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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)

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF THE ENTIRE INTEREST IN
SILVERWAY PACIFIC (S) LIMITED
IN RELATION TO KHULDIIN NORTH AND KHULDIIN SOUTH
AND TN COAL MINES
INVOLVING ISSUE OF CONSIDERATION SHARES,
PROMISSORY NOTE AND CONVERTIBLE BONDS;
PLACING OF NEW SHARES;
INCREASE IN AUTHORIZED SHARE CAPITAL;
DELAY IN DESPATCH OF CIRCULAR;
AND
RESUMPTION OF TRADING**

THE ACQUISITION

The Board announced that on 19 September 2007 the Purchaser, which is a wholly-owned subsidiary of the Company, and the Company (as the warrantor of the Purchaser) entered into the conditional Acquisition Agreement with the Vendor and the Warrantor. Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Shares from the Vendor at a total Consideration of HK\$1,400 million (subject to adjustments). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is Independent Third Party and independent of and not connected or acting in concert and has no business relationship with the substantial Shareholders, Sapphire Profits Limited (the former single largest Shareholder) and their respective beneficial owners or associates and the Company and has not entered into any transactions with the Company prior to the Acquisition.

The Target Company has no major assets or operating businesses other than its contractual interest in the entire equity interest in the Mongolian Company which in turn is the holder of (i) the Mining Licence covering 100 hectares of Khuldiin South Coal Mine; (ii) the exploration licence covering 3,360 hectares of Khuldiin South Coal Mine; and (iii) the exploration licence covering 5,370 hectares of Khuldiin North Coal Mine. Moreover, as at the date of this announcement, the Mongolian Company also beneficially owns the exploration licence covering 468 hectares of the TN Coal Mine which is pending registration to the Mongolian Company.

* For identification purposes only

The Khuldiin South Coal Mine and Khuldiin North Coal Mine are located in the Aimag province of Selenge approximately 150 km north of Ulaanbaatar, the capital of Mongolia and 22 km from the main highway junction and a further 13 km to the Trans Mongolian Railway whereas the TN Coal Mine is located 156 km south of Ulaanbaatar in Tuv or Central Province and 52 km from the Trans Mongolian Railway.

The Consideration for the Acquisition is HK\$1,400 million, which will be satisfied (i) as to HK\$150 million in cash payable by the Purchaser (or the Company) to the Vendor; (ii) as to HK\$69,859,020 by the issue of the Consideration Shares to the Vendor (or its nominee(s)); (iii) as to HK\$200 million by, at the option of the Purchaser, the issue of Promissory Note by the Purchaser or cash payment by the Purchaser (or the Company) to the Vendor (or its nominee(s)); and (iv) as to HK\$980,140,980 by the issue of the Convertible Bonds by the Company to the Vendor (or its nominee(s)). Particulars of the Consideration, the Consideration Shares, the Promissory Note and the Convertible Bonds are set out in the sections headed “Consideration”, “Consideration Shares”, “Promissory Note” and “Convertible Bonds” below.

Upon Completion, 211,694,000 new Shares will be issued as Consideration Shares, representing (i) approximately 38.9% of the issued share capital of the Company as at the date of this announcement; (ii) 28.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 5.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and the Placing Shares.

Upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments), a total of 2,970,124,181 Conversion Shares will be issued, representing (i) approximately 545.6% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 84.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments); and (iii) approximately 71.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and the Placing Shares.

Completion of the Acquisition Agreement is conditional upon, among other things, completion of placing exercise(s) by the Company which will raise therefrom gross proceeds of not less than HK\$150 million and the Shareholders’ approval for, among other things, the increase in the authorized share capital of the Company to HK\$1 billion.

PLACING

On 28 September 2007, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has appointed the Placing Agent as its placing agent, on a best-efforts basis, to place or procure placees of more than six, for 455,000,000 Placing Shares at HK\$0.33 per Placing Share.

The 455,000,000 Placing Shares represent approximately 83.6% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 45.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing; and (iii) approximately 10.9% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments).

Assuming all 455,000,000 Placing Shares are placed by the Placing Agent, the maximum gross proceeds of the Placing is expected to be HK\$150.15 million. The net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company, under the Placing are estimated to be approximately HK\$146 million. The Company intends to use all of the net proceeds for the payment of the cash portion of the Consideration. The net price to the Company of each Placing Share, which is calculated by dividing the aggregate net proceeds by the total number of the Placing Shares, is approximately HK\$0.32.

Completion of the Placing Agreement is conditional upon, among other things, the Acquisition Agreement becoming unconditional (save for any conditions that relate to the Placing Agreement being unconditional).

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the existing authorized share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares, of which 544,356,000 Shares were in issue. As such, the number of Shares which the Company may issue and allot under the existing issued share capital of 1,455,644,000 Shares is insufficient to cover the issue of the Consideration Shares, the Placing Shares and the Conversion Shares.

Accordingly, the Company proposed to increase the authorized share capital of the Company from HK\$200,000,000 comprising 2,000,000,000 Shares to HK\$1,000,000,000 comprising 10,000,000,000 Shares by the creation of 8,000,000,000 Shares which will be put to Shareholders' approval at the SGM.

GENERAL

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 and the Placing, no Shareholders are required to abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the Placing Agreement and the transactions contemplated thereunder.

A circular containing, among other information, (i) further details of the Acquisition, the Consideration Shares, the Promissory Note and the Convertible Bonds; (ii) information required under Chapters 14 and 18 of the Listing Rules; (iii) the Placing Agreement; (iv) the increase in the authorized share capital; and (v) a notice of the SGM, will be despatched to the Shareholders. Pursuant to Rule 14.38 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 1 November 2007. However, it is currently expected that it will take about eight to ten weeks for the Company to obtain (1) a technical report in respect of the Target Mines in compliance with the requirements under Chapter 18 of the Listing Rules; and (2) accountants' reports on the Target Company and the Mongolian Company for inclusion in the circular. Accordingly, the circular can only be despatched to the Shareholders on or about 20 December 2007. An application has been made to the Exchange for a waiver from strict compliance with Rule 14.38 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 20 September 2007 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 11 October 2007.

INTRODUCTION

The Board announced that after trading hours on 19 September 2007 the Purchaser, which is a wholly-owned subsidiary of the Company, and the Company (as warrantor of the Purchaser) entered into the conditional Acquisition Agreement with the Vendor and the Warrantor. Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire the Sale Shares from the Vendor at a total Consideration of HK\$1,400 million.

ACQUISITION AGREEMENT

Date

19 September 2007

Parties

Vendor: Prime Sino Investments Limited

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

Warrantors: (1) Mr. Chan Shun Yuen, as the warrantor of the Vendor, is a director of the Vendor
(2) the Company, as the warrantor of the Purchaser

The Vendor is an investment holding company for the purpose of investing in mines and is beneficially held as to 55% by the mother of the Warrantor and as to 45% by Mr. Zhang Zhuo Ming, each of which is an Independent Third Party. It has been making investment in coal projects in Mongolia and has been looking for opportunity to cooperate with listed companies in Hong Kong on such projects. The Warrantor was introduced to Mr. Chim Kim Lun, Ricky, an executive Director on or about 1 September 2007 with an investment proposal, but no negotiation has taken place until on or about 16 September 2007 as the Company took time to consider the feasibility of the investment proposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is Independent Third Party and independent of and not connected or acting in concert and has no business relationship with the substantial Shareholders, Sapphire Profits Limited (the former single largest Shareholder) and their respective beneficial owners or associates and the Company and has not entered into any transactions with the Company prior to the Acquisition.

Assets to be acquired

The Sale Shares, being 50,000 ordinary shares of the Target Company, which represents the entire issued share capital of the Target Company.

The Target Company is an investment holding company incorporated in the BVI with limited liability on 12 December 2005. As at the date of this announcement, the Target Company has no major assets or operating businesses other than its contractual interest in the entire equity interest in the Mongolian Company, which in turn is the holder of (i) the Mining Licence covering 100 hectares of Khuldiin South Coal Mine; (ii) the exploration licence covering 3,360 hectares of the Khuldiin South Coal Mine; and (iii) the exploration licence covering 5,370 hectares of the Khuldiin North Coal Mine. Moreover, as at the date of this announcement, the Mongolian Company also beneficially owns the exploration licence covering 468 hectares of the TN Coal

Mine which is pending registration to the Mongolian Company. The Target Company acquired from an Independent Third Party the entire interest in the Mongolian Company earlier this year. As advised by the Target Company's Mongolian legal adviser, GTs Advocates LLC, who is an Independent Third Party save that it is the Pledgee, the registration of the transfer of shares in the Mongolian Company has yet to complete. The entire equity interest in the Mongolian Company has been contractually transferred to the Target Company, and upon completion of registration of the share transfer, the Target Company will become the registered owner of the Mongolian Company. It is expected that the registration will be completed around late October or early November 2007. The Company considers that there should not be any legal impediment in completing the transfer. For further details of the Target Company, please refer to the section headed "Information on the Target Group" below.

Consideration

The Consideration for the Acquisition is HK\$1,400 million, which will be satisfied by the Company in the following manner:

- (i) as to HK\$150 million in cash payable by the Purchaser (or the Company) to the Vendor;
- (ii) as to HK\$69,859,020 by the issue of the Consideration Shares to the Vendor (or its nominee(s));
- (iii) as to HK\$200 million by, at the option of the Purchaser, the issue of Promissory Note by the Purchaser or cash payment by the Purchaser (or the Company) to the Vendor (or its nominee(s)) ; and
- (iv) as to HK\$980,140,980 by the issue of the Convertible Bonds by the Company to the Vendor (or its nominee(s)).

Particulars of the Consideration Shares, the Promissory Note and the Convertible Bonds are set out in the sections headed "Consideration Shares", "Promissory Note" and "Convertible Bonds" below. The cash portion of the Consideration shall be funded by the net proceeds from the Placing and internal resources of the Group.

Adjustment to the Consideration

Pursuant to the terms of the Acquisition Agreement, (i) the Acquisition will not proceed in case the inferred coal resources of the Target Mines are less than 80 million tonnes; and (ii) the Consideration shall remain if the appraised quantity of the inferred coal resources are more than 140 million tonnes.

In the event that inferred coal resources of the Target Mines as set out in the technical report issued by the Technical Adviser are less than 140 million tonnes (but more than 80 million tonnes), and where the Vendor and the Purchaser agree to Completion taking place, the Consideration shall be adjusted in accordance with the following formula:

Adjusted Consideration = inferred coal resources as appraised by the Technical Adviser in the said technical report in respect of the Target Mines x HK\$10 per tonne

Where the Consideration is subject to the adjustment detailed above, the Consideration shall be reduced by a pro tanto amount of the shortfall from the relevant amount under the Convertible Bonds for of the principal amount.

In addition to the adjustment detailed above, pursuant to the Acquisition Agreement, the Vendor has warranted to the Purchaser that, among other things, as at the Completion Date:

- (i) the audited consolidated net tangible assets of the Target Group as shown in the Completion Accounts prepared under HKGAAP shall not be in the negative;
- (ii) there shall be no other borrowings, obligations or liabilities (whether actual or contingent) of the Target Group owing to any other party (whether the Vendor or its associates or otherwise); and
- (iii) there are no guarantees given by any member of the Target Group whatsoever and howsoever.

If there occurs any breach of the warranties set out in the above and reflected in the Completion Accounts prepared under HKGAAP, the Vendor shall procure repayment to the Target Company an amount equal to the shortfall, provided that if the shortfall in the audited consolidated net tangible assets of the Target Group is caused by the same liabilities in connection with the breach of the warranties set out in (ii), the above repayment to the Target Company shall be made once and shall not be double-counted.

Basis of determination of the Consideration

The Consideration was reached after arm's length commercial negotiations between the parties to the Acquisition Agreement and was determined based on the inferred coal resources of 151 million tonnes in respect of the Target Mines, as estimated by the Consultant appointed by the Vendor, and HK\$10 per tonne which was arrived at after commercial negotiations between the parties and has taken into account a number of factors, including the prevailing international market coal price and the possible exploration expenses which may be incurred by the Group.

According to the report prepared by the Consultant dated 17 September 2007, the current market price of coal in Mongolia is in the range of about US\$28 to US\$35 per tonne and the price of similar coal exported to China is in the range of about US\$45 to US\$55 per tonne depending on factors such as the grade of the products and the demand and supply in Mongolia and China markets.

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

Details of the estimated amount of the coal resources of the Target Mines are set out in the section headed "Information on the Target Group" below.

Conditions precedent

Completion is subject to the following conditions precedent:

- (a) the Purchaser having obtained a Mongolian legal opinion (in such form and substance to its satisfaction), covering matters relating to the Mongolian Company and the Target Mines;
- (b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Consideration Shares or, 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 Consideration Shares and 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 Consideration Shares and the Conversion Shares and the increase in the authorized share capital of the Company to HK\$1 billion) 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 the Target Company as the registered holder of the entire issued shares in the Mongolian Company) relating to the Target Group and the Target Mines in connection with the transactions contemplated by the Acquisition Agreement having been obtained/completed;
- (g) the Purchaser being reasonably satisfied with the results of the due diligence exercise on the Target Group and the Target Mines;
- (h) the Purchaser being satisfied, from the date of the Acquisition Agreement and at any time before the Completion, that the representations, warranties and undertakings given by the Vendor 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 in any material respect of any warranties or other provisions of the Acquisition Agreement by the Vendor and/or the Warrantor;
- (i) the Purchaser being satisfied that, from the date of the Acquisition Agreement to Completion, there has not been any change or effect which has a material and adverse effect on the financial position, business (including the exploration, mining and exploitation of the Target Mines), or property, results of operations or prospects of the Target Group as a whole;
- (j) the Vendor providing the Purchaser with a confirmation or other documents, showing that all licence fees and other fees required to be paid by the Mongolian Company to the Mineral Resources and Petroleum Authority of Mongolia and/or other governmental authorities in respect of exploration, exploitation, mining, owning and operating the Target Mines, all the fees required to be paid by the Mongolian Company in obtaining the exploration licences and the Mining Licence and all other operating permits in respect of the Target Mines having been fully paid and there is no outstanding fees;
- (k) the Mongolian Company having obtained the exploration licences in respect of each of the Target Mines with a term capable of being extended to no earlier than 2010;
- (l) the Mongolian Company having obtained the Mining Licence covering 100 hectares of the Khuldiin South Coal Mine with a term of not less than 30 years;

- (m) the capitalisation of the interest-free loans owing from time to time by the members of the Target Group to the Vendor and its associates immediately before the Completion by the issue of certain shares of the Target Company to the Vendor or its nominee(s) having been implemented and all necessary approvals, consents, authorizations and licences in relation thereto having been obtained from the relevant governmental authorities or parties concerned;
- (n) the Vendor providing to the Purchaser certified copy of the resolutions of its shareholder(s) and director(s) approving the Acquisition Agreement and the transactions contemplated thereunder;
- (o) the Purchaser having obtained a technical report issued by the Technical Adviser that indicates the Target Mines have an inferred coal resources of not less than 140 million tonnes;
- (p) completion of placing exercise(s) by the Company which will raise therefrom gross proceeds of not less than HK\$150 million; and
- (q) 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.

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

- (i) whether the Mongolian Company has been duly established and validly subsisting;
- (ii) whether the Mongolian Company has obtained all relevant operating permits required at the time of its establishment and such permits remaining valid;
- (iii) the Mongolian Company’s legality of the operation and business;
- (iv) whether the Mongolian Company has obtained the exploration licences in respect of each of the Target Mines and the Mining Licence covering 100 hectares of the Khuldiin South Coal Mine and all such licences are in full force and effect;
- (v) whether the Mongolian Company has obtained the rights to use and occupy all the properties owned, leased or occupied by the Target Group;
- (vi) if required, whether the Target Company and/or the Mongolian Company have obtained and effected all necessary approval, authorization, consent, registration and filings required (where applicable) in relation to the Acquisition Agreement, and the transactions contemplated thereunder; and
- (vii) such other aspects of Mongolian law as the Purchaser may reasonably consider appropriate or relevant to the transactions contemplated by the Acquisition Agreement.

The Purchaser has the right to waive in writing the conditions (a), (f), (g), (h), (i), (k), (l) and (o) mentioned above. The Purchaser does not have any immediate intention to waive any of the conditions precedent at present. If the conditions mentioned above have not been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Acquisition Agreement shall lapse and be of no further effect and none of the parties shall have any claims against or liability to the other parties (other than in respect of any antecedent breaches) under the Acquisition Agreement.

Completion

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.

As at the date of this announcement, a sum of US\$12 million was owing by the Vendor to the Pledgee as trustee for certain third parties (or such person as may be nominated by the Pledgee), in respect of which loan the Sale Shares have been pledged by the Vendor to and in favour of the Pledgee. The Vendor and the Warrantor agreed under the Acquisition Agreement that (i) the Vendor shall procure the Pledgee to issue a consent letter to the Vendor entering into of the Acquisition Agreement and all transactions contemplated thereunder; and (ii) at Completion, out of the cash portion of the Consideration, the Vendor shall direct the Purchaser to pay a sum of US\$12 million to the Pledgee, upon which the pledge over the Sale Shares shall be discharged and lapsed at Completion.

CONSIDERATION SHARES

HK\$69,859,020 of the Consideration is to be satisfied by the issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)).

In determining the Issue Price and the Placing Price of HK\$0.33, the Company has taken into account the recent trading price of the Shares, the liquidity of the Shares and the financial performance of the Company for the year ended 31 December 2006 and for the six months ended 30 June 2007. As set out in the Company’s 2006 annual report, the consolidated profit for the year ended 31 December 2006 of the Group has dropped by approximately 91.3% from approximately HK\$28.0 million to HK\$2.4 million. Furthermore, the Group’s consolidated result for six months ended 30 June 2007 recorded a loss of approximately HK\$7.3 million as stated in its 2007 interim report as compared to a profit of approximately HK\$12.4 million for the corresponding period in 2006.

During the 30-day period prior to entering into of the Acquisition Agreement, save for a sudden surge in its closing price to a range of HK\$0.49 to HK\$0.54 during the 5 days prior to and including the date of the Acquisition Agreement, the closing price of the Shares has been trading relatively steady in the range of approximately HK\$0.36 to HK\$0.40 during the period (the “Period”) from 20 August 2007 to 12 September 2007. As such, the parties to the Acquisition Agreement and the Placing Agreement decided to determine the Issue Price and the Placing Price at a discount to the closing price of the Shares during the Period after taking into account the thin trading volume of the Shares and the financial performance of the Company.

For illustration purpose, the Issue Price of the Consideration Shares of HK\$0.33 per Consideration Share represents (i) a discount of approximately 38.9% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on 19 September 2007, being the date of the Acquisition Agreement; (ii) a discount of approximately 36.5% to the average of the closing prices of approximately HK\$0.52 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the date of the Acquisition Agreement; (iii) a discount of approximately 28.3% to the average of the closing prices of approximately HK\$0.46 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; (iv) a discount of approximately 19.5% to the average of the closing prices of approximately HK\$0.41 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 (v) a discount of approximately 56.6% to the net assets value per Share as at 30 June 2007 of approximately HK\$0.76.

Based on the above, the Board considers the Issue Price of the Consideration Shares is fair and reasonable and in the interests of the Shareholders.

The Consideration Shares represents (i) approximately 38.9% of the issued share capital of the Company as at the date of this announcement; (ii) 28% of the issued ordinary share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 5.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and the Placing Shares. Based on the market value per Share as of 19 September 2007 (i.e. the closing price of HK\$0.54 per Share), the aggregate value of the Consideration Shares is HK\$114,314,760. There is no restriction on subsequent sale of the Consideration Shares. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

PROMISSORY NOTE

At the option of the Purchaser, HK\$200 million of the Consideration may be satisfied by the issue of the Promissory Note by the Purchaser to the Vendor (or its nominee(s)).

The principal terms of the Promissory Note are as follows:

Issuer:	the Purchaser
Principal amount:	HK\$200 million in aggregate.
Maturity:	The third anniversary from the date of issue of the Promissory Note.
Transferability:	The Promissory Note is transferable.
Coupon rate:	Zero.
Security:	No security will be provided by the Purchaser (as issuer of the Promissory Note) in respect of its obligations under the Promissory Note.
Repayment:	At the sole discretion of the Company, the Promissory Note or such part thereof may be repaid earlier. Otherwise, payment of principal and interest of Promissory Note is upon its maturity.

CONVERTIBLE BONDS

HK\$980,140,980 of the Consideration is to be satisfied by the issue of the Convertible Bonds by the Company to the Vendor (or its nominee(s)).

The principal terms of the Convertible Bonds are as follows:

Issuer:	the Company
Principal amount:	HK\$980,140,980 in aggregate.
Form and denomination:	The Convertible Bonds will be issued in registered form and in the denomination of HK\$1 million each.

Maturity date:	The Business Day falling on the fifth anniversary from the issue date of the Convertible 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 4:00p.m. on 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\$1 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\$1 million the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted; provided that 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 more than 28% 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). 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\$0.33 per Conversion Share (subject to adjustment). The Initial Conversion Price of HK\$0.33 represents (i) a discount of approximately 38.9% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on 19 September 2007, being the date of the Acquisition Agreement; (ii) a discount of approximately 28.3% to the average of the closing prices of approximately HK\$0.46 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 discount of approximately 19.5% to the average of the closing prices of approximately HK\$0.41 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 56.6% to the net assets value per Share as at 30 June 2007 of approximately HK\$0.76. The Initial Conversion Price is subject to adjustments upon the occurrence of subdivision or consolidation or reclassification of Shares, capitalization issues, capital distribution, rights issues and grant of options and warrants.
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), a total of 2,970,124,181 Conversion Shares will be issued, representing (i) approximately 545.6% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 84.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments); and (iii) approximately 71.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments) and the Placing Shares.

THE PLACING AGREEMENT

Date

28 September 2007

Number of Placing Shares

The Placing Agent has agreed, on a best-efforts basis to place, or procure places for, 455,000,000 Placing Shares, together representing (i) approximately 83.6% of the issued share capital as at the date of this announcement; (ii) approximately 45.5% of the issued share capital as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing; and (iii) approximately 10.9% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price (subject to adjustments).

Placees

More than six independent private individual and institutional investors who together with their respective ultimate beneficial owners are Independent Third Parties and not acting in concert with the Company or any substantial Shareholders and not connected with the Vendor and its associates and are not acting in concert with the Vendor.

The Placing Agent has represented and warranted under the Placing Agreement that it will ensure that immediately after completion of the Placing, each of the placees (together with its associates) will not be interested in 10% or more of the issued share capital in the Company as enlarged by the Placing.

Placing Agent

The Placing Agent is Guotai Junan Securities (Hong Kong) Limited. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are Independent Third Parties. The Placing Agent will receive a placing commission of 3% on the gross proceeds from the placing of the Placing Shares. The commission of which will be payable by the Company upon completion of the Placing.

Placing Price

HK\$0.33 per Placing Share.

The price per Placing Share represents (i) a discount of approximately 38.9 % to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on 19 September 2007, being the last trading date immediately prior to the suspension of trading of Shares pending the release of this announcement; (ii) a discount of approximately 36.5% to the average closing price of approximately HK\$0.52 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including 19 September 2007; (iii) a discount of approximately 28.3% to the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including 19 September 2007; and (iv) a discount of approximately 19.5% to the average closing price of approximately HK\$0.41 per Share as quoted on the Stock Exchange for the last thirty trading days immediately prior to and including 19 September 2007.

The basis of determination of the Placing Price was stated in the paragraph headed “Consideration Shares” above, and the Board considers the Placing Price is fair and reasonable and in the interest of the Shareholders.

Conditions of the Placing

The Placing is conditional upon:

- (1) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, all of the Placing Shares;
- (2) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Placing Shares;
- (3) the passing of an ordinary resolution by Shareholders at the SGM for the grant of a special mandate to allot and issue the Placing Shares;
- (4) all requisite consents or confirmations of no objection (if necessary) or filings at, any governmental or competent authorities for the Placing having been obtained by the Company from any third parties or effected by the Company; and
- (5) the Acquisition Agreement becoming unconditional (save for any conditions that relate to the Placing Agreement being unconditional).

If the conditions to the Placing Agreement are not fulfilled on 28 February 2008 or such later date as the Company and the Placing Agent may agree, the Placing will be terminated and the Placing will not proceed and all rights, obligations and liabilities of the parties under the Placing Agreement will forthwith cease and determine and no party will have any claim against the others.

Completion of the Placing

Under the Placing Agreement, completion of the Placing will take place on the fifth Business Day after the fulfillment of the conditions above or such later date to be agreed between the Company and the Placing Agent.

Ranking

The Placing Shares will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue pursuant to the Placing Agreement.

Application for listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Use of proceeds of Placing

Assuming all 455,000,000 Placing Shares are placed by the Placing Agent, the maximum gross proceeds of the Placing is expected to be HK\$150.15 million; and the net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company, under the Placing are estimated to be approximately HK\$146 million. The Company intends to use all of the net proceeds for payment of the cash portion of the Consideration. The net price to the Company of each Placing Share, which is calculated by dividing the aggregate net proceeds by the total number of the Placing Shares, is approximately HK\$0.32. According to the terms of the Acquisition Agreement, the completion of which is conditional upon completion of placing exercise(s) by the Company which will raise therefrom gross proceeds of not less than HK\$150 million. In the event that the gross proceeds from the Placing is less than HK\$150 million, depending on the then market condition, the Company intends to conduct other placing exercise(s) to make up the shortfall.

EFFECTS ON SHAREHOLDING STRUCTURE

The following chart sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after issue of the Consideration Shares; and (iii) immediately after issue of the Consideration Shares, the Placing Shares and Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds by the Vendor assuming that no Convertible Bonds have been transferred by the Vendor or its nominees to any other parties and provided that 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 control or be interested in more than 28% of the entire issued Shares, and assuming 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 Shares as described in (ii) & (iii) above:

Shareholders	As at the date of this announcement		After issue of the Consideration Shares but before the issue of the Placing Shares and the Conversion Shares under the Convertible Bonds		After issue of the Consideration Shares and the issue of the Placing Shares and the Conversion Shares under the Convertible Bonds (Note 3)	
	Shares	%	Shares	%	Shares	%
Golden Mount Limited (Note 1)	151,180,000	27.772	151,180,000	19.996	151,180,000	10.892
Perfect Treasure Investment Limited (Note 2)	88,100,000	16.184	88,100,000	11.653	88,100,000	6.347
The Vendor (and/or its nominee(s)) Public	—	—	211,694,000	28.000	388,638,444	28.000
Places (Note 4)	—	—	—	—	455,000,000	32.781
Other public Shareholders	305,076,000	56.044	305,076,000	40.351	305,076,000	21.980
Subtotal of public	305,076,000	56.044	305,076,000	40.351	760,076,000	54.761
Total	544,356,000	100	756,050,000	100	1,387,994,444	100

Notes:

- Golden Mount Limited 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, a Director. Based on the disclosure of interests received by the Company, Golden Mount Limited (which became the single largest Shareholder since 27 July 2007) and its parties acting in concert hold approximately 27.772% of the issued share capital of the Company as at the date of this announcement. To the best knowledge of the Directors having made all reasonable enquiries, Golden Mount Limited, its ultimate beneficial owners and associates are independent of and not acting in concert or connected with Perfect Treasure Investment Limited. Among the two Directors appointed on 31 August 2007, Mr. Chim Kim Lun, Ricky was nominated by Golden Mount Limited whereas Mr. Cheng Kwok Hing, Andy was not nominated by Golden Mount Limited.
- 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.
- The Convertible Bonds provides that no Convertible Bonds may be converted, to the extent that following such exercise, a holder of the Convertible Bonds (including the Vendor (or its nominee(s)) and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in more than 28% of the entire issued Shares.

4. The placees will be independent private individual and institutional investors who together with their respective ultimate beneficial owners are Independent Third Parties and not acting in concert with the Company or any substantial Shareholders and not connected with the Vendor and its associates and are not acting in concert with the Vendor. No placees will become substantial Shareholders immediately following the completion of the Placing.

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 GROUP

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. The Board intends to continue conducting its electronic products business after the Completion.

As at the date of this announcement, it is expected that there will not be any major change at the composition of board members as a result of the Acquisition. However, the Company plans to recruit an expert in the mining industry and/or an individual with relevant qualifications and experience in mining to oversee the Group's investment in the Target Group.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in BVI with limited liability on 12 December 2005 and whose entire issued share capital is owned by the Vendor as at the date of this announcement.

As at the date of this announcement, the Target Company has no major assets or operating businesses other than its contractual interest in the entire equity interest in the Mongolian Company.

Financial information on the Target Company and the Mongolian Company

Set out below are the unaudited financial information (as prepared under International Accounting Standards) of the Target Company and the Mongolian Company:

Target Company

	For the period from 12 December 2005 (date of incorporation) to 31 December 2005 (HK\$)	For the year ended 31 December 2006 (HK\$)
Revenue	—	—
Net profit before taxation	—	156
Net profit after taxation	—	156
Net assets	390,000	390,156

Mongolian Company

	For the period from 27 July 2005 (date of incorporation) to 31 December 2005		For the year ended 31 December 2006	
	<i>(US\$'000)</i>	<i>(HK\$'000)</i> <i>(Note)</i>	<i>(US\$'000)</i>	<i>(HK\$'000)</i> <i>(Note)</i>
Revenue	—	—	—	—
Net loss before taxation	6	50	149	1,158
Net loss after taxation	6	50	149	1,158
Net liabilities	6	44	88	685

Note: Translation of US\$ into HK\$ is made, for illustration only, at the rate of US\$1.00 to HK\$7.78.

Upon Completion, the Target Company and the Mongolian Company will become indirect wholly-owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

Information on the Target Mines

The Khuldiin South Coal Mine and Khuldiin North Coal Mine are located in the Aimag province of Selenge approximately 150 km north of Ulaanbaatar, the capital of Mongolia and 22 km from the main highway junction and a further 13 km to the Trans Mongolian Railway whereas the TN Coal Mine is located 156 km south of Ulaanbaatar in Tuv or Central Province and 52 km from the Trans Mongolian Railway. As at the date of this announcement, as advised by the Target Company's Mongolian legal adviser who is an Independent Third Party save that it is the Pledgee, the Mongolian Company owns (i) the Mining Licence covering 100 hectares of the Khuldiin South Coal Mine; (ii) the exploration licence covering 3,360 hectares of the Khuldiin South Coal Mine; and (iii) the exploration licence covering 5,370 hectares of the Khuldiin North Coal Mine granted by the Mongolian government. Moreover, the Mongolian Company also beneficially owns the exploration licence covering 468 hectares of the TN Coal Mine which is pending registration to the Mongolian Company. Owner of the Mining Licence has the right to exploit and sell the coal resources, while owner of the exploration licence has the right to perform exploration works on the coal mine. The details of the Mining Licence and exploration licences are summarized in the table below:

Licence (Licence no.)	Location	Mine/ exploration area (hectares) (Note 1)	Licence date	Maximum remaining renewal term of the licence (years)
Mining Licence (10871A)	Khuldiin South Coal Mine	100	30 November 2005	(Note 2)
Exploration licence (11033X)	Khuldiin South Coal Mine	3,360	21 September 2004 (and extended on 25 April 2007 for a term of 3 years until 21 September 2010)	3 (Note 3)
Exploration licence (8460X)	Khuldiin North Coal Mine	5,370	21 September 2004 (and extended on 25 April 2007 for a term of 3 years until 21 September 2010)	3 (Note 3)
Exploration licence (7918X)	TN Coal Mine	468	14 July 2004 (and extended on 22 June 2007 for a term of 3 years until 14 July 2010)	3 (Note 3)

Notes:

- 1 hectare = 10,000 square metres, that is an area of 100 metres x 100 metres.
- Under the Regulation on Application of the Minerals Law of Mongolia, the mining licence acquired prior to 8 July 2006 has to be surrendered for re-registration and issue of a new mining licence. The new mining licence was granted on 23 January 2007 for a term of 30 years, with the possibility of extension for multiple terms of 20 years each depending on the reserve of the mine.

3. Under the Minerals Law, the term of the exploration licence is initially three years which can be extended for a period of three years twice (i.e. maximum term of the exploration licence is nine years). Two of the exploration licences (8460X and 11033X) were first granted on 21 September 2004 and one (7918X) was initially granted on 14 July 2004 and they were all extended in 2007 for a term of 3 years. Accordingly, the licences are considered to have a tenure remaining three years whereupon an application for mining can be submitted granting a further three years of ownership under Article 22 of the Minerals Law.

As advised by the Target Company's Mongolian legal adviser, GTs Advocates LLC, who is an Independent Third Party save that it is the Pledgee, there are no regulatory approvals required for any transfer of the Mining Licence and exploration licences.

According to the report prepared by the Consultant dated 17 September 2007, the estimated amount of inferred coal resources of the Target Mines amounted to 151 million tonnes. The Khuldiin South Coal Mine is granted with the Mining Licence and is in final stage of environmental approval. Its construction is expected to be ready for all permissions by early October 2007.

A technical report prepared by the Technical Adviser in respect of the Target Mines, which will be in compliance with Chapter 18 of the Listing Rules, will be included in the circular to be despatched to the Shareholders. As at the date of this announcement, the Company has yet to appoint the Technical Adviser. However, the Company will appoint a Technical Adviser who to its best knowledge after having made all reasonable enquiry has the appropriate professional qualification and relevant experience in the type of exploration activities proposed to be undertaken by the Company after the Acquisition and that the Technical Adviser is an Independent Third Party.

REASONS FOR THE ACQUISITION

As set out in the Company's annual report for the year ended 31 December 2006, the Group continued to focus on the electronic products manufacturing and marketing business with product diversification to ODM and OEM businesses. On the other hand, the Group has been looking into the opportunity of other business and exploring more investment to offer sustainable growth to its business.

The Directors consider that the Group may broaden its source of income by diversifying into the exploration and mining of natural resources. With coal, aside from the energy prospects, there is further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. The purpose of the Acquisition is to explore the opportunities and derive income from the sales of the coal resources to be extracted from the Target Mines.

The price of coal has been rising over the past years. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of global economy, coal and other natural resources will have its sustained demand. The Directors believe that the demand for coal will be considerable and the Company's growth momentum will be maintained by diversifying into the natural resources area, including acquiring coal resources and reserves. The Directors therefore believe that the Acquisition offers the Group with a good opportunity to diversify into the coal mining business that has good future prospect.

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

RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

Investments in new business

The Acquisition constitutes an investment in the new business sector, including mine exploration and coal production. The new business, coupled with the regulatory environment, may pose significant challenges to the company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. If any exploration and mining projects, in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may affect the Company.

Cyclical nature of coal markets and fluctuations in coal prices

As a significant percentage of the revenue of the new business is derived from coal and coal-related operations, part of the Company's future business and results of operations may depend on the international supply of and demand for coal. The fluctuations in supply and demand are caused by numerous factors beyond the Company's control, which include, but not limited to:

- (i) global and domestic economic and political conditions and competition from other energy sources; and
- (ii) the rate of growth and expansion in industries with high coal demand, such as steel and power industries.

There is no assurance that the international demand for coal and coal-related products will continue to grow, or that the international demand for coal and coal-related products will not experience excess supply.

Significant and continuous capital investment

The coal business requires significant and continuous capital investment; the major mine exploration and coal production projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and coal production projects may adversely affect the Company.

Country risk

The Company is entering a new business in Mongolia, which the Company does not have any business in. There can be a risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Company.

Environmental protection policies

The mining and exploration business is subject to Mongolian environmental protection law and regulations. If the Company fails to comply with existing or future environmental laws and regulations, the Company may be required to take remedial measures, which could have a material adverse effect on our business, operations, financial condition and results of operations.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the existing authorized share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares, of which 544,356,000 Shares were in issue. As such, the number of Shares which the Company may issue and allot under the existing issued share capital of 1,455,644,000 Shares is insufficient to cover the issue of the Consideration Shares, the Placing Shares and the Conversion Shares.

Accordingly, the Company proposed to increase the authorized share capital of the Company from HK\$200,000,000 comprising 2,000,000,000 Shares to HK\$1,000,000,000 comprising 10,000,000,000 Shares by the creation of 8,000,000,000 Shares which will be put to Shareholders' approval at the SGM.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Group has not raised any funds by issue of equity securities or convertible notes of the Company in the twelve months immediately preceding the date of this announcement.

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 requirements under Chapter 14 of the Listing Rules. As no Shareholder has any material interest in the Acquisition and the Placing, no Shareholder is required to abstain from voting in the SGM to approve the Acquisition and the Placing.

GENERAL

A circular containing, among other information, (i) further details of the Acquisition, the Promissory Note and the Convertible Bonds; (ii) information required under Chapters 14 and 18 of the Listing Rules; (iii) the Placing Agreement; (iv) the increase in the authorized share capital; and (v) a notice of the SGM, will be despatched to the Shareholders. Pursuant to Rule 14.38 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 1 November 2007. However, it is currently expected that it will take about eight to ten weeks for the Company to obtain (1) a technical report in respect of the Target Mines in compliance with the requirements under Chapter 18 of the Listing Rules and (2) accountants' reports on the Target Company and the Mongolian Company for inclusion in the circular. Accordingly, the circular can only be despatched to the Shareholders on or about 20 December 2007. An application has been made to the Exchange for a waiver from strict compliance with Rule 14.38 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 20 September 2007 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 11 October 2007.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 19 September 2007 entered into between the Company, the Purchaser, the Vendor and the Warrantor in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Accounts”	the profit and loss account for the period commencing from 1 January 2007 and ending on the Completion Date and the consolidated balance sheet of the Target Group as at the Completion Date
“Completion Date”	the date on which the Completion takes place
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Acquisition
“Consideration Shares”	211,694,000 new Shares to be allotted and issued by the Company upon Completion as part of the Consideration pursuant to the terms of the Acquisition Agreement
“Consultant”	GDR Consultants, a sole proprietorship established by Mr. Greg De Ross who is a Certified Practicing Geologist (CP Geo) and a Fellow of the Australasian Institute of Mining and Metallurgy (FAIMM) and an Independent Third Party
“Conversion Shares”	new Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bond(s)”	the five-year convertible bond(s) in an aggregate principal amount of HK\$980,140,980 to be issued by the Company as part of the Consideration pursuant to the terms of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKGAAP”	accounting principles generally accepted in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons of the Company
“Initial Conversion Price”	HK\$0.33 per Conversion Share (subject to adjustments)
“Issue Price”	HK\$0.33 per Share, being the issue price of the Consideration Shares
“Khuldiin North Coal Mine”	the coal deposits located in the Aimag province of Selenge approximately 150 km north of Ulaanbaatar, the capital of Mongolia and 22 km from the main highway junction and a further 13 km to the Trans Mongolian Railway, the exploration licence of which is held by the Mongolian Company
“Khuldiin South Coal Mine”	the coal deposits located in the Aimag province of Selenge approximately 150 km north of Ulaanbaatar, the capital of Mongolia and 22 km from the main highway junction and a further 13 km to the Trans Mongolian Railway, the exploration licence and the Mining Licence of which are held by the Mongolian Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2008 or such later date as the Vendor and the Purchaser may agree in writing
“Minerals Law”	the Minerals Law of Mongolia which came into effect on 28 August 2006, as amended, modified or replaced from time to time and such other laws of Mongolia concerned with mineral resources, and such other related rules, regulations, measures and policies formulated and promulgated by the governmental agencies or public bodies of Mongolia (including without limitation national, provincial and other local authorities)
“Mining Licence”	the mining licence covering 100 hectares of the Khuldiin South Coal Mine held by the Mongolian Company and the right to conduct mining and exploitation work for the coal resources over the Khuldiin South Coal Mine exclusively pursuant to the Minerals Law

“Mongolian Company”	Khuldiin Nuurs, LLC, a company incorporated in Mongolia with limited liability, which in turn is the (i) holder of the Mining Licence covering 100 hectares of the Khuldiin South Coal Mine, the exploration licence covering 3,360 hectares of the Khuldiin South Coal Mine and the exploration licence covering 5,370 hectares of the Khuldiin North Coal Mine; and (ii) the beneficial owner of the exploration licence covering 468 hectares of the TN Coal Mine which is pending registration to the Mongolian Company
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Future Ordinances (Chapter 571 of the laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated as of 28 September 2007 between the Company and the Placing Agent
“Placing Price”	HK\$0.33 per Placing Share
“Placing Shares”	a total of 455,000,000 new Shares
“Pledgee”	a law firm established in Mongolia, in favour of whom the Sale Shares have been pledged, and which firm has held such security on trust for certain Independent Third Parties who are connected with the Vendor or its associates
“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
“Promissory Note”	the promissory note with principal amount of HK\$200 million which may be issued by the Company with three-year maturity from the date of Completion at zero coupon rate as part of the Consideration pursuant to the Acquisition Agreement
“Purchaser”	Sourcestar Profits Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
“RMB”	renminbi yuan, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of 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 and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds and the Conversion Shares), the Placing Agreement and the transactions contemplated thereunder 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Silverway Pacific (S) Limited, a company incorporated in the BVI whose entire issued share capital is currently held by the Vendor
“Target Group”	the Target Company and its wholly-owned subsidiary, Mongolian Company
“Target Mines”	Khuldiin South Coal Mine, Khuldiin North Coal Mine and TN Coal Mine
“Technical Adviser”	such firm of technical advisers as to mining acceptable to the Purchaser
“TN Coal Mine”	the coal deposits located 156 km south of Ulaanbaatar in Tuv or Central Province and 52 km from the Trans Mongolian Railway
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Prime Sino Investments Limited, a company incorporated in the BVI with limited liability which holds the entire equity interest in the Target Company
“Warrantor”	Mr. Chan Shun Yuen, as warrantor of the Vendor
“km”	kilometer(s)
“%”	per cent.

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

Hong Kong, 10 October 2007

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.