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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)

**ANNOUNCEMENT  
PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

**PROFIT WARNING**

It is expected that the unaudited net loss of the Group for the six months ended 30 June 2008 may increase significantly as compared with the unaudited net loss of the same period in 2007.

**Potential investors and shareholders of the Company should exercise caution when dealing in the securities of the Company.**

This announcement is made by Karce International Holdings Company Limited (the “Company”, and together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**PROFIT WARNING**

It is expected that the unaudited net loss of the Group for the six months ended 30 June 2008 (“2008 First Six-Month Period”) may increase significantly as compared with the unaudited net loss of the same period in 2007 (“2007 First Six-Month Period”) (2007: HK\$7.3 million).

In the process of compiling the unaudited financial statements of the Group for the 2008 First Six-Month Period, the board of directors of the Company (“Board”) notes that there is a possible substantial increase in the unaudited net loss in the Group. Such increase was, among other things, primarily attributable to:

\* For identification only

## **1. Impairment loss on available-for-sale investment**

As mentioned in the Company's annual results for the year ended 31 December 2007, as at 31 December 2007, the Group held about 14.7% equity interest in Ascalade Communications Inc. ("Ascalade Inc."), a corporation incorporated in Canada and whose securities are listed on the Toronto Stock Exchange. Such investment has been classified as an "available-for sale investment" in the Group's financial statements. Such investment is measured at fair value at each balance sheet date, which expose the Group to equity security price risk. In March 2008 and April 2008, the Company published announcements regarding Ascalade Inc. seeking a protection from creditors under the relevant Canadian laws (for further details, please refer to the Company's said announcements and the Company's Annual Report 2007) .

For the 2008 First Six-Month Period, the Group recognized an impairment loss of approximately HK\$22.6 million in respect to its investment in Ascalade Inc. (for comparison purpose, the Group made an impairment loss of approximately HK\$16 million in respect to its investment in Ascalade Inc. for the 2007 First Six-Month Period). The carrying value of the Group's investment in Ascalade, after taking into account of the total impairment losses of around HK\$67.6 million made from the year ended 31 December 2006 up to this period, was approximately HK\$0.9 million as at 30 June 2008.

## **2. Loss on fair value change of derivative financial instruments**

As mentioned in the Company's annual results for the year ended 31 December 2007, the Group entered into some foreign exchange and interest rate derivative financial instruments for the management of its exchange rate and interest rate risk exposure. The fair value of these derivative financial instruments has to be re-measured at the balance sheet date.

As at 30 June 2008, the Group recorded additional loss resulting from the loss on fair value change of such derivative financial instruments. Such additional loss amounted to approximately HK\$23.2 million and would be recorded in the Group's consolidated balance sheet as current liabilities which would be fully realized in the profit and loss account in the second half of 2008 (compared to approximately HK\$1.6 million recorded in the Group's consolidated balance sheet as current liabilities as at 30 June 2007).

## **3. Loss from operations**

Owing to the increase in the operating costs, including labour costs in the PRC and raw materials, the gross profit as well as the net profit of the Group are expected to be substantially reduced. Accordingly, it is expected that the Group would experience a substantial increase in the total operating loss for the 2008 First Six-Month Period.

The Company is still in the process of finalizing the unaudited interim results of the Group for the six months ended 30 June 2008. This information contained in this announcement is only a preliminary assessment by the management of the Company. It is not based on any figures or information which has been audited or reviewed by the Company's auditors. Shareholders of the Company and investors are advised to carefully read the interim report of the Company for the 2008 First Six-Month Period, which is expected to be published on the website of the Company at [www.karce.com](http://www.karce.com) and on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) around the end of September 2008.

**Potential investors and shareholders of the Company should exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Karce International Holdings Company Limited**  
**George Tong Shek Lun**  
*The Chairman*

Hong Kong, 8 September 2008

*As at the date of this announcement, the Board consists of five executive directors, Mr. Tong Shek Lun, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina, Mr. Chim Kim Lun, Ricky and Mr. Cheng Kwok Hing, Andy, two non-executive directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey and three independent non-executive directors, Mr. Sun Yaoquan, Mr. Goh Gen Cheung and Mr. Wan Hon Keung.*