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

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

DISCLOSEABLE TRANSACTIONS

(i) THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF JET MASTER; AND (ii) THE SUBSCRIPTION OF SHARES OF KFE JAPAN

Financial adviser to Karce International Holdings Company Limited

Nuada Limited
Corporate Finance Advisory

THE S&P AGREEMENT

Reference is made to the Company's announcement dated 30 July 2008. The Company entered into the Terms Sheet with, among others, the KFE Japan, in relation to the intention of the disposal of the Disposal Group.

On 12 September 2008, the Vendor entered into the S&P Agreement with the Purchaser and KFE Japan to finalise the terms and conditions in relation to the Disposal. Pursuant to the S&P Agreement, the Vendor has conditionally agreed to dispose and the Purchaser has conditionally agreed to acquire the Sale Shares for a total consideration of US$3,000,000. The Vendor has conditionally agreed to subscribe the KFE Japan Subscription Shares as part of the consideration payable by the Purchaser under the S&P Agreement. The total consideration under the S&P Agreement is US$3,000,000 (or equivalent to approximately HK$23,340,000), to be satisfied by cash and the KFE Japan Shares Subscription.

REASONS FOR THE DISPOSAL AND KFE JAPAN SHARES SUBSCRIPTION

Taking into account the decrease in turnover and the segment results of the Disposal Group attributable to the Group in recent year, the Directors consider that the Disposal provides the Company with an opportunity to restructure its existing loss-making business for immediate cash inflow for financing its existing business operations and general working capital of the Group.

* *For identification only*

Following the Completion, the Group will become a shareholder of KFE Japan by subscribing for the KFE Japan Subscription Shares, which are listed on Nagoya Stock Exchange. According to KFE Japan, it is principally engaged in development, trading and manufacture of electronic products in Japan. KFE Japan's share price performs relatively stable and the Directors believe the KFE Japan Shares Subscription would be a better investment than running the Disposal Group.

LISTING RULES REQUIREMENTS

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Disposal under the S&P Agreement are less than 25% but greater than 5%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

In addition, the relevant percentage ratios under Rule 14.07 of the Listing Rules for the KFE Japan Subscription Shares as part of the consideration payable under the S&P Agreement are less than 25% but greater than 5%, the KFE Japan Shares Subscription also constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

Since the aggregate consideration under the S&P Agreement involves both an acquisition and a disposal and the transaction is classified by reference to the larger of the acquisition or the disposal in accordance with Rule 14.24 of the Listing Rules, the Disposal and the KFE Japan Shares Subscription constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst other things, further details of the Disposal, the KFE Japan Shares Subscription and the relevant information required pursuant to the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Reference is made to the Company's announcement dated 30 July 2008. The Company entered into the Terms Sheet with, among others, the KFE Japan, in relation to the intention of the disposal of the Disposal Group.

On 12 September 2008, the Vendor entered into the S&P Agreement with the Purchaser and KFE Japan to finalise the terms and conditions in relation to the Disposal. Pursuant to S&P Agreement, the Vendor has conditionally agreed to the dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares for a total consideration of US$3,000,000. The Vendor has conditionally agreed to subscribe the KFE Japan Subscription Shares as part of the consideration payable by the Purchaser under the S&P Agreement. The total consideration under the S&P Agreement is US$3,000,000 (or equivalent to approximately HK$23,340,000), to be satisfied by cash and the KFE Japan Subscription Shares.

THE S&P AGREEMENT

Date

12 September 2008

Parties

China Ample, as vendor

KFE H.K., as purchaser

KFE Japan, as warrantor of the Purchaser

To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiry, KFE H.K. and KFE Japan and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company. The Group has no prior transactions (other than the S&P Agreement) with KFE H.K. and KFE Japan and their respective ultimate beneficial owners which would require to be aggregated with the S&P Agreement pursuant to the Rule 14.22 of the Listing Rule.

Assets to be disposed

The Sale Shares represent the entire issued share capital of the Jet Master. Jet Master is an investment holding company which owns the entire registered capital of Dongguan Tai Shan, a company carries on the business of manufacture and sale of printed circuit boards.

Consideration

The consideration for the Sale Shares is US$3,000,000 (equivalent to approximately HK$23,340,000), which shall be paid to the Company by the Purchaser in the following manner:

(a) as to US$300,000 (as deposit) in cash paid in a bank account held by the Vendor (or such other subsidiary of the Company as may be nominated by the Vendor) . As at the date of this announcement, the said deposit has already been paid by the Purchaser;

(b) as to US$2,700,000 in cash to be paid on the Completion Date in a bank account held by the Vendor (or other subsidiary of the Company as may be nominated by the Vendor) with a licensed bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser; and

(c) on the next Business Day following the Completion Date (or such later date as the parties may agree), US$1,000,000 (subject to downward adjustment, if any) in cash shall be paid on behalf of the Vendor to a bank account held by the Purchaser and/or the KFE Japan with a licensed bank in Hong Kong (or in such other manner as may be agreed between the Vendor and the Purchaser) for the subscription by the Vendor (or such other party(ies) as may be nominated by the Vendor) for such number of the KFE Japan Subscription Shares (equivalent to the value of US$1,000,000 (or such smaller amount if adjusted downward as mentioned below) as computed based on the formula below), and the Purchaser shall procure KFE Japan to allot and issue such KFE Japan Subscription Shares to the Vendor (or such other party(ies) as may be nominated by the Vendor).

The number of the KFE Japan Subscription Shares as referring to in paragraph (c) above equals to US$1,000,000 (subject to downward adjustment, if any) x (Average exchange rate of JPY to US$ as quoted on Reuters for the 10-Business-Day period immediately before (and excluding) the relevant date of allotment of the KFE Japan Subscription Shares) ÷ (Average closing price (in JPY) per share of KFE Japan as quoted on the Nagoya Stock Exchange for such Business Days falling within the 10-Business-Day period immediately before (and excluding) the date of allotment of the KFE Japan Subscription Shares).

The Vendor undertakes not to (or, if the KFE Japan Subscription Shares are issued and allotted to parties as nominated by the Vendor other than the Vendor, the Vendor shall procure such party not to), unless with prior written consent from the Purchaser and/or KFE Japan (which consent shall not be unreasonably withheld or refused), dispose or agree to dispose of the KFE Japan Subscription Shares for a period of two years following the date of allotment and issue of the relevant KFE Japan Subscription Shares ("**Lock-up Period**"), provided that the Lock-up Period shall end immediately in the event that KFE Japan is subject to winding up petition which is not withdrawn within 7 Business Days from when the winding up petition is brought, in the event of which the Purchaser shall, and KFE Japan shall procure the Purchaser to, pay any outstanding Purchase Price under the S&P Agreement forthwith in cash by depositing the same in a bank account held by the Vendor (or such other subsidiary of the Company as may be nominated by the Vendor) with a licensed bank in Hong Kong or in such other manner as may be agreed between the Vendor and the Purchaser.

Pursuant to the S&P Agreement, the Vendor has, among others, warranted to the Purchaser that as at the Completion Date, the non-current asset value of Dongguan Tai Shan, prepared in accordance with Hong Kong Financial Reporting Standards, shall not fall below RMB53,000,000. In the event of there being a shortfall ("**Shortfall**") between the non-current asset value of Dongguan Tai Shan at the Completion Date and RMB53,000,000, the consideration as mentioned above shall be reduced by an amount equal to the Shortfall. In the event of any dispute as to whether there is any Shortfall, the parties to the S&P Agreement shall jointly appoint an independent firm of certified public accountants in Hong Kong to carry out such appropriate procedure and steps to determine the value of the non-current assets of Dongguan Tai Shan, and the determination of such value by such certified public accountants shall (unless with manifest error) be final and conclusive. The Shortfall (if any) shall be satisfied by way of deducting from the amount of US$1,000,000 payable under the S&P Agreement thereby also reducing the number of KFE Japan Subscription Shares to be subscribed for by the Vendor. As at the date of the S&P Agreement, the KFE Japan Subscription Shares represents approximately 14.87% of the total issued shares of KFE Japan.

The consideration was determined after arm's length negotiations and with reference to the capital investment cost saved and operating loss cut in the foreseeable future to the Group. According to the consolidated management account of the Disposal Group, the operating profit after taxation of the Disposal Group recorded approximately HK$1.48 million for the year ended 31 December 2007 and net asset value of HK$40.26 million was recorded by the Disposal Group as at 31 December 2007. Although the consideration is below the net asset value of the Disposal Group as at 31 December 2007, the Directors are of the view that the terms of the Disposal is fair and reasonable and on normal commercial terms, as the Disposal Group's existing assets are no longer adequate to cope with the keen competition in the market. The profit attributable to the Disposal Group may not be maintained unless the Group substantially invests new equipment, which will bring great financial pressure on to the Group in view of the increasing operating costs in the PRC. As such, the Directors decide to make the best out of the Group's existing investment in the Disposal Group by selling it to the Purchaser.

On 26 September 2008, the Vendor, the Purchaser and KFE Japan entered into the supplemental agreement to the S&P Agreement dated 12 September 2008 pursuant to which, the Company shall not subscribe more than 19% equity interest in KFE Japan. For the avoidance of doubt, excess of the subscription proceeds shall be paid to the Vendor if the above subscription shall exceed 19% of the total issued shares of KFE Japan.

Conditions Precedent:

Completion of the S&P Agreement is subject to the following conditions being fulfilled (or waived by the Purchaser on or before the Long Stop Date:

(a) receipt by the Vendor of a Japan legal opinion (in such form and substance to its reasonable satisfaction) from the Purchaser covering, among others, the following major issues:

   (i) KFE Japan having been duly established and validly subsisting;

   (ii) the Vendor (or such other parties as may be nominated by the Company) not being prohibited or unduly restricted under the laws, regulations and/or rules of Japan and/or Nagoya Stock Exchange from subscribing, holding or dealing in the KFE Japan Subscription Shares;

   (iii) (if required) all necessary approval, authorisation, consent, registration and filings required having been obtained and effected by KFE Japan (where applicable) in relation to the S&P Agreement, and the transactions contemplated hereunder and thereunder, including KFE Japan's allotment and issue of the KFE Japan Subscription Shares; and

   (iv) such other aspects of Japan law as the Vendor may reasonably consider appropriate or relevant to the transactions contemplated by the S&P Agreement;

(b) the Purchaser being reasonably satisfied with the results of the due diligence results on the Disposal Group;

(c) the Purchaser being reasonably satisfied with the performance of the pre-completion undertakings given by the Vendor under the S&P Agreement;

(d) (where applicable) the Company complying with (or, as the case may be, obtaining waiver from) any requirement under the Listing Rules as may be applicable in connection with the S&P Agreement and the transactions contemplated hereby;

(e) (where applicable) KFE Japan complying (or, as the case may be, obtaining waiver from) any requirement under the applicable laws and rules to which KFE Japan is subject in connection with the S&P Agreement and the transactions contemplated thereby;

(f) the Vendor being reasonably satisfied with the due diligence results on KFE Group; and

(g) none of the warranties and representations of the Purchaser, KFE Japan and of the Vendor contained in the S&P Agreement having been breached in any material respect (or, if capable of being remedied, not having been remedied) or being misleading or untrue in any material respect.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions precedent (b), (c), (f) and (g) above (regarding breach on the part of the Vendor) above (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

The Vendor may at its absolute discretion at any time waive in writing any of the conditions precedent (a), (f) and (g) above (regarding breach on the part of the Purchaser and/or KFE Japan) above (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by the Vendor.

If the conditions precedent are not fulfilled (or, as the case may be, waived) on or before the Long Stop Date, the S&P Agreement shall lapse and no party to the S&P Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the S&P Agreement.

Subject to the satisfaction or (where applicable) waiver of all the above conditions precedent, Completion shall take place at 10:00 a.m. on the third Business Day following the date on which all the above conditions precedent are fulfilled or (where applicable) waived.

INFORMATION ON KFE JAPAN

KFE Japan is listed on Nagoya Stock Exchange of Japan, and is principally engaged in development, trading and manufacture of electronic products in Japan. As informed by KFE Japan, it has establishment in Japan, Hong Kong, Vietnam, Thailand and Shenzhen, the PRC. According to the financial results provided by KFE Japan, as at 31 March 2008, KFE Japan recorded total assets value of approximately JPY 4,343.8 million (equivalent to approximately HK$314.1 million), profit before taxation of approximately JPY 73.0 million (equivalent to approximately HK$5.3 million) and profit after taxation of approximately JPY 27.9 million (equivalent to approximately HK$2.0 million).

REASONS FOR THE DISPOSAL AND KFE JAPAN SHARES SUBSCRIPTION

The Group is principally engaged in the manufacture and marketing of electronic products (mainly electronic calculators and organizers), conductive silicon rubber keypads and printed circuit boards. As stated in the annual report 2007 of the Company, the revenue derived from printed circuit boards business decreased from approximately 22% of the total revenue of the Group in year 2004 to approximately 14% of the total revenue of the Group in year 2007.

Based on the latest audited financial statement of the Company for the year ended 31 December 2007, the turnover of printed circuit boards segment decreased from approximately HK$127,995,000 in year 2006 to approximately HK$98,922,000 in year 2007, representing approximately 13.4% of the turnover of the Group. As a result, operating losses for the printed circuit boards segment recorded HK$13,421,000 for the financial year ended 31 December 2007 (excluding the change in fair value of derivative financial instrument and the management fee paid to the Company).

The Disposal Group is principally engaged in manufacture and sales of printed circuit boards and is a manufacturing arms of the Group for printed circuit boards business. The printed circuit boards business segment comprises of (i) manufacture and sale; and (ii) trading department. As one of the components of printed circuit boards segment business within the Group, the Disposal Group recorded a net profit before and after taxation of approximately HK$864,356 and HK$521,563 respectively for the year ended 31 December 2006 and of approximately HK$1.81 million and HK$1.48 million respectively for the year ended 31 December 2007 according to the management account of the Disposal Group. Upon Completion, the trading department as well as the sale teams will remain in the Group for inter-company sale activities.

The Company has been selling printed circuit boards to KFE Japan which is principally engaged in development, trading and manufacture of electronic products in Japan. In view of the long-term business relationship between the Company and KFE Japan, the corporate profile and business development of KFE Japan, the Board is optimistic about the future prospects of KFE Japan and considers the KFE Japan Shares Subscription represents an opportunities to explore other possible investment to diversify the Group's revenue streams in order to enhance shareholder's returns and the investment value of the Group.

Taking into account the decrease in turnover and the segment results of the Disposal Group attributable to the Group in recent year, the Directors are of the view that the Disposal provides the Company with an opportunity to realize the loss-making business for immediate cash inflow for financing its existing business operations and general working capital of the Group.

Following the Completion, the Group will become a shareholder of KFE Japan by subscribing for the KFE Japan Subscription Shares, which is listed on Nagoya Stock Exchange. KFE Japan's share price performs relatively stable and the Directors believe the KFE Japan Shares Subscription would be a better investment than running the Disposal Group. The Disposal and the KFE Japan Shares Subscription will not result in changing the composition of the Board upon Completion.

In view of the above factors, the Directors are of the view that the Disposal is in the interests of the Company and its Shareholders as a whole and that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms.

FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Group will receive the consideration of US$3,000,000 and would recognize a loss on disposal of approximately HK$75.2 million (calculated as sale proceeds of approximately HK$23.34 million less investment cost of the Disposal Group of approximately HK$98.52 million), mainly consisting of the past-year operating loss of the Disposal Group. The Company currently expects to apply all the sale proceeds received from the Disposal for financing its existing business operations and general working capital of the Group.

Upon Completion, each of Jet Master and Dongguan Tai Shan will cease to be a wholly-owned subsidiary of the Company. The Group will cease to consolidate the financial results of the Disposal Group into the financial results of the Group. The value of KFE Subscription Shares will be accounted for available-for-sale investment under the non-current asset item of the Group.

LISTING RULES REQUIREMENTS

Given that the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Disposal under the S&P Agreement are less than 25% but greater than 5%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

In addition, the relevant percentage ratios under Rule 14.07 of the Listing Rules for the KFE Japan Subscription Shares as part of the consideration payable under the S&P Agreement are less than 25% but greater than 5%, the KFE Japan Shares Subscription also constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

Since the aggregate consideration under the S&P Agreement involves both an acquisition and a disposal and the transaction is classified by reference to the larger of the acquisition or the disposal in accordance with Rule 14.24 of the Listing Rules, the Disposal and the KFE Japan Shares Subscription constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst other things, further details of the Disposal, the KFE Japan Shares Subscription and the relevant information required pursuant to the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
"Company"	Karce International Holdings Company Ltd., a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the S&P Agreement in accordance with the terms and conditions of the S&P Agreement
"Completion Date"	the date on which the Completion takes place
"Directors"	directors of the Company
"Disposal"	the disposal by the Vendor of the Sale Shares to the Purchaser pursuant and subject to the S&P Agreement
"Disposal Group"	Jet Master and its wholly owned subsidiary, namely Dongguan Tai Shan
"Dongguan Tai Shan"	Dongguan Tai Shan Electronics Co., Ltd. (東莞泰山電子有限公司), a company established in the PRC and an indirect wholly owned subsidiary of the Group
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jet Master"	Jet Master Limited, a wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company
"KFE Japan"	KFE Japan Co., Ltd., a company incorporated in Japan whose shares are listed on the Nagoya Stock Exchange
"KFE Japan Shares Subscription"	the subscription of KFE Japan Subscription Shares by the Vendor as part payment of the consideration pursuant to the S&P Agreement
"KFE Japan Subscription Shares"	shares of KFE Japan to be subscribed by the Vendor and to be allotted and issued by KFE Japan to the Vendor (or its nominee) in accordance with the terms of the S&P Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 October 2008 or such later date as the parties to the S&P Agreement may agree in writing
"Nagoya Stock Exchange"	Centrex Market of Nagoya Stock Exchange of Japan

"Purchaser" or "KFE H.K."	KFE Hong Kong Co., Limited, a company wholly and beneficially owned by KFE Japan
"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
"Sale Shares"	100 ordinary shares of US$1.00 par value each in the issued share capital of Jet Master, being the entire issued share capital of Jet Master
"S&P Agreement"	the conditional sale and purchase agreement dated 12 September 2008 (as supplemented by the supplemental agreement dated 26 September 2008) entered into between the Vendor, the Purchaser and KFE Japan relating to the Disposal and the KFE Japan Shares Subscription
"Share(s)"	ordinary share(s) of HK$0.01 each in issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Term Sheet"	a non-binding term sheet dated 30 July 2008 in relation to a possible disposal
"Vendor" or "China Ample"	China Ample Investments Limited, a company wholly and beneficially owned by the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United State dollars
"JPY"	Japanese yen, the lawful currency of Japan
"%"	per cent.

For illustrative purpose, the announcement contains conversion between US$ and HK$ at US$1 = HK$7.78, and between JPY and HK$ at JPY 1 = HK$0.072311 unless defined otherwise. Such conversions should not be taken as a representation that the relevant currency could actually be converted into HK$ at such rates or at all.

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

Hong Kong, 26 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.