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KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

(泰盛實業集團有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code : 1159)

PROPOSED MAJOR TRANSACTION ASSIGNMENT OF LOAN AND ADVANCES AND SUBSCRIPTION OF SECURITIES

The Board is pleased to announce that on 28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time) the Group has entered into (1) the Assignment and Share Subscription Agreements pursuant to which the Group has agreed to assign the Karce Loan to Ascalade Inc. in consideration for the allotment and issue of Ascalade Inc. Shares and (2) the Assignment and Unit Subscription Agreements pursuant to which the Group has agreed to assign the Karce Advances to Ascalade Inc. in consideration of the issuance of Units.

The Transactions are mainly to strengthen the balance sheet of Ascalade Group so as to give Ascalade Group greater financial flexibility to pursue additional capital in the future and they constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules. A circular containing, inter alia, further information of the Transactions will be despatched to the Shareholders as soon as possible. **Ascalade Group may or may not be able to pursue such additional capital (including Public Listing Event) and the Shareholders and investors are advised to exercise caution when dealing in the Shares.**

Trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 2nd March, 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8th March, 2005.

THE ASSIGNMENT AND SHARE SUBSCRIPTION AGREEMENTS

Date:

28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time)

Parties:

(a) the loan assignment agreement

1. T&S
2. ACL
3. Ascalade Communications
4. Ascalade Inc.

(b) the share subscription agreement

1. Dragon
2. Ascalade Inc.

Save as the approximately 30.8% equity interest in Ascalade Inc. owned by the Group before completion of the Agreements, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, Ascalade Inc. and its ultimate beneficial owner are not connected persons (as defined in the Listing Rules) of the Company.

The subject transaction:

The Group has agreed to sell and assign the Karce Loan to Ascalade Inc. in consideration for the allotment and issue of Ascalade Inc. Shares to the Group. The number of Ascalade Inc. Shares to be allotted and issued shall be calculated accordingly to the following formula:

$$A = (B \times C) / D$$

A = the number of Ascalade Inc. Shares to be allotted and issued

B = the amount of the Karce Loan (in US\$)

C = the conversion rate of CAD/US\$ posted by the Bank of Canada on the business day immediately preceding completion of the Assignment and Share Subscription

D = CAD 0.85 (approximately HK\$ 5.36)

As at the date of the Assignment and Share Subscription Agreements, the Karce Loan amounted to approximately US\$5,050,000 (approximately HK\$ 39,392,000) and accordingly, the total number of Ascalade Inc. Shares which can be issued pursuant to the Assignment and Share Subscription is estimated to be approximately 7,150,000, representing approximately 13.6% of the existing issued share capital of Ascalade Inc. and approximately 12% of the issued share capital of Ascalade Inc. as enlarged as a result of the completion of the Assignment and Share Subscription.

The Directors confirmed that the consideration was determined at arm's length negotiations and on normal commercial terms with reference to the possible conversion price of Convertible Debentures into Ascalade Inc. Shares pursuant to the Units issued to investors as stated below.

Conditions:

The completion of the Assignment and Share Subscription Agreements is conditional upon, among others:

- (a) The Group 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.
- (b) The Group shall have delivered all originals of the relevant loan agreements and other relevant certificates, opinions and documents as reasonably required to Ascalade Inc..
- (c) All necessary steps and proceedings as reasonably required by Ascalade Inc. shall have been taken to permit the Karce Loan to be duly transferred and assigned to Ascalade Inc..
- (d) The other parties shall have executed and delivered to Ascalade Inc. all documents, agreements or certificates as reasonably required to Ascalade Inc. for the purpose of effecting the sale and assignment of the Karce Loan.
- (e) All necessary approvals from the shareholders of the Company in respect of the Assignment and Share Subscription Agreements shall have been obtained.
- (f) The Company shall have issued an announcement in respect of the Assignment and Share Subscription Agreements pursuant to the Listing Rules.
- (g) Ascalade Inc. 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.
- (h) All necessary steps and proceedings as reasonably required by the Group shall have been taken to permit the allotment and issue of the relevant Ascalade Inc. Shares to the Group.
- (i) Ascalade Inc. shall have executed and delivered to the Group all documents, agreements or certificates as reasonably required for the purpose of effecting the allotment and issue of the relevant Ascalade Inc. Shares.

If any of the above conditions have not been fulfilled or waived in writing by the Group or Ascalade Inc. (as the case may be) prior to completion of the Assignment and Share Subscription Agreement, the Group or Ascalade Inc. (as the case may be) may rescind the Assignment and Share Subscription Agreements by written notice to the other parties and, in such event, all parties shall be released from all obligations contained thereunder. The Group does not intend to waive any of the above conditions as at the date of this announcement.

Completion:

Completion shall take place on or before 30 April, 2005 or such other date as the parties agreed in writing. There is no termination provision contained in the Assignment and Share Subscription Agreements to terminate the same save as the right to rescind the Assignment and Share Subscription Agreements due to non fulfillment of the conditions as mentioned above.

THE ASSIGNMENT AND UNIT SUBSCRIPTION AGREEMENTS

Date:

28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time)

Parties:

(a) the advances assignment agreement

1. T&S
2. ACL
3. Ascalade Communications
4. Ascalade Inc.

(b) the unit subscription agreement

5. Dragon
6. Ascalade Inc.

The subject transaction:

The Group has agreed to sell and assign the Karce Advances to Ascalade Inc. in consideration for the issuance of Units to the Group. The number of Units to be issued shall be calculated accordingly to the following formula:

E = (FxG)/H

E = the number of Units to be issued

F = the amount of Karce Advances (in US\$)

G = the conversion rate of CAD/US\$ posted by the Bank of Canada on the business day immediately preceding completion of the Assignment and Unit Subscription

H = CAD 1,000 (approximately HK\$ 6,300)

As at the date of the Assignment and Unit Subscription Agreements, the Karce Advances amounted to approximately US\$4,101,000 (approximately HK\$ 31,988,000) and accordingly, the total number of Units which can be issued pursuant to the Assignment and Unit Subscription is estimated to be approximately 4,900.

The Directors confirmed that the consideration was determined at arm's length negotiations and on normal commercial terms with reference to the issue price of Units to investors as stated below.

Conditions:

The completion of the Assignment and Unit Subscription Agreement is conditional upon, among others:

- (a) The Group 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.
- (b) The Group shall have delivered all originals of the relevant advances agreements and other relevant certificates, opinions and documents as reasonably required to Ascalade Inc..
- (c) All necessary steps and proceedings as reasonably required by Ascalade Inc. shall have been taken to permit the Karce Advances to be duly transferred and assigned to Ascalade Inc..
- (d) The other parties shall have executed and delivered to Ascalade Inc. all documents, agreements or certificates as reasonably required to Ascalade Inc. for the purpose of effecting the sale and assignment of the Karce Advances.
- (e) All necessary approvals from the shareholders of the Company in respect of the Assignment and Unit Subscription Agreements shall have been obtained.
- (f) The Company shall have issued an announcement in respect of the Assignment and Unit Subscription Agreements pursuant to the Listing Rules.
- (g) Ascalade Inc. 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.
- (h) All necessary steps and proceedings as reasonably required by the Group shall have been taken to permit the issuance of the relevant Units to the Group.
- (i) Ascalade Inc. shall have executed and delivered to the Group all documents, agreements or certificates as reasonably required for the purpose of effecting the issuance of the relevant Units.

If any of the above conditions have not been fulfilled or waived in writing by the Group or Ascalade Inc. (as the case may be) prior to completion of the Assignment and Unit Subscription, the Group or Ascalade Inc. (as the case may be) may rescind the Assignment and Unit Subscription Agreements by written notice to the other parties and, in such event, all parties shall be released from all obligations contained thereunder. The Group does not intend to waive any of the above conditions as at the date of this announcement.

Relevant major terms of the Convertible Debentures:

The relevant major terms of the Convertible Debentures are summarized as follows:

- (a) Maturity - The Convertible Debentures will mature in November 2006
- (b) Interest - The Convertible Debentures will bear a rate of interest of 12% per annum calculated and payable semi-annually in arrears
- (c) Right to convert into Common Shares - The Convertible Debentures shall be convertible into Ascalade Inc. Shares at the holder's option at any time until maturity for such number of Ascalade Inc. Shares equal to the principal amount of the Convertible 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 Public Listing Event; and
 - (ii) CAD 0.85 (approximately HK\$ 5.36) per Ascalade Inc. Share

In the event Public Listing Event has not been completed, the conversion price will be equal to CAD 0.85 (approximately HK\$ 5.36) per Ascalade Inc. Share

Subsequent to the completion of Public Listing Event and in the event a holder of the Convertible Debentures exercises conversion rights, Ascalade Inc. shall 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 that it does not wish to receive cash in lieu of Ascalade Inc. Shares

- (d) **Redemption and Forced Conversion** - Following the completion of Public Listing Event, Ascalade Inc. shall have the option to redeem the Convertible 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 Convertible Debentures by a price equal to 15% discount to the weighted average closing price of Ascalade Inc. Shares on the designated stock exchange 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 the completion of Public Listing Event, Ascalade Inc. shall have the option to satisfy its obligation to repay the principal amount of the Convertible 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 Convertible Debentures by 95% of the weighted average closing price of Ascalade Inc. Shares on the designated stock exchange 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 Convertible Debentures from the respective holders for cancellation by tender or private contract at any time, subject to any regulatory approval

The Directors understand that in the event that the Group does not exercise its conversion rights pursuant to (c) above and Ascalade Inc. does not, after the completion of Public Listing Event, exercise its rights to redeem the Convertible Debentures by issuing Ascalade Inc. Shares pursuant to (d) above nor to satisfy its obligation to repay the principal amount of the Convertible Debentures due at maturity by issuing Ascalade Inc. Shares pursuant to (e) above, the Group shall be able to receive the outstanding principal amount together with all accrued and unpaid interest thereon of its Convertible Debentures in cash upon maturity.

Relevant major terms of the Warrants:

Right to Ascalade Inc. Shares - Each whole Warrant will be exercisable to acquire, subject to adjustment(s), one Ascalade Inc. Share at any time until November 2007 for an exercise price (subject to adjustment(s)) to be determined as follows:

- (a) in the event Public Listing Event has been completed by the time of such exercise, the exercise price per Ascalade Inc. Share shall be equal to a 15% premium to the share price pursuant to Public Listing Event; or
- (b) in the event Public Listing Event has not been completed by the time of such exercise, the exercise price shall be equal to CAD\$1.15 (approximately HK\$ 7.25) per Ascalade Inc. Share.

Completion:

Completion shall take place on or before 30th April, 2005 or such other date as the parties agreed in writing. There is no termination provision contained in the Assignment and Unit Subscription Agreements to terminate the same save as the right to rescind the Assignment and Unit Subscription Agreements due to non-fulfillment of the conditions as mentioned above.

INFORMATION OF THE GROUP AND ASCALADE INC.

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

Ascalade Inc. is a corporation incorporated in November, 2004 pursuant to the laws of the Province of British Columbia. Its only substantial assets are its direct or indirect shareholdings in (a) Ascalade Communications Group which is principally engaged in the design, manufacture and distribution of cordless phones and other telecommunications products and (b) Arkon Group which is principally engaged in the businesses of research and design of consumer electronics products and the sales and marketing of these products.

No accounts of Ascalade Inc. is available as at the date of this announcement. The Directors are advised that Ascalade Inc. is currently preparing its financial statements and as a result, the Group is not able to provide financial information relating to the Ascalade Group at this stage. However, the Group will make relevant financial disclosure in the circular in relation to the Transactions.

The Directors also understand that apart from the Agreements, Ascalade Inc. had also issued or may issue the following securities ("Other Securities") as at the date of the Agreements:

- (a) up to 3,134 Units which may be issued to certain members of management of Ascalade Inc.;
- (b) 11,866 Units issued to investors ; and
- (c) warrants to purchase up to an aggregate of 830,620 Ascalade Inc. Shares issued to sponsor and sub-underwriter.

The Group does not intend to convert nor exercise any of the Units to be acquired by it upon completion of the Assignment and Unit Subscription Agreement ("Payment Units") into Ascalade Inc. Shares until Public Listing Event has been completed and it is expected that the Group will convert or exercise the Payment Units at or around the same time as the investors will convert or exercise their respective Units. Also, the Group does not intend to convert nor exercise the Payment Units to the extent that Ascalade Inc. will become its subsidiary. As at the date of the Agreements, the aggregate number of Ascalade Inc. Shares convertible or exercisable pursuant to the Payment Units (assuming a conversion price of CAD0.85 (approximately HK\$ 5.36) per Ascalade Inc. Share which may be subject to adjustment(s) for the Convertible Debentures) is estimated to be approximately 6,299,000 (subject to adjustment(s)).

The total number of Ascalade Inc. Shares issuable pursuant to the Transactions is estimated to be approximately 13,449,000 representing approximately 15.7% of the issued share capital of Ascalade Inc. as enlarged by (a) the number of Ascalade Inc. Shares issuable pursuant to completion of the Assignment and Share Subscription; (b) the full conversion or exercise of the Other Securities into Ascalade Inc. Shares and (c) the full conversion or exercise of the Payment Units into Ascalade Inc. Shares.

The shareholding interests of the Group in Ascalade Inc. are summarized below:

	As at the date of this announcement	Upon completion of the Assignment and Share Subscription	Upon (a) completion of the Assignment and Share Subscription; (b) full conversion or exercise of the Other Securities into Ascalade Inc. Shares by the respective holders and (c) full conversion or exercise of the Payment Units into Ascalade Inc. Shares by the Group
The Group's shareholding interest in Ascalade Inc.	approximately 30.8%	approximately 39.1%	approximately 34.5%

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Transactions are mainly to strengthen the balance sheet of Ascalade Group so as to give Ascalade Group greater financial flexibility to pursue additional capital in the future. If additional funding can be obtained from investors, Ascalade Group will have more resources and capital to develop its business, to strengthen its research and development and to increase its engineering capacity.

The Group will disclose further details in the circular in relation to the Transactions and/or further announcement(s) in this regard as and when appropriate. **Ascalade Group may or may not be able to pursue such additional capital (including Public Listing Event) and the Shareholders and investors are advised to exercise caution when dealing in the Shares.**

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, in aggregate, constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules. A circular containing, inter alia, further information of the Transactions will be despatched to the Shareholders as soon as possible.

Pursuant to Rule 14.40 of the Listing Rules, a major transaction must be made conditional on approval by shareholders. To the understanding of the Directors, no Shareholder shall be required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreements. Pursuant to Rule 14.44(2) of the Listing Rules, written Shareholders' approvals in relation to the Agreements and the transactions contemplated therein have been obtained from Sapphire Profits Limited, Prove Limited, Hu Sen Chun and Li Kwok Wai, who are beneficial Shareholders holding approximately 42%, 3.63%, 2.31% and 2.8% of the issued share capital of the Company respectively (i.e. approximately 50.74% shareholding interest in aggregate) and have the right to attend and vote at a general meeting to approve the Agreements if such a meeting were being convened.

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

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

Trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 2nd March, 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8th March, 2005.

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 Assignment and Share Subscription Agreements and the Assignment and Unit Subscription Agreements
"Arkon"	Arkon Network Inc., a company incorporated in the British Columbia of Canada and is a wholly owned subsidiary of Ascalade Inc.
"Arkon Group"	Arkon and/or its subsidiaries or any of them
"ACL"	Ascalade Communications Limited, a limited company incorporated in Hong Kong and is a wholly owned subsidiary of Ascalade Communications
"Ascalade Communications"	Ascalade Communications Holdings Limited, a limited company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Ascalade Inc.
"Ascalade Communications Group"	Ascalade Communications and/or its subsidiaries or any of them
"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 Group pursuant to which the Group is holding approximately 30.8% of its equity interest before completion of the Agreements
"Ascalade Inc. Shares"	fully paid common shares in the share capital of Ascalade Inc.
"Assignment and Share Subscription"	the sale and assignment of Karce Loan by the Group to Ascalade Inc. in consideration of the allotment and issue of Ascalade Inc. Shares in accordance with the terms and conditions of the Assignment and Share Subscription Agreements
"Assignment and Share Subscription Agreements"	referring to (1) the loan assignment agreement dated 28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time) entered into between T&S, ACL, Ascalade Communications and Ascalade Inc. and/or (2) the share subscription agreement dated 28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time) entered into between Dragon and Ascalade Inc. in relation to the Assignment and Share Subscription
"Assignment and Unit Subscription"	the sale and assignment of Karce Advances by the Group to Ascalade Inc. in consideration of the issuance of Units in accordance with the terms and conditions of the Assignment and Units Subscription Agreements
"Assignment and Unit Subscription Agreements"	referring to (1) the advances assignment agreement dated 28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time) entered into between T&S, ACL, Ascalade Communications and Ascalade Inc. and/or (2) the unit subscription agreement dated 28th February, 2005 (Canadian time i.e. 1st March, 2005 Hong Kong time) entered into between Dragon and Ascalade Inc. in relation to the Assignment and Unit Subscription
"Board"	the board of Directors
"Company"	Karce International Holdings Company Limited
"Convertible Debentures"	one unit consists of CAD 1,000 (approximately HK\$ 6,300) principal amount of convertible subordinated debentures in Ascalade Inc.
"Directors"	the directors of the Company
"Dragon"	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
"Independent Third Parties"	referring to third parties not being connected persons (as defined in the Listing Rules) of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Karce Advances”	the outstanding advances in the aggregate principal sum of US\$ 4,000,000 together with all accrued and unpaid interest thereon advanced to ACL by T&S for general working capital purpose
“Karce Loan”	the outstanding loan in the aggregate principal sum of US\$ 5,000,000 together with all accrued and unpaid interest thereon lent to ACL by T&S for general working capital purpose
“Public Listing Event”	a public offering of common shares of Ascalade Inc. on the designated stock exchange and/or similar fund raising exercise
“Shareholders”	holders of the Share(s)
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“T&S”	T&S Industrial Company Limited, a limited company incorporated in Hong Kong and is an indirect wholly owned subsidiary of the Company
“Transactions”	the Assignment and Share Subscription and the Assignment and Unit Subscription
“Unit(s)”	each unit consists of (1) one unit of Convertible Debenture and (2) one unit of Warrant
“Warrant”	one unit consists of 100 detachable common share purchase warrants in Ascalade Inc.
“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
“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

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

Hong Kong, 7th March, 2005
** for identification only*

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