光電(蘇州)有限公司(United Opto-Electronics (Suzhou) Co., Ltd.), a company incorporated in the PRC on 3 November 2005 whose entire issued share capital is held by Precise Media |
| "Precise Media" | Precise Media Limited, a wholly owned foreign enterprise established in West Samoa on 12 March 2002 whose entire issued share capital will be held by Starwick Development after the Reorganization |
| "Promissory Note" | the promissory note with principal amount of HK$375 million to be issued by the Company with 2-year maturity from the date of issue at zero coupon rate as part of the Acquisition Consideration pursuant to the Acquisition Agreement |

| | |
|---|---|
| "Redditch" | Redditch Enterprises Limited, a direct wholly-owned subsidiary of the Company |
| "Reorganization" | the reorganization of the Target Group pursuant to the Acquisition Agreement and the TMDC Agreement |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Second Vendor" | Fairtime International Limited, a company incorporated in the BVI with limited liability which holds 10% equity interest in the Target Company |
| "SGM" | a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approve, among other things, the Acquisition Agreement, the Disposal Agreement, the Supply Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the Conversion Shares) and the increase in the authorized share capital |
| "Share(s)" | ordinary share(s) of HK$0.10 each in the share capital of the Company |
| "Shareholder(s)" | holders of the Share(s) |
| "Sheenway" | Sheenway Limited, a company incorporated in the BVI whose entire issued share capital is held by the Target Company |
| "Sourcestar Profits" | Sourcestar Profits Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company |
| "Starwick Development" | Starwick Development Limited, a company incorporated in the BVI whose entire issued share capital is held by the Target Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "substantial shareholder" | has the meaning ascribed to it under the Listing Rules |
| "Supply Agreement" | the agreement dated 22 May 2008 entered into between Redditch and the Four BVI Companies in relation to the Supply Transactions |
| "Supply Transactions" | the supply of conductive silicon rubber keypads and printed circuit boards to the Disposal Group by the Group (excluding the Disposal Group) pursuant to the Supply Agreement |
| "Target Company" | Pacific Choice Holdings Limited, a company incorporated in the BVI whose issued share capital is beneficially owned as to 90% by the First Vendor and 10% by the Second Vendor |
| "Target Group" | the Target Company, Starwick Development, Gold Pioneer, Sheenway, Precise Media, the PRC Subsidiary and their respective subsidiaries (if any) |

| | |
|---|---|
| "TMDC" | 台灣微型影像股份有限公司 (Taiwan Micro Display Corp.), a company incorporated in Taiwan |
| "TMDC Agreement" | the agreement dated 29 February 2008 and made between, among others, TMDC as vendor and Starwick Development as purchaser (and the supplemental agreement or agreements to be made between the same parties in the agreed form) in connection with, inter alia, the sale and purchase of the TMDC Sale Machineries, the TMDC Sale Patents and entire issued share capital in Precise Media |
| "TMDC Sale Machineries" | such machineries and equipment as set out in the TMDC Agreement, which have been agreed to be transferred and assigned to Starwick Development (or its nominee) pursuant to the terms and conditions of the TMDC Agreement |
| "TMDC Sale Patents" | such patents as set out in the TMDC Agreement, which have been agreed to be transferred and assigned to Starwick Development (or its nominee) pursuant to the terms and conditions of the TMDC Agreement |
| "Tranche 1 Bonds" | the Convertible Bonds in a total principal amount of HK$1,000 million to be issued by the Company to the Vendors (or their respective nominee(s)) (as to HK$885 million to the First Vendor and as to HK$115 million to the Second Vendor) for settlement of part of the Acquisition Consideration pursuant to the Acquisition Agreement |
| "Tranche 2 Bonds" | the Convertible Bonds in a total principal amount of HK$600 million to be issued by the Company to the Vendors (or their respective nominee(s)) in their respective equity interest in the Target Company for settlement of part of the Acquisition Consideration pursuant to the Acquisition Agreement |
| "Tranche 3 Bonds" | the Convertible Bonds in a total principal amount of HK$600 million to be issued by the Company to the Vendors (or their respective nominee(s)) in their respective equity interest in the Target Company for settlement of part of the Acquisition Consideration pursuant to the Acquisition Agreement |
| "Tranche 4 Bonds" | the Convertible Bonds in a total principal amount of HK$800 million to be issued by the Company to the Vendors (or their respective nominee(s)) in their respective equity interest in the Target Company for settlement of part of the Acquisition Consideration pursuant to the Acquisition Agreement |
| "U. S." | the United States of America |
| "Vendors" | the First Vendor and the Second Vendor |
| "Warrantors" | Mr. Chan Shun Yuen as the warrantor of the First Vendor and the Second Vendor and Ms. Hsu Ming Shan as another warrantor of the First Vendor |

| | |
|---|---|
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent. |

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

Hong Kong, 22 May 2008

*As at the date of this announcement, the Board consists of five executive Directors, Mr. Tong Shek Lun, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina, Mr. Chim Kim Lun, Ricky and Mr. Cheng Kwok Hing, Andy, 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.*

*In this announcement, for the purpose of illustration only, amounts quoted in RMB and US$ have been converted into HK$ at the rate of RMB1 to HK$1.11 and the rate of US$1 to HK$7.8 respectively, and vice versa. Such exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at such rates or any other rates or at all.*