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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 OPEN OFFER OF 351,178,000 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE

Underwriter



聯發證券有限公司
LUEN FAT SECURITIES CO. LTD.

The Board is pleased to announce that on 17 May 2010, the Company and the Underwriter entered into the Underwriting Agreement to implement the Open Offer. The Company proposes to raise approximately HK\$42.14 million (before expenses) by way of an open offer of 351,178,000 Offer Shares at a price of HK\$0.12 per Share, payable in full upon application, on the basis of one Offer Share for every two Shares held on the Record Date.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfer of Shares must be lodged for registration with the Registrar by no later than 4:30 p.m. on Tuesday, 1 June 2010. The register of members of the Company is expected to be closed from Wednesday, 2 June 2010 to Friday, 4 June 2010 (both days inclusive) to determine the eligibility of the Shareholders to the Open Offer.

* for identification purpose only

The estimated net proceeds from the Open Offer will be approximately HK\$40.6 million and the Board intends to apply the net proceeds from the Open Offer for potential acquisition in future. The Company is now in the course of negotiation with some potential vendors in respect of some potential acquisitions. However, such potential acquisitions may or may not be materialised. In the event that any of the potential acquisition be materialised, the Company will make the necessary announcement in compliance with the Listing Rules, if applicable.

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite the Underwritten Shares which have not been taken up by the Qualifying Shareholders.

The Open Offer is fully underwritten by the Underwriter and is subject to the terms and conditions of the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Open Offer set out in the section headed “Conditions of the Open Offer” are not fulfilled, the Open Offer will not proceed.

The Stock Exchange is in the course of reviewing whether the Company is in compliance with Rule 13.24 of the Listing Rules, namely “An issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing of the issuer’s securities”. In the event that, in the opinion the Stock Exchange, the Company does not comply with Rule 13.24 of the Listing Rules, the trading of the Shares on the Stock Exchange may be suspended until the Company can demonstrate to the Stock Exchange that it has been in compliance with Rule 13.24 of the Listing Rules to the satisfaction of the Stock Exchange.

Shareholders and potential investors are therefore advised to exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, the Open Offer itself is not subject to the Shareholders’ approval.

The Company will send the Prospectus Documents containing, among others, details of the Open Offer, to the Qualifying Shareholders. The Company will send the Prospectus to Prohibited Shareholders, if any, for their information only but the Company will not send any Application Forms to the Prohibited Shareholders, if any, as soon as practicable.

OPEN OFFER:

Issue statistics

Basis of the Open Offer: One (1) Offer Share for every two (2) Shares held on the Record Date.

Subscription Price: HK\$0.12 for each Offer Share.

Number of Shares in issue
as at the date of announcement: 702,356,000 Shares.

Number of Offer Shares: 351,178,000 Offer Shares. The aggregate nominal value of the Offer Shares is approximately HK\$35,117,800

Underwriter: Luen Fat Securities Company Limited, an independent third party to the Company and its connected persons.

Maximum number of
Underwritten Shares: 351,178,000 Offer Shares

Number of Shares in issue immediately
following the completion of
the Open Offer 1,053,534,000 Shares

As at the date of this announcement, the Company has no outstanding Share Options.

As at the date of this announcement, the Company has the Convertible Bonds with an aggregate outstanding principal amount of HK\$300,000,000 entitling to conversion of 750,000,000 Conversion Shares at the initial conversion price of HK\$0.4 per Share. The deed poll constituting the Convertible Bonds provides that in the event a conversion notice in respect of the Convertible Bonds has been delivered to the Company, the Company shall, in any event not later than 21 day from the date of receipt of the conversion notice, cause the Registrar to issue share certificate(s) for the relevant Conversion Shares. Given that the holders of the Convertible Bonds has deposited all the outstanding Convertible Bonds to an escrow agent to secure their performance under a sale and purchase agreement dated 30 April 2008 and the 21 days limit to issue the share certificate(s) for the Conversion Shares will fall on a day later than the Record Date, no Conversion Shares will be issued before the Record Date.

Save as disclosed, as at the date of this announcement the Company has no other outstanding underlying securities that are convertible into Shares.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. The Company will send copies of the Prospectus to the Prohibited Shareholders for their information only.

To qualify for the Open Offer, Qualifying Shareholders must be registered as members of the Company on the Record Date and not be Prohibited Shareholders.

In order to be registered as a member of the Company on the Record Date, all transfer of Shares must be lodged for registration with the Registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Tuesday, 1 June 2010.

Closure of register of members

The register of members of the Company in Hong Kong is expected to be closed from Wednesday, 2 June 2010 to Friday, 4 June 2010 (both days inclusive) to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price of HK\$0.12 per Offer Share, payable in full upon application for the Offer Shares under the Open Offer. The net Subscription Price per Offer Shares (after deducting the commission fees) will be approximately HK\$0.116. The Subscription Price represents:

- (i) a discount of approximately 37.50% to the closing price of HK\$0.192 per Share as quoted on the Stock Exchange on 17 May 2010, being the Last Trading Day;
- (ii) a discount of approximately 28.57% to the theoretical ex-entitlements price of HK\$0.168 per Share based on the closing price of HK\$0.192 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 37.88% to the average closing price of HK\$0.1932 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 39.20% to the average closing price of HK\$0.1974 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined based on arm's length negotiations between the Company and the Underwriter, with reference to the prevailing market prices of the Shares. The Board considers that the Subscription Price is fair and reasonable and the discount of the Subscription Price as compared to the recent market prices would encourage Qualifying Shareholders to participate in the Open Offer and accordingly the future growth of the Group. The Company will send the Prospectus to the Prohibited Shareholders for their information only. The Company will not send the Application Form to the Prohibited Shareholders.

Status of the Offer Shares

The Offer Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Offer Shares.

Certificates for the Offer Shares and refund cheques

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer” below, certificates for all fully-paid Offer Shares are expected to be posted on or before Monday, 28 June 2010 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

Rights of Prohibited Shareholders

The Prospectus Documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries as to whether the issue of Offer Shares to the Prohibited Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Prohibited Shareholders, the Open Offer will not be extended such Prohibited Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders. The Company will send the Prospectus to the Prohibited Shareholders for their information only but will not send the Application Form to the Prohibited Shareholders.

Fractions of the Offer Shares

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Odd lots arrangements

The Company has agreed to procure the Underwriter to arrange for matching services regarding the sale and purchase of odd lots of Offer Shares from Friday, 2 July 2010 to Friday, 9 July 2010 (both days inclusive). Shareholders of odd lots of the Offer Shares may contact Mr. Ho Shek Kong of the Underwriter (telephone number: (852) 2544 9168) during the aforesaid period.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriter, and taking into account that the related administration costs will be less in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Application for listing

The Company will apply to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares shall have the same board lot size of 4,000 Shares per board lot.

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

THE UNDERWRITING AGREEMENT

Date:	17 May 2010
Underwriter:	Luen Fat Securities Company Limited, an independent third party to the Company and its connected persons
Number of Offer Shares underwritten:	351,178,000 Offer Shares
Commission:	2.5% of the aggregate Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter

The underwriting commission is determined at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market rate. The Directors (including the independent non-executive Directors) considers the underwriting commission is fair and reasonable to the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

The Underwriter may by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement or such later time as the Company or the Underwriter may agree, terminate the Underwriting Agreement, if any of the following grounds of termination happens:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or

- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event described in the Underwriting Agreement comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Conditions of the Open Offer

Completion of the Open Offer is conditional upon the fulfillment of each of the following conditions:

- (1) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) (and all other documents to be attached thereto) and otherwise in compliance with the Companies Act;
- (2) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus if required by the Listing Rules, and a letter to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

- (4) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings; and
- (5) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms.

The Company may at any time by notice in writing to the Underwriter waive condition (5) set out in the above. Save and except condition (5) set out in the above, the other conditions are incapable of being waived. If the conditions are not satisfied and/or waived in whole or in part by the Company by the Latest Time for Termination (or such other time and date as stipulated in all the conditions in the above) or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Shareholding structure of the Company

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below:

Name	As at the date of this announcement		Immediately upon completion of the Open Offer assuming all Qualifying Shareholders fully take up their respective entitlements		Immediately upon completion of the Open Offer assuming none of the Qualifying Shareholders take up their respective entitlements	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Golden Mount	151,180,000	21.52	226,770,000	21.52	151,180,000	14.35
Perfect Treasure	82,772,000	11.79	124,158,000	11.79	82,772,000	7.86
Sun Ying Chung (<i>note 1</i>)	23,000,000	3.27	34,500,000	3.27	23,000,000	2.18
The Underwriter (<i>note 2</i>)	–	–	–	–	351,178,000	33.33
Public Shareholders	445,404,000	63.42	668,106,000	63.42	445,404,000	42.28
Total	<u>702,356,000</u>	<u>100.00</u>	<u>1,053,534,000</u>	<u>100.00</u>	<u>1,053,534,000</u>	<u>100.00</u>

Notes:

1. Mr. Sun Ying Chung is an executive Director and Chairman
2. The Underwriter (for itself and on behalf of the sub-underwriter(s)) undertakes to the Company that: (i) the Underwriter and/or the sub-underwriter(s) will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Underwriter and/or the sub-underwriter(s) in respect of performing its/their obligations under the Underwriting Agreement; and (ii) none of the Underwriter, the sub-underwriter, if applicable, and the subscribers procured by them will be a substantial Shareholder holding 10% or more shareholding in the Company.

Reasons for the Open Offer and the use of proceeds

The Group is principally engaged in the trading of conductive silicon rubber keypads.

The estimated net proceeds from the Open Offer will be approximately HK\$40.6 million (after deducting the commissions and costs and expenses in relation to the Open Offer). The Board intends to apply the proceeds from the Open Offer for potential acquisition in future. The Company is now in the course of negotiation with some potential vendors in respect of some potential acquisitions. However, such potential acquisitions may or may not be materialised. In the event that any of the potential acquisition be materialised, the Company will make the necessary announcement in compliance with the Listing Rules, if applicable.

The Board considers that the Open Offer will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company. Accordingly, the Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The estimated expenses of the Open Offer are about HK\$1.54 million which include underwriting commission and professional fees payable to the financial advisers, lawyers and financial printer, etc. and will be borne by the Company.

Fund raising activities during the past 12 months immediately preceding the date of this announcement

The Group did not carry out any capital raising activities within the last 12 months prior to the date of this announcement.

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

Event	2010
Last day of dealings in Shares on a cum-entitlements basis	Friday, 28 May 2010
First day of dealings in Shares on an ex-entitlements basis.	Monday, 31 May 2010
Latest time for lodging transfers of Shares accompanied by the relevant title documents in order to qualify for the Open Offer.	4:30 p.m. on Tuesday, 1 June 2010
Register of members closed (<i>both days inclusive</i>).	Wednesday, 2 June 2010 to Friday, 4 June 2010
Record Date for the Open Offer	Friday, 4 June 2010
Register of members re-opens	Monday, 7 June 2010
Despatch of the Prospectus Documents.	Monday, 7 June 2010
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Tuesday, 22 June 2010
Latest time for the Open Offer to become unconditional.	4:00 p.m. on Friday, 25 June 2010
Announcement of results of the Open Offer	Friday, 25 June 2010
If the Open Offer is terminated, refund cheques to be despatched on or before	Monday, 28 June 2010

Share certificates of the Offer Shares to be posted Monday, 28 June 2010

Dealings in fully-paid Offer Shares commences Wednesday, 30 June 2010

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as and when appropriate.

The latest time for acceptance of and payment for offer shares will not take place if there is:

- tropical cyclone warning signal number 8 or above, or – a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 22 June 2010. Instead the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 22 June 2010. Instead the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Tuesday, 22 June 2010, the dates mentioned in the section headed “Expected timetable” of the Open Offer may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

WARNING OF RISKS OF DEALINGS IN THE SHARES

If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Open Offer set out in the section headed “Conditions of the Open Offer” are not fulfilled, the Open Offer will not proceed.

The Stock Exchange is in the course of reviewing whether the Company is in compliance with Rule 13.24 of the Listing Rules, namely “An issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing of the issuer’s securities”. In the event that, in the opinion the Stock Exchange, the Company does not comply with Rule 13.24 of the Listing Rules, the trading of the Shares on the Stock Exchange may be suspended until the Company can demonstrate to the Stock Exchange that it has been in compliance with Rule 13.24 of the Listing Rules to the satisfaction of the Stock Exchange.

Shareholders and potential investors are therefore advised to exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, the Open Offer itself is not subject to the Shareholders’ approval.

The Company will send the Prospectus Documents containing, among others, details of the Open Offer, to the Qualifying Shareholders. The Company will send the Prospectus to Prohibited Shareholders, if any, for their information only but the Company will not send any Application Forms to the Prohibited Shareholders, if any, as soon as practicable.

DEFINITIONS

The following defined terms are used in this announcement:

“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Company”	Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Conversion Shares”	up to 750,000,000 new Shares of HK\$0.10 each falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	Hong Kong dollar-denominated convertible bonds due 2014 and issued by the Company in an aggregate principal amount of HK\$300,000,000 carrying rights to convert into Shares at an initial conversion price of HK\$0.4 each
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Last Trading Day”	17 May 2010, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement;
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 22 June 2010 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such other time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	351,178,000 new Shares proposed to be offered to the Qualifying Shareholders to subscribe pursuant to the Open Offer
“Open Offer”	The proposed issue of the Offer Shares to the Qualifying Shareholders at the Subscription Price on the basis of one Offer Share for every two Share held on the Record Date on the terms pursuant to the Prospectus Documents and summarized herein
“Posting Date”	Monday, 7 June 2010 or such later date as may be agreed between the Underwriter and the Company, for the despatch of the Prospectus Documents
“Prohibited Shareholders”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses are in places outside Hong Kong and to whom the Directors are of the view that it would be necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the places of his/her/ their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place

“Prospectus”	the prospectus containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form(s)
“Qualifying Shareholders”	the Shareholders other than the Prohibited Shareholders and whose names appear on the register of members of the Company on the Record Date
“Record Date”	Friday, 4 June 2010 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained the Underwriting Agreement untrue or incorrect in any material respect
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company and became effective on adopted on 29 May 2002
“Share Options”	options to subscribe for Shares granted under the Share Option Scheme
“Shareholder(s)”	holder(s) of issued Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.12 per Offer Share under the Open Offer
“Underwriter”	Luen Fat Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, and an independent third party to the Company and its connected persons
“Underwriting Agreement”	the underwriting agreement dated 17 May 2010 entered into by the Underwriter and the Company in relation to the Open Offer
“Underwritten Shares”	351,178,000 Offer Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Karce International Holdings Company Limited
Sun Ying Chung
Chairman

Hong Kong, 17 May 2010

As at the date of this announcement, the Board consists of three executive Directors namely Mr. Sun Ying Chung, Mr. Chan Sung Wai and Mr. Wong King Lam, Joseph, two non-executive Directors, namely Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey, and three independent non-executive Directors namely Mr. Lum Pak Sum, Mr. Law Chun Choi and Mr. Mak Ka Wing, Patrick