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 OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

ANNUAL RESULTS

The board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 *HK$'000* (restated)
Continuing operations			
Revenue	*4*	**26,524**	43,485
Cost of goods sold		**(22,370)**	(54,043)
Gross profit (loss)		**4,154**	(10,558)
Other revenue		**1**	138
Administrative expenses		**(9,235)**	(15,239)
Selling and distribution costs		**(3)**	(620)
Gain on cancellation of promissory notes		**–**	28,297
Gain on extension of maturity of promissory notes		**11,908**	–
Loss on early redemption of promissory notes		**–**	(61,351)
Gain on disposal of subsidiaries other than those classified as discontinued operations		**–**	19,018
Finance costs	*5*	**(36,445)**	(34,313)
Loss before taxation		**(29,620)**	(74,628)
Income tax credit	*6*	**4,049**	1,430
Loss for the year from continuing operations		**(25,571)**	(73,198)

* *For identification purposes only*

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Discontinued operations			
Profit (loss) for the year from discontinued operations		**50,000**	(512,472)
Profit (loss) for the year, attributable to owners of the Company	*7*	**24,429**	(585,670)
Other comprehensive expense			
Fair value changes of available-for-sale investments		**–**	(2,030)
Exchange difference arising on translation		**–**	(1,487)
Reclassification adjustment for exchange differences released upon disposals		**–**	(45,130)
Other comprehensive expense for the year		**–**	(48,647)
Total comprehensive income (expense) for the year, attributable to owners of the Company		**24,429**	(634,317)
Earnings (loss) per share *(HK cents)*	*9*		
From continuing and discontinued operations			
– Basic		**3.48**	(83.71)
– Diluted		**3.48**	(83.71)
			(restated)
From continuing operations			
– Basic		**(3.64)**	(10.46)
– Diluted		**(3.64)**	(10.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Available-for-sale investment		**–**	–
Property, plant and equipment		**17**	–
Intangible asset		**50,000**	–
Goodwill		**–**	–
		50,017	–
Current assets			
Trade receivables	*10*	**5,925**	8,238
Prepayments		**419**	89
Amount due from a related company		**–**	7,171
Bank balances and cash		**15,856**	25,544
		22,200	41,042
Current liabilities			
Trade payables	*11*	**1,196**	127
Accruals		**596**	967
Amount due to a related company		**–**	163
Amount due to a shareholder		**–**	3,000
		1,792	4,257
Net current assets		**20,408**	36,785
Total assets less current liabilities		**70,425**	36,785
Non-current liabilities			
Amount due to a shareholder		**7,153**	18,430
Promissory notes		**74,964**	75,031
Convertible bonds		**201,389**	176,785
Deferred tax liabilities		**18,339**	22,388
		301,845	292,634
		(231,420)	(255,849)
Capital and reserves			
Share capital		**70,236**	70,236
Reserves		**(301,656)**	(326,085)
		(231,420)	(255,849)

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had net liabilities of HK$231,420,000 as at 31 December 2010. The consolidated financial statements have been prepared on a going concern basis as the directors of the Company believe that the below proposed transaction would improve the Group's liquidity position.

On 25 January 2011, the Company entered into a conditional sale and purchase agreement for the disposal of the entire issued share capital of Sourcestar Profits Limited ("Sourcestar"), whose principal asset is the entire interest in the Pacific Choice Group (as defined in note 2 to the announcement), to an independent third party, Good Choice Development Ltd. (the "Disposal Agreement"). On the same date, a non-refundable deposit of HK$50,000,000 has been received by the Group. The directors considered that the proposed disposal once executed, would also have the following major financial impacts to the Group:

(i) a promissory note of HK$200,000,000 maturing twelve months from the date of completion of the transaction would be issued by the buyer in favor of the Group upon completion of the proposed transaction;

(ii) the net liabilities of Sourcestar and the Pacific Choice Group, amounting to HK$27,032,000 as at 31 December 2010 would be derecognised from the consolidated financial statement of the Group; and

(iii) any payment obligations for any outstanding amounts of the convertible bonds issued by the Company would be paid by the purchaser to the holders of the convertible bonds, or, as the case may be, such payment obligations would be discharged by the Company, as stipulated in the Disposal Agreement.

The above transaction constitutes a very substantial disposal under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and is subject to the approvals of the Stock Exchange and the shareholders.

The consolidated financial statements have been prepared on a going concern basis even though the Group is currently in the process of seeking for the necessary approvals for the executions of the Disposal Agreement as the directors of the Company are of the view that it is more probable than not that the Disposal Agreement would eventually be granted and the disposal be successfully implemented.

The Group has also been continuing to explore opportunities for investments in companies or projects with solid business platforms and prospects as part of its strategies for the long-term development.

However, should the Group be unable to complete the disposal as mentioned above, adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

Restatements

The Directors have re-evaluated the circumstances that led to the recognition by the Group of the loss on deconsolidation of the Pacific Choice Group in 2009, and have determined that while it was appropriate to deconsolidate the PRC operating subsidiary on the basis of loss of control, the Group did retain control over the intermediate companies incorporated in the British Virgin Islands, including Sheenway Limited, which holds the patents.

The restatement has no effect on the consolidated statement of financial position as all relevant balances at 31 December 2009 had been written down to zero. In the notes to the consolidated statement of financial position these write downs have been re-designated as impairment losses.

In the consolidated statement of comprehensive income the presentation of the related impairments previously included in the loss on deconsolidation of subsidiaries have been included in the loss for the year from discontinued operations as set out below.

Change in presentation on discontinued operations

In the current year, the directors of the Company have determined to discontinue the LCoS television business, accordingly the consolidated statement of comprehensive income has been reclassifying to reflect the discontinued operations. Prior year figures have been re-presented accordingly.

The effect of changes in presentation for the prior year by line items presented in the consolidated statement of comprehensive income is as follows:

	Year ended 31 December 2009 *HK$'000*
Decrease in administrative expenses	(1,944)
Decrease in gain on disposal of discontinued operations	90,828
Decrease in loss on deconsolidation of subsidiaries	(602,806)
Increase in loss for the year from discontinued operations	513,922
Change in loss for the year	–

2. SIGNIFICANT EVENTS

During the current and prior years, the Group had the following significant events:

(i) Acquisition of Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group")

Pursuant to the announcement of the Company dated 15 January 2009, the Group completed the acquisition of the entire issued share capital of Pacific Choice and its shareholders' loans outstanding due to China Eagle Development Limited ("China Eagle") and Fairtime International Limited ("Fairtime") (collectively referred as to the "Vendors") as at a total consideration of HK$2,700,000,000. Included in the conditions precedent is the completion of the reorganization whereas certain patents and machineries beneficially owned by 台灣微型影像有限公司 Taiwan Micro Display Corp. ("TMDC") be registered under or owned by the Pacific Choice Group. Despite certain closing conditions of the acquisition were not fulfilled in its entirety, they were waived by the Company thereof and the acquisition was therefore considered as completed on 15 January 2009. In the opinion of the directors, the Vendors and TMDC are considered as independent to the Group.

At the time of the acquisition, the Pacific Choice Group was in the course of setting up the manufacturing base in the People's Republic of China (the "PRC") for the production of liquid crystal on silicon ("LCoS") television.

Under the acquisition agreement, the above mentioned consideration was settled by:

(a) cash as to HK$25,000,000;

(b) promissory notes due in 2011 issued by Sourcestar to China Eagle, as to HK$375,000,000 ("Promissory Notes");

(c) zero-coupon convertible bonds due in 2014 issued by the Company ("Tranche 1 Bonds") to China Eagle as to HK$67,800,000;

(d) Tranche 1 Bonds to Fairtime as to HK$45,000,000;

(e) Tranche 1 Bonds to TMDC as to HK$187,200,000; and

(f) zero-coupon convertible bonds due in 2014 issued by the Company to China Eagle and Fairtime in their respective equity interest in Pacific Choice if the following condition is met:

(I) as to HK$600,000,000 if the aggregate profits of Pacific Choice Group for the six months ended 30 June 2009 reached certain predetermined levels;

(II) as to HK$600,000,000 if the aggregate profits of Pacific Choice Group for the year ended 31 December 2009 reached certain predetermined levels; and

(III) as to HK$800,000,000 if the aggregate profits of Pacific Choice Group for the eighteen months ended 30 June 2010 reached certain predetermined levels.

Details of the acquisition of Pacific Choice Group are set out in note 29 to the consolidated financial statements.

Since certain of the closing conditions have not been fulfilled but waived by the Company thereof, all of the Tranche 1 Bonds are deposited with an escrow agent pursuant to an escrow agreement until all conditions, pursuant to a supplementary agreement signed among the Vendors, TMDC, and the Company, have been fulfilled. Such conditions, among others, including the release of the pledges created on certain machineries in favor of certain banks in Taiwan to be delivered to the Pacific Choice Group, and the establishment of the production plant in the PRC and in normal operations. In addition, as set out in note 24 to the consolidated financial statements, the maturity of the Promissory Notes were extended to January 2012.

(ii) Deconsolidation of the PRC Subsidiary and recognition of available-for-sale investment and impairment loss of the Pacific Choice Remaining Group

Due mainly to the non-cooperation of the management of the Pacific Choice Group, the board of directors of the Company has been unable to obtain and access to the books and records of 聯合光電(蘇州)有限公司 United Opto-Electronics (Suzhou) Co., Ltd. (the "PRC Subsidiary"), a subsidiary of Pacific Choice, after 30 November 2009 and resolved that it no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date. The PRC Subsidiary has therefore been deconsolidated from the consolidated financial statements of the Company and recognised as available-for-sale investment from 1 December 2009 onwards. As the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason of which the Company acquired the Pacific Choice Group, the loss of the control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that the entities comprising the Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired at the same date.

(ii) ***Deconsolidation of the PRC Subsidiary and recognition of available-for-sale investment and impairment loss of the Pacific Choice Remaining Group – continued***

As set out in the consolidated statement of comprehensive income and notes 15 and 30 to the consolidated financial statements, the Group recorded a loss on deconsolidation of the PRC Subsidiary and an impairment loss of the Pacific Choice Remaining Group of HK$721,000 and HK$602,085,000 respectively for the year ended 31 December 2009, based on the unaudited consolidated statement of financial position of the Pacific Choice Group as at 30 November 2009 and its unaudited statement of comprehensive income for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation), which are the latest management accounts available to the directors of the Company.

As all of the Group's operations in production of LCoS television were carried out by the Pacific Choice Group, the operating segment of LCoS television was accordingly classified as discontinued operations during the year ended 31 December 2009.

Details of the deconsolidation of the PRC Subsidiary and recognition as available-for-sale investment and the impairment loss of the Pacific Choice Remaining Group are stated in notes 30 and 15 to the consolidated financial statements.

(iii) ***Progress of disposal of Pacific Choice Group***

As the original production plan has not been realised and certain terms/ undertakings of the acquisition agreement to be performed on the part of the Vendors and TMDC have not been performed, despite the acquisition of Pacific Choice Group has been completed in January 2009, and continual requests by the Group's management seeking the Pacific Choice Group's assistance and fulfillment of the agreed terms, the Group on 5 March 2010 issued a demand letter to the Vendors and the warrantors requesting them to provide satisfactory explanations and to suggest remedial actions. No reply has been received from the Vendors or the warrantors.

The Company held a board meeting on 20 April 2010 and resolved that the Company would first negotiate with the Vendors and the warrantors for a proposal to sell the Pacific Choice Group back to the Vendors. Subject to the terms of the proposed disposal to be agreed, Tranche 1 Bonds and promissory notes issued to the Vendors and TMDC as part of the consideration of the acquisition may be required to be cancelled. Further details are set out in the Company's circular dated 23 April 2010.

As set out in note 2 to the consolidated financial statements, the Company entered into the Disposal Agreement with an independent third party for the disposal of the Pacific Choice Group. The proposed disposal, which is subject to the approval from shareholders, has not been completed up to the date of this report.

(iv) Discontinued operations of sales of electronic products

On 26 February 2009, the Group completed its disposals of the 100% interests in each of Xinyu Electronics Limited, Joyham Jade Limited, Sabic Electronic Limited and Habermann Limited (collectively referred to as the "Electronic Products Disposal Group"), all of which were engaged in the business of sales of electronic products, at an aggregate consideration of HK$250,000,000. The details are set out in note 10 to the consolidated financial statements.

As all of the Group's operations in the sales of electronic products were carried out by the Electronic Products Disposal Group, the operating segment of electronic products was accordingly classified as discontinued operations during the year ended 31 December 2009.

(v) Disposal of other subsidiaries

The Group also disposed of its interests in Tachibana Limited and China Ample Investments Limited, both of which were not classified as discontinued operations, during the year ended 31 December 2009, as set out in note 31 to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary and also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008) applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 24 (Revised 2009)	Related Party Disclosures[2]
HKAS 32 (Amendments)	Classification of Rights Issues[3]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[4]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[6]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[6]
HKFRS 9 (Revised 2010)	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Effective for annual periods beginning on or after 1 January 2012*

[2] *Effective for annual periods beginning on or after 1 January 2011*

[3] *Effective for annual periods beginning on or after 1 February 2010*

[4] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

[5] *Effective for annual periods beginning on or after 1 July 2010*

[6] *Effective for annual periods beginning on or after 1 July 2011*

[7] *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 “Financial Instruments” issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised 2010) adds the requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of HKFRS 9 is not expected to have significant impact on amounts reported in respect of the Group’s financial assets and liabilities based on the Group's financial instruments as at 31 December 2010.

The directors of the Company anticipate that the application of the other new and revised standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods sold.

The Group currently has only one operating segment, namely conductive silicon rubber keypads, which engages in the business of trading of conductive silicon rubber keypads.

The operating segment of electronic products was discontinued during the year ended 31 December 2009 following the disposals of the Electronic Products Disposal Group, which carried out all of the Group's operations of sales of electronic products. In the current year the directors have determined to discontinue the LCoS television business and accordingly the LCoS television segment also constitutes a discontinued operation of the Group. For HKFRS 8 reporting purposes, each of these two operations formed separate operating segments of the Group in 2009.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2010

	Continuing operations	Discontinued operations	
	Conductive Silicon Rubber keypads and segment total *HK$'000*	LCoS television *HK$'000*	Total *HK$'000*
Revenue – External sales	26,524	–	26,524
Segment results	1,273	–	1,273
Unallocated income (expenses) items:			
Central administration costs and directors' salaries	(6,356)	–	(6,356)
Reversal of impairment loss recognised in respect of intangible asset	–	50,000	50,000
Gain on extension of maturity of promissory notes	11,908	–	11,908
Finance costs	(36,445)	–	(36,445)
(Loss) profit before taxation	(29,620)	50,000	20,380

For the year ended 31 December 2009

	Continuing operations			Discontinued operations				
	Conductive Silicon Rubber keypads *HK$'000*	Elimination *HK$'000*	Segment total *HK$'000*	LCoS television *HK$'000*	Electronic products *HK$'000*	Elimination *HK$'000*	Segment total *HK$'000*	Total *HK$'000*
Revenue								
External sales	43,485	–	43,485	–	90,787	–	90,787	134,272
Inter-segment sales	1,443	(1,443)	–	–	673	(673)	–	–
	44,928	(1,443)	43,485	–	91,460	(673)	90,787	134,272
Segment results	(20,931)	(770)	(21,701)	(1,944)	4,401	770	3,227	(18,474)
Unallocated income (expenses) items:								
Unallocated income			124				209	333
Central administration costs and directors' salaries			(4,702)				(3,703)	(8,405)
Gain on cancellation of promissory notes			28,297				–	28,297
Loss on early redemption of promissory notes			(61,351)				–	(61,351)
Gain on disposal of subsidiaries other than those classified as discontinued operations			19,018				–	19,018
Fair value changes on derivative financial instruments			–				564	564
Finance costs			(34,313)				(791)	(35,104)
			(74,628)				(494)	(75,122)
Loss on deconsolidation of a subsidiary			–				(721)	(721)
Impairment loss recognised in respect of goodwill and intangible asset			–				(602,085)	(602,085)
Gain on disposal of discontinued operations			–				90,828	90,828
Loss before taxation			(74,628)				(512,472)	(587,100)

Segment profit (loss) represents profit (loss) earned (incurred) by each segment without absorption of unallocated income (expense) items, details of which are set out above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:						
Bank loans wholly repayable within five years	**–**	–	**–**	649	**–**	649
Bank overdrafts	**–**	48	**–**	52	**–**	100
Obligations under finance leases	**–**	–	**–**	90	**–**	90
Effective interests on:						
Convertible bonds	**24,604**	20,974	**–**	–	**24,604**	20,974
Promissory notes	**11,841**	13,291	**–**	–	**11,841**	13,291
	36,445	34,313	**–**	791	**36,445**	35,104

6. INCOME TAX CREDIT

	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The (credit) charge comprises:						
Hong Kong Profits Tax – overprovision in prior years	**–**	(34)	**–**	–	**–**	(34)
PRC Enterprise Income Tax – underprovision in prior years	**–**	7	**–**	–	**–**	7
	–	(27)	**–**	–	**–**	(27)
Deferred tax						
– Current year	**(4,049)**	(1,403)	**–**	–	**(4,049)**	(1,403)
	(4,049)	(1,430)	**–**	–	**(4,049)**	(1,430)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no assessable profits in Hong Kong for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 December 2009. No provision for PRC income tax had been made in the consolidated financial statements for the year ended 31 December 2009 as all of the PRC subsidiaries had no assessable profits for the year then ended. Subsequent to the disposals and deconsolidation of subsidiaries during the year ended 31 December 2009 and up to the date of this report, the Group had no operations in the PRC.

7. PROFIT (LOSS) FOR THE YEAR

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment						
– Owned assets	**4**	8,980	**–**	3,882	**4**	12,862
– Assets held under finance leases	**–**	–	**–**	445	**–**	445
Release of prepaid lease payments	**–**	98	**–**	62	**–**	160
Impairment loss recognised in respect of trade receivables	**2,030**	614	**–**	1,542	**2,030**	2,156
Loss on disposal of property, plant and equipment	**–**	287	**–**	–	**–**	287
Fair value gain of derivative financial instruments	**–**	–	**–**	(564)	**–**	(564)

8. DIVIDEND

No dividend has been paid or declared during each of the year ended 31 December 2009 and 2010. The directors do not recommend the payment of a final dividend for 2010 (2009: nil).

9. EARNINGS (LOSS) PER SHARE

(a) For continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Profit (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share	**24,429**	(585,670)
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**20,544**	17,514
Profit (loss) for the purpose of diluted earnings (loss) per share	**44,973**	(568,156)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share (in thousands)	**702,356**	699,616

(b) From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Loss		
Loss for the purpose of basic loss per share	**(25,571)**	(73,198)
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**20,544**	17,514
Loss for the purpose of diluted loss per share	**(5,027)**	(55,684)

The computation of diluted earnings (loss) per share from continuing and discontinued operations does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in loss per share from continuing operations for the year ended 31 December 2010 and 2009.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operations (restated)

Basic and diluted earnings per share from the discontinued operations is HK7.12 cents per share (2009: basic and diluted loss per share of HK73.25 cents per share), based on profit for the year from the discontinued operations attributable to the owners of the Company of HK$50,000,000 (2009: loss of HK$512,472,000) and the denominators detailed above for basic earnings (loss) per share.

10. TRADE RECEIVABLES

The Group generally allows an average credit period of 30 days to its trade customers. An aged analysis of trade receivables, net of provision for impairment loss recognised in respect of trade receivables, based on the invoice date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**4,883**	5,366
61 – 90 days	**1,042**	1,699
Over 90 days	**–**	1,173
	5,925	8,238

11. TRADE PAYABLES

An aged analysis of trade payables, based on invoice date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**1,192**	–
61 – 90 days	**4**	–
Over 90 days	**–**	127
	1,196	127

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditor's report with modification:

Basis for Disclaimer of Opinion

Limitation of Scope – Deconsolidation of a Subsidiary during the Year Ended 31 December 2009

As set out in notes 3(i) and 29 to the consolidated financial statements, the Company completed the acquisition of Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group") on 15 January 2009 for a total consideration of HK$604,616,000 which mainly comprised cash, promissory notes issued by the Group and convertible bonds issued by the Company.

As set out in note 3 (ii) to the consolidated financial statements, the directors of the Company have been unable to obtain and access to the books and records of 聯合光電（蘇州）有限公司 United Opto-Electronics (Suzhou) Co., Ltd. (the "PRC Subsidiary"), a subsidiary of Pacific Choice, after 30 November 2009 and resolved that the Group no longer had the power to govern the financial and operating policies of the PRC Subsidiary, and accordingly the control over the PRC Subsidiary was lost on that date. The PRC Subsidiary has therefore been deconsolidated from the consolidated financial statements of the Group and recognised as an available-for-sale investment from 1 December 2009 onwards. Besides, since the assets of the PRC Subsidiary and the planned operations thereof predominantly accounted for the reason for which the Company acquired the Pacific Choice Group, the loss of the control over the PRC Subsidiary effectively impaired any practical value of the entire Pacific Choice Group, if any, and therefore, the directors of the Company considered that assets of the entities comprising the Pacific Choice Group other than the PRC Subsidiary (the "Pacific Choice Remaining Group") should be fully impaired on the same date the Group lost control over the PRC Subsidiary.

We were appointed as auditors of the Group pursuant to the special general meeting of the Company held on 21 September 2010 and as a result of the circumstances described above, the directors of the Company have been unable to provide us with the complete set of accounting books and records of the PRC Subsidiary. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

(i) the loss on deconsolidation of the PRC Subsidiary of HK$721,000 and the loss incurred by the PRC Subsidiary for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation) of HK$1,944,000 included in the consolidated statement of comprehensive income of the Group for the year ended 31 December 2009 as well as the related disclosures set out in the notes to the consolidated financial statements are free from material misstatement; and

(ii) the Group had lost its control over the PRC Subsidiary and whether it was appropriate to deconsolidate the assets and liabilities of the PRC Subsidiary from the consolidated financial statements of the Group and be recognised as an available-for-sale investment.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group's affairs as at 31 December 2010 and 2009 and on its profit for the year ended 31 December 2010 and the loss for the year ended 31 December 2009.

Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds

As set out in notes 3 and 25 to the consolidated financial statements, on 15 January 2009, the Company issued the Tranche 1 Bonds due on 14 January 2014 with a principal amount of HK$300,000,000, which is interest free, as part of the consideration for acquisition of the Pacific Choice Group. As set out in note 25 to the consolidated financial statements, the directors of the Company appointed an independent valuer to perform a valuation of the fair value of the convertible bonds issued at the date of issue on 15 January 2009. The valuer estimated the fair value of the liability component of the convertible bonds to be

HK$155,811,000 at the date of issue using the discounted cash flow method. However, we were unable to obtain sufficient evidence to satisfy ourselves as to whether the valuation methodology and the assumptions adopted by the valuer in this valuation was appropriate and, accordingly, we were unable to satisfy ourselves as to whether:

(i) the fair value of the liability component of the convertible bonds on initial recognition was reliably measured in accordance with the relevant requirements of HKAS 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA ("HKAS 39") and whether their carrying values of HK$201,389,000 and HK$176,785,000 as at 31 December 2010 and 2009, respectively, and HK$155,811,000 at the date of initial recognition on 15 January 2009 were free from material misstatement;

(ii) convertible bonds reserve representing equity component of the convertible bonds, net of deferred tax liabilities arising from the issue of the convertible bonds thereof, amounting to HK$120,398,000 as at 31 December 2010 and 2009 and at the date of initial recognition on 15 January 2009 were free from material misstatement;

(iii) any other embedded derivatives of the convertible bonds issued for the acquisition of the Pacific Choice Group have been recognised in accordance with HKAS 39 as at 31 December 2010 and 2009 and at the date of initial recognition on 15 January 2009;

(iv) goodwill of HK$77,568,000 arising from the acquisition of the Pacific Choice Group as at 15 January 2009 (date of acquisition) as set out in note 10 to the consolidated financial statements was reliably measured in accordance with the relevant requirements of Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the HKICPA and whether the impairment loss of HK$77,685,000 recognised in respect of goodwill during the year ended 31 December 2009 was free from material misstatement; and

(v) the amortisation recognised in respect of the liability component of the convertible bonds, as set out in note 25 to the consolidated financial statements, amounting to HK$24,604,000 and HK$20,974,000 for the year ended 31 December 2010 and 2009, respectively, were free from material misstatement.

Limitation of Scope – Reversal of Impairment Loss Recognised in Respect of Intangible Asset During the Year Ended 31 December 2010

Included in the consolidated statement of financial position as at 31 December 2010 is an intangible asset, as set out in note 18 to the consolidated financial statements, with a carrying value of HK$50,000,000 arising from the reversal of the impairment loss recognised in respect of intangible assets during the year ended 31 December 2009, as detailed in notes 10 and 18 to the consolidated financial statements. The carrying value was determined by the directors based on the amount of non-refundable deposit received subsequent to the end of the reporting period for the proposed disposal of Sourcestar Profits Limited ("Sourcestar") and its subsidiaries, the Pacific Choice Group. As detailed in note 2 to the consolidated financial statements, total consideration of the disposal is more than HK$50,000,000. In the absence of a valuation prepared in accordance with HKAS 36, we therefore are unable to satisfy ourselves as to whether the reversal of impairment loss of HK$50,000,000 included in the consolidated statement of comprehensive income for the year ended 31 December 2010 was free from material misstatement and whether any additional reversal is necessary and whether the fair value of the intangible asset has been reliably measured in accordance with HKAS 38 "Intangible Assets" issued by the HKICPA.

Going Concern

As set out in note 2 to the consolidated financial statements, the Group had net liabilities of HK$231,420,000 as at 31 December 2010. To improve the Group's liquidity position, the Company entered into a conditional sale and purchase agreement for the disposal of the entire issued share capital of Sourcestar, whose principal asset is the entire interest in the Pacific Choice Group to an independent third party (the "Disposal Agreement"). This disposal is subject to the approvals of The Stock Exchange of Hong Kong Limited and the shareholders.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the success of the proposed disposal. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor, who expressed a disclaimer of opinion on those statements on 28 April 2010.

DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2010.

RESULTS OF THE YEAR

The Group’s efforts in rationalising its operations bore fruit in 2010. Following the disposal of its electronic products business and conductive silicon rubber keypads manufacturing business in 2009, the Group continued to improve the operation of its conductive silicon rubber keypads trading business. Through proactive measures to control costs and enhance efficiency, the conductive silicon rubber keypads trading segment, being the principal business of the Group, resumed profitability during the year under review.

For the year ended 31 December 2010, the Group's conductive silicon rubber keypads trading business reported a segment profit of approximately HK$1,273,000 (2009: segment loss of HK$21,701,000). The revenue of this segment, however, decreased to approximately HK$26,524,000 from approximately HK$43,485,000 of the previous year, due to market oversupply and weak demand.

Production of the Group's LCoS television business, which was acquired in January 2009, continued to be put off during the year under review, as the vendors failed to perform certain terms and undertakings of the acquisition agreement. As a result, the LCoS television business incurred non-cash finance costs of HK$36,445,000 for the year ended 31 December 2010.

In light of the LCoS television business locked in stalemate, the Group continued to look for potential buyers to acquire the business. In January 2011, the Group entered into a formal agreement with an independent third party for the disposal of the entire LCoS television business. The Group believes the proposed disposal will be in the interests of the shareholders and the Company as a whole.

During the year under review, a reversal of impairment loss recognised in respect of intangible assets amounted to HK$50,000,000. As a result, the Group reported a profit attributable to owners of the Company of approximately HK$24,429,000 for the year ended 31 December 2010 (2009: a loss of HK$585,670,000). Earnings per share from continuing and discontinued operations were approximately HK3.48 cents (2009: loss per share HK83.71 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental analysis

Conductive Silicon Rubber Keypads

The market environment of conductive silicon rubber keypads continued to be extremely competitive. Coupled with a market oversupply, the stagnant demand for conductive silicon rubber keypads amid the rising trend of touch-screen keyboards had caused the selling prices to decline further during the year.

Following the completion of the disposal of the manufacturing operation in 2009, the Group continued to exercise stringent cost control and improved operational efficiency of its trading business to mitigate the downward pressure on the selling prices, which had eroded profitability across the industry. The Group's efforts paid off during the year. Despite a 39% decrease in revenue, the conductive silicon rubber keypads trading business returned to the black and reported a segment profit of approximately HK$1,273,000 during the year, compared to a segment loss of HK$21,701,000 in 2009.

In view of intensified market competition, the Group anticipates further decline in the selling prices. With a prudent financial management and seasoned experience in trading operations, the Group is confident in weathering any possible challenges ahead and will continue to explore ways to improve operational efficiency of this segment.

LCoS Television

The production plan of LCoS at the Suzhou plant did not realize during the year under review even though the acquisition of the entire issued share capital of Pacific Choice Holdings Limited ("Pacific Choice") by the Group was completed in early 2009. Despite continual requests by the Group seeking the original vendors' fulfillment of the agreed terms, the pledge created on the key manufacturing machineries had not been discharged, and the transfer of ownership of the machineries to the Group could not be completed. Moreover, the management of the Suzhou plant had never complied with the request of the Company concerning its operation and production.

For the year ended 31 December 2010, the Group incurred non-cash finance costs of HK$36,445,000, as a result of the imputed interests on the convertible bonds and promissory notes issued to the vendors as part of the consideration for the acquisition of patents and machineries required for the production of LCoS televisions.

The Group acknowledged at a meeting held on 20 April 2010 that the results of the PRC subsidiary which carried out the LCoS television business shall be treated as having been deconsolidated from that of the Group with effect from 1 December 2009.

Despite the recovery of the LCoS television market from its bottom, the operation of this segment remains difficult. Moreover, the Group is of the opinion that it has missed the golden opportunity for developing LCoS televisions, in view of the rapid advancement in television technology. As such, the Group considers that the continual holding of the LCoS television business would not be in the interests of the shareholders and the Company as a whole. During the year under review, the Company had been actively seeking potential purchaser to acquire this business.

In January 2011, the Group entered into a formal agreement with an independent third party for the disposal of the entire LCoS Television segment. A non-refundable deposit of HK$50,000,000 was paid to the Company.

FUTURE PLANS AND PROSPECTS

The trading business of conductive silicon rubber keypads will continue to provide the Group with steady cash flow. The management is well aware of the pressing need to strengthen its operation portfolio and broaden its earning base to sustain the Group's continued development.

To enlarge its scope of activities and source of revenue, the Group will continue to explore new business opportunities offering a viable business model and a solid asset base. The Group believes that the proposed disposal of the LCoS television business creates a good opportunity for the Group to concentrate its resources in possible investments in businesses with good returns and high-growth potential.

With the ever growing demand for energy and resources, possession of valuable resources will be the key to determine the pace and magnitude of growth of various industries. Moreover, as the global consumption of metals and minerals has been growing continuously, these markets provide vast room for development in mid and long term. China is now the world's largest consumer of metals and minerals including iron ore, steel, coal, aluminum, copper and nickel. The country becomes a major driver of demand for these commodities. In light of this, the Group is identifying suitable metals and minerals projects for possible acquisition to achieve sustainable growth.

The Group's share trading has been suspended since September 2010, pending an announcement on a very substantial acquisition. The Group will keep its shareholders informed on this transaction following clearance from the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission.

The Group's incumbent management team possesses extensive investment and finance experience. The team has made tremendous effort, since its taking over of the Group's operations, to rationalise the Group's business operation and improve its profitability, thereby creating satisfactory return for the shareholders. The dedication has begun to generate results following the successful disposal of certain not performing business and identification of new business opportunities.

We believe the Group is gradually returning to its track of stable development.

CAPITAL STRUCTURE

The Group has a deficiency in shareholders' equity of approximately HK$231,420,000 (31 December 2009: a deficiency of approximately HK$255,849,000). As at 31 December 2010, the short term and long term interest bearing debts to shareholders' equity was nil (31 December 2009: nil).

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the United States dollars and the Renminbi. The Group was not exposed to material exchange risks and had not employed any financial instruments for hedging purposes.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Directors consider that the Group has compiled with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2010, save for deviation as stated hereof:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing. The roles of the chairman and the CEO of the Group was not separated and was performed by the same individual, Mr. Sun Ying Chung throughout the year 2010. The Directors meet regularly to consider major matters affecting the operations of the Group. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

Under the code provision A4.1 of the Code the appointment of non-executive directors should be appointed for specific term.

During the year, the non-executive directors were not appointed for a specific term, but they are subject to the retirement by rotation and re-election for every three years at the annual general meeting pursuant to the Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all directors, all directors confirmed that they had complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audit committee comprises all independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of interim and annual financial statement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is available for reviewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.aplushk.com/clients/1159. The annual report will be dispatched to the shareholders and will also be available on these websites.

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

Hong Kong, 31 March 2011

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