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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 OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011, together with the comparative figures for the year ended 31 December 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Continuing operations			
Revenue		**5,025**	26,524
Cost of goods sold		**(6,232)**	(22,370)
Gross (loss) profit		**(1,207)**	4,154
Other revenue		**–**	1
Administrative expenses		**(8,109)**	(7,206)
Selling and distribution costs		**–**	(3)
Gain on extension of maturity of promissory notes		**–**	11,908
Other gain and loss		**2,515**	(2,029)
Finance costs	4	**(40,266)**	(36,445)
Loss before taxation		**(47,067)**	(29,620)
Income tax credit	5	**6,644**	4,049
Loss for the year from continuing operations		**(40,423)**	(25,571)

* *For identification purposes only*

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Discontinued operations			
(Loss) profit for the year from discontinued operations		**(35,000)**	50,000
(Loss) profit for the year, attributable to owners of the Company		**(75,423)**	24,429
Decrease in fair value of available-for-sale investments, representing other comprehensive expense for the year		**(14)**	–
(Loss) profit and total comprehensive (expense) income for the year, attributable to owners of the Company	*6*	**(75,437)**	24,429
		HK cents	*HK cents*
(Loss) earnings per share	*8*		
From continuing and discontinued operations			
– Basic		**(10.74)**	3.48
– Diluted		**(10.74)**	3.48
From continuing operations			
– Basic		**(5.76)**	(3.64)
– Diluted		**(5.76)**	(3.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Equipment		**16**	17
Intangible asset		**–**	50,000
Goodwill		**–**	–
Available-for-sale investments		**5,220**	–
		5,236	50,017
Current assets			
Inventories		**937**	–
Trade receivables	*9*	**927**	5,925
Prepayments		**474**	419
Bank balances and cash		**19,293**	15,856
		21,631	22,200
Current liabilities			
Trade payables	*10*	**–**	1,196
Accruals and other payables		**3,757**	596
Promissory notes		**87,036**	–
		90,793	1,792
Net current (liabilities) assets		**(69,162)**	20,408
Total assets less current liabilities		**(63,926)**	70,425
Non-current liabilities			
Amount due to a shareholder		**1,653**	7,153
Promissory notes		**–**	74,964
Convertible bonds		**229,583**	201,389
Deferred tax liabilities		**11,695**	18,339
		242,931	301,845
		(306,857)	(231,420)
Capital and reserves			
Share capital		**70,236**	70,236
Reserves		**(377,093)**	(301,656)
		(306,857)	(231,420)

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 current liabilities of approximately HK$69,162,000 and net liabilities of approximately HK$306,857,000 as at 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis as the directors of the Company consider that, after taking into account the cash flow projections for the year ending 31 December 2012 and the bank balances and cash of approximately HK$19,293,000 as at 31 December 2011, the Group has sufficient resources to continue its operations for the foreseeable future.

In addition, the following proposed measures would improve the Group's liquidity and financial position:

(i) the indebtedness of the Group mainly comprised of liabilities arising from the acquisition of the Pacific Choice Holdings Limited ("Pacific Choice") and its subsidiaries (collectively referred to as the "Pacific Choice Group") during the year ended 31 December 2009, including promissory notes, convertible bonds and deferred tax liabilities, amounting to approximately HK$328,314,000 in aggregate as at 31 December 2011. The Group has put continuing efforts to negotiate with the vendors in the acquisition agreement entered into in 2008 to sell the Pacific Choice Group back to the vendors and, among other matters, cancellation of the promissory notes and convertible bonds, or to seek for other potential purchaser(s) to acquire the Pacific Choice Group. The directors of the Company have engaged a legal counsel for the negotiations with the vendors of the Pacific Choice Group to cancel, among other matters, the promissory notes, and is therefore not prepared to settle the liabilities arising from the promissory notes. No demand for claims of any amount of the promissory notes has been received from the holder of the promissory notes or its representative up to the date of this report. The directors of the Company have evaluated all the relevant facts available to them, and are of the opinion that should the sell-back and cancellations negotiations be successful, the relevant liabilities arose from the acquisition of the Pacific Choice Group amounting to approximately HK$328,314,000 as at 31 December 2011 would be derecognised from the consolidated statement of financial position and the Group would be able to meet in full its financial obligations as they fall due in the foreseeable future; and

(ii) the Group has also continue 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.

In the opinion of the directors of the Company, upon successful implementation of these measures, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. The directors of the Company are of the opinion that the above measures will be successfully implemented. Accordingly, the directors are of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, should the Group be unable to operate as a going concern, 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.

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

New and revised HKFRSs applied in the current year

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012.*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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 presented in profit or loss.

Based on the Group's financial assets and financial liabilities at 31 December 2011, the directors anticipate that the adoption of HKFRS 9 in the future will have impact on amounts reported in respect of the Group's available-for-sale investments. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Executive 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 and associated products.

During the year ended 31 December 2010, the directors have determined to discontinue the liquid crystal on silicon ("LCoS") television business and accordingly the LCoS television segment, being a separate operating segment for HKFRS 8 reporting purposes, constitutes a discontinued operation of the Group.

Segment revenue and results

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

For the year ended 31 December 2011

	Continuing operations	**Discontinued operations**	
	Conductive silicon rubber keypads and segment total	**LCoS television and segment total**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue – External sales	**5,025**	**–**	**5,025**
Segment profit	**836**	**–**	**836**
Unallocated income (expenses) items:			
Central administration costs and directors' salaries	**(7,632)**	**–**	**(7,632)**
Other loss	**(5)**	**–**	**(5)**
Impairment loss recognised in respect of intangible asset	**–**	**(50,000)**	**(50,000)**
Gain on forfeiture of the deposit received for disposal of subsidiaries	**–**	**15,000**	**15,000**
Finance costs	**(40,266)**	**–**	**(40,266)**
Loss before taxation	**(47,067)**	**(35,000)**	**(82,067)**

For the year ended 31 December 2010

	Continuing operations	Discontinued operations	
	Conductive silicon rubber keypads and segment total	LCoS television and segment total	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue – External sales	26,524	–	26,524
Segment profit	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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents profit earned 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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2011	2010		
	Continuing operations	Continuing operations	Discontinued operations	
	Conductive silicon rubber keypads and segment total	Conductive silicon rubber keypads and segment total	LCoS television and segment total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment Assets				
Conductive silicon rubber keypads segment	**1,864**	5,925	–	5,925
LCoS television	**–**	–	50,000	50,000
Total segment assets	**1,864**	5,925	50,000	55,925
Bank balances and cash	**19,293**	15,856	–	15,856
Other unallocated assets	**5,710**	436	–	436
Consolidated assets	**26,867**	22,217	50,000	72,217
Segment Liabilities				
Conductive silicon rubber keypads segment and total segment liabilities	**1,900**	1,196	–	1,196
Unallocated liabilities	**331,824**	302,441	–	302,441
Consolidated liabilities	**333,724**	303,637	–	303,637

No analysis for the Group's assets and liabilities attributable to discontinued operations as at 31 December 2011 has been presented since all of such operations have been deconsolidated/impaired. As at 31 December 2010, the assets attributable to LCoS television represents the assets whose impairment loss was reversed during the year then ended.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than equipment, available-for-sale investments, prepayments and bank balances and cash; and
- all liabilities are allocated to operating segments other than accruals and other payables, amount due to a shareholder, promissory notes, convertible bonds and deferred tax liabilities.

Other segment information

For the year ended 31 December 2011

	Continuing operations		Discontinued operations	
	Conductive silicon rubber keypads and segment total	**Unallocated**	**LCoS television and segment total**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit:				
Impairment loss recognised on trade receivables	**(321)**	**–**	**–**	**(321)**
Reversal of impairment loss recognised on trade receivables	**2,837**	**–**	**–**	**2,837**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Impairment loss recognised in respect of intangible asset	**–**	**–**	**(50,000)**	**(50,000)**
Gain on forfeiture of the deposit received for disposal of subsidiaries	**–**	**–**	**15,000**	**15,000**
Additions to non-current assets *(Note)*	**–**	**10**	**–**	**10**
Depreciation of equipment	**–**	**6**	**–**	**6**
Finance costs	**–**	**40,266**	**–**	**40,266**

For the year ended 31 December 2010

	Continuing operations		Discontinued operations	
	Conductive silicon rubber keypads and segment total	Unallocated	LCoS television and segment total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit:				
Impairment loss recognised on trade receivables	(2,030)	–	–	(2,030)
Reversal of impairment loss recognised on trade receivables	1	–	–	1
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
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
Additions to non-current assets	–	21	–	21
Depreciation of equipment	–	4	–	4
Finance costs	–	36,445	–	36,445

Note: Non-current assets exclude financial instruments.

4. FINANCE COSTS

	Continuing operations and consolidated	
	2011	2010
	HK$'000	HK$'000
Effective interests on:		
Convertible bonds	**28,194**	24,604
Promissory notes	**12,072**	11,841
	40,266	36,445

5. INCOME TAX CREDIT

	Continuing operations and consolidated	
	2011	2010
	HK$'000	*HK$'000*
Deferred tax credit – current year	**6,644**	4,049

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 both years. No provision for PRC income tax had been made in the consolidated financial statements as none of the PRC subsidiaries had any assessable profits for both years.

6. (LOSS) PROFIT FOR THE YEAR

	Continuing operations and consolidated	
	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**959**	750
Other staff costs		
– Salaries and other benefits	**833**	495
– Retirement benefits scheme contribution	**34**	24
	867	519
Total staff costs	**1,826**	1,269
Auditors' remuneration	**880**	780
Depreciation of equipment	**6**	4
Cost of inventories recognised as expense	**6,232**	22,370
Management fee (included in administrative expense, note)	**819**	899
Loss on disposal of equipment (included in other gain or loss)	**5**	–
(Reversal of impairment loss) impairment loss recognised in respect of trade receivables (included in other gain or loss), net	**(2,516)**	2,029

Note: The above amount is paid to Man Lee Management Limited, a company beneficially held and significantly influenced by an entity which is also a shareholder that has significant influence over the Company, for the Group's share of administrative and management services fees for an office premise, included in which an amount of HK$480,000 (2010: HK$492,000) represents the share of the lease payments paid under an operating lease for the year.

7. DIVIDENDS

No dividend has been paid or declared during each of the year ended 31 December 2010 and 2011. The directors do not recommend the payment of a final dividend for 2011 (2010: nil).

8. (LOSS) EARNINGS PER SHARE

(a) For continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit		
(Loss) profit for the purpose of basic (loss) earnings per share	**(75,423)**	24,429
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**23,542**	20,544
(Loss) profit for the purpose of diluted (loss) earnings per share	**(51,881)**	44,973

Number of shares	**2011**	2010
	'000	*'000*
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**702,356**	702,356

The computation of diluted (loss) earnings 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 2011 and 2010.

(b) ***From continuing operations***

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(40,423)**	(25,571)
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**23,542**	20,544
Loss for the purpose of diluted loss per share	**(16,881)**	(5,027)

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share for continuing and discontinued operations.

(c) ***From discontinued operations***

Basic and diluted loss per share from the discontinued operations is HK4.98 cents per share (2010: basic and diluted earnings per share of HK7.12 cents per share), based on loss for the year from the discontinued operations attributable to the owners of the Company of HK$35,000,000 (2010: profit of HK$50,000,000) and the denominators detailed above for basic and diluted (loss) earnings per share for continuing and discontinued operations.

9. TRADE RECEIVABLES

The Group generally allows credit periods of 30 to 90 days to its trade customers. An aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**927**	4,883
61 – 90 days	**–**	1,042
	927	5,925

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade debt. None of the trade receivables that are neither past due nor impaired has any default payment history. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Included in the Group's trade receivable balance as at 31 December 2010 are debtors with an aggregate carrying amount of HK$1,042,000 which were past due for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 90 days.

10. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	–	1,192
61 – 90 days	–	4
	–	1,196

The average credit period on purchase is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

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

Basis for Disclaimer of Opinion

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

As set out in note 3 (i) to the consolidated financial statements, the Group 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"), an indirectly owned 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 Group acquired the Pacific Choice Group, the loss of 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 an ordinary resolution passed at 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 a 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 accumulated losses of the Group as at 1 January 2010 resulted from the losses on (i) deconsolidation of the PRC Subsidiary and (ii) incurred by the PRC Subsidiary for the period from 15 January 2009 (date of acquisition) to 30 November 2009 (date of deconsolidation) 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 and cease to record results of operations of the PRC Subsidiary from the consolidated financial statements of the Group and be recognised as an available-for-sale investment.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 January 2010 and the results of operations for the years ended 31 December 2011 and 2010 that might have a significant effect on the state of the Group's affairs as at 31 December 2011, 31 December 2010 and 1 January 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds as at 31 December 2011 and 31 December 2010 and Interest Charge for the years ended 31 December 2011 and 31 December 2010

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Company issued zero-coupon convertible bonds due in 2014 with a principal amount of HK$300,000,000, subject to a downward adjustment, 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. 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 Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA ("HKAS 39") and whether their carrying values of HK$229,583,000, HK$201,389,000 and HK$176,785,000 as at 31 December 2011, 31 December 2010 and 1 January 2010, respectively, as disclosed in note 25 to the consolidated financial statements 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 2011, 31 December 2010 and 1 January 2010 as recognised in the consolidated statement of changes in equity was free from material misstatement;

(iii) any other embedded derivatives of the convertible bonds issued for the acquisition of the Pacific Choice Group would have been recognised in accordance with HKAS 39 as at 31 December 2011, 31 December 2010 and 1 January 2010;

(iv) goodwill of HK$77,685,000 arising from the acquisition of the Pacific Choice Group as at 15 January 2009 (date of acquisition) as disclosed in note 18 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 and included in the accumulated losses as at 31 December 2011, 31 December 2010 and 1 January 2010 was free from material misstatement; and

(v) the interest charge 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$28,194,000 and HK$24,604,000 for the years ended 31 December 2011 and 2010, respectively, was free from material misstatement.

We were therefore unable to determine whether any adjustments were necessary to be made to the accumulated losses as at 1 January 2010 and the results of operations for the years ended 31 December 2011 and 2010 that might have a significant effect on the state of the Group's affairs as at 31 December 2011, 31 December 2010 and 1 January 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

Limitation of Scope – Carrying Amount of Promissory Notes as at 31 December 2011 and Interest Charge and Income Tax Credit for the year ended 31 December 2011

As set out in note 3(i) to the consolidated financial statements, on 15 January 2009, the Group issued zero-coupon promissory notes due in 2011 with a principal amount of HK$375,000,000 as part of the consideration for the acquisition of the Pacific Choice Group. As further set out in note 24 to the consolidated financial statements, principal amounts of HK$250,000,000 and HK$37,500,000 of the promissory notes were early settled and cancelled, respectively, in 2009, and the maturity of the remaining promissory notes with a principal amount of HK$87,500,000 was extended to January 2012. As detailed in note 2(i) to the consolidated financial statements, the maturity of the promissory notes was extended to January 2012. However, these liabilities have not been settled, and instead, the directors of the Company have engaged a legal counsel to negotiate with the vendors of the Pacific Choice Group to cancel, among other matters, the promissory notes, and therefore is not prepared to settle the liabilities arising from the promissory notes. In the opinion of the directors of the Company, no demand for claims of any amount of the promissory notes has been received from the holder of the promissory notes or its representative up to the date of this report.

We were unable either to obtain direct confirmations from the holder of the promissory notes or other supporting evidence to satisfy ourselves as to whether the promissory notes of HK$87,036,000 included in the consolidated statement of financial position as at 31 December 2011 and the interest charge of HK$12,072,000 and income tax credit of HK$1,992,000 recognised in respect of the promissory notes and included in the consolidated statement of comprehensive income for the year ended 31 December 2011 are free from material misstatements. 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 2011 and on its loss for the year then ended.

Limitation of Scope – Reversal of Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2010 and Impairment Loss Recognised in respect of Intangible Asset during the Year Ended 31 December 2011 and Carrying Value of Intangible Asset as at 31 December 2011 and 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 17 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 asset during the year ended 31 December 2010. The carrying value was determined by the directors of the Company based on the amount of the non-refundable deposit received in January 2011 for the proposed disposal of Sourcestar Profits Limited ("Sourcestar") and its subsidiaries, the Pacific Choice Group. As detailed in note 3(iv) to the consolidated financial statements, the total consideration of the proposed disposal was more than HK$50,000,000. In the absence of a valuation prepared in accordance with HKAS 36 "Impairment of Assets" issued by the HKICPA ("HKAS 36"), we therefore were 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 was necessary and the carrying value of the intangible asset had been reliably measured in accordance with HKAS 38 "Intangible Assets" issued by the HKICPA ("HKAS 38") as at 31 December 2010. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 December 2010.

As set out in notes 3(v) and 17 to the consolidated financial statements, the proposed disposal of Sourcestar was terminated upon the lapse of the relevant agreement during the year ended 31 December 2011 and the directors of the Company determined that the then carrying value of the intangible asset of HK$50,000,000 was fully impaired. Due to the circumstances described in the above paragraph and in the absence of a valuation prepared in accordance with HKAS 36, we were therefore unable to satisfy ourselves as to whether:

(i) the impairment of such amount (as disclosed in note 11 to the consolidated financial statements) included in the consolidated statement of comprehensive income for the year ended 31 December 2011 is recognised in accordance with the requirements of HKAS 38; and

(ii) the carrying value of the intangible asset has been reliably measured in accordance with HKAS 38 as at 31 December 2011.

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 2011 and 31 December 2010 and on its loss for the year ended 31 December 2011 and profit for the year ended 31 December 2010.

Going Concern

As set out in note 2 to the consolidated financial statements, the Group had net current liabilities of approximately HK$69,162,000 and net liabilities of approximately HK$306,857,000 as at 31 December 2011. The Company is pursuing certain measures to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful implementation of these measures. 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 of 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 statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

RESULTS OF THE YEAR

2011 had been a year of consolidation for the Group, and results of its efforts were reflected in the segment profit of its conductive silicon rubber keypads trading business and ongoing talks with original vendor for a buy-back of the discontinued LCoS television operations.

During the year under review, the Group continued to exercise stringent cost control and expand the scope of trading of the associated products of conductive silicon rubber keypads. For the year ended 31 December 2011, the Group's conductive silicon rubber keypads trading business reported a segment profit of HK$836,000 (2010: HK$1,273,000). However, weak market demand due to the trend for touchscreen keyboards had caused the revenue of this segment to drop from HK$26,524,000 of 2010 to HK$5,025,000.

With respect to the LCoS television business, the Group has been actively looking for potential buyers, including the original vendors, to acquire the business. In January 2011, the Group entered into a formal agreement with an independent third party ("Purchaser") for the disposal of the LCoS television operations, with a non-refundable deposit of HK$50 million paid to the Group. However, the agreement was cancelled after certain conditions under the agreement had not been fulfilled by the long stop date (i.e. 30 June 2011). Pursuant to the cancellation agreement, the Group was able to retain HK$15 million of the deposit, and returned the remaining HK$35 million to the Purchaser. During the year under review, the Group continued to hold talks with the original vendors on a possible buy-back of the television operations.

The cancellation of the formal agreement had resulted in a loss of HK$35 million from the LCoS television operations for the year under review, as compared to a profit of HK$50 million recognised (as the reversal of impairment loss recognised in respect of the intangible asset) in 2010. Taking into account this factor, together with a significant decline in the revenue of the conductive silicon rubber keypads trading business, the Group reported for the 2011 financial year a loss attributable to owners of the Company of HK$75.4 million (2010: profit of HK$24.4 million). Basic loss per share from continuing and discontinued operations for the year under review was approximately 10.74 HK cents (2010: earnings per share of 3.48 HK cents).

During the year, the Group took advantage of the stock market volatility and invested in certain blue-chip stocks at relatively lower prices. The Group aims to hold the equity investments for long term purposes.

In December 2011, the Group terminated the acquisition of a chromium project in the Republic of Madagascar. The Group noted from the latest information on the subject mines that there was not enough evidence showing the existence of a sizable chromium resources in the mines. Moreover, the progress of geotechnical investigation on the subject mines procured by the vendor had been slow and unorganised, and much investigation and drilling was needed to be done before the competent person's report and valuation report could be compiled according to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). After taking into account the above factors, the Group decided to terminate the acquisition agreements with the vendors, which is in the interest of the Company and its shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

Conductive silicon rubber keypads trading continued to be the Group's core business. For the year ended 31 December 2011, the Group exercised stringent cost control in order to reduce operating expenses and maintain its competitiveness. In an attempt to diversify its product portfolio and enhance its earning base, the Group expanded the scope of trading to include products related to conductive silicon rubber keypads during the period under review.

With respect to the discontinued LCoS television operation, the agreement for the disposal of this business was cancelled and an impairment loss of HK$50,000,000 was recognised in respect of intangible asset during the year under review. Simultaneously, a gain of HK$15,000,000 on the forfeited deposit for the disposal of LCoS television business was recognised.

As a result, the Group reported a loss attributable to owners of the Company of approximately HK$75,423,000 for the year ended 31 December 2011, as opposed to a profit of approximately HK$24,429,000 for 2010. Basic loss per share from continuing and discontinued operations for the year under review was approximately 10.74 HK cents (2010: basic earnings per share of 3.48 HK cents).

SEGMENTAL ANALYSIS

Conductive Silicon Rubber Keypads

The market environment of conductive silicon rubber keypads continued to be extremely severe during the year under review. Immense popularity of smartphones and touch-screen computers undermined the sales volume of conductive silicon rubber keypads. Selling prices of conductive silicon rubber keypads had been declining amid weak demand for traditional electronic devices with keypads. The trend inevitably had adverse effects on the revenue of the Group's conductive silicon rubber keypad trading business.

On the other hand, the production costs of this segment remained high as a result of the rise in wages and raw material costs. Furthermore, the Company also recognised cost of moulds amounting HK$1,900,000 as cost of inventories in the consolidated statement of comprehensive income for the year ended 31 December 2011.

The Group's conductive silicon rubber keypads trading business for the year under review reported a segment profit of HK$836,000 (2010: HK$1,273,000).

LCoS Television

The Group and an independent third party entered into a formal agreement in January 2011 for the disposal of its LCoS television business. The consideration for the disposal amounted to HK$637,500,000, with HK$50,000,000 as a non-refundable deposit ("Deposit") and part payment of the consideration. The Deposit had been paid to the Company upon the signing of the formal agreement. Based on the amount of the Deposit, an impairment loss recognised in respect of intangible asset of HK$50,000,000 was reversed, which was recognised as profit from discontinued (LCoS television) operations for the year ended 31 December 2010.

However, the agreement was cancelled after certain conditions thereunder had not been fulfilled by the long stop date (i.e. 30 June 2011). Pursuant to the cancellation of the agreement, an impairment loss of HK$50,000,000 was recognised in respect of intangible asset during the year under review. After negotiation, the Company was able to retain HK$15,000,000 of the Deposit, which was treated as gain on forfeiture of the deposit for the disposal of the LCoS television business. As a result of the aforesaid factors, a loss of HK$35,000,000 was reported from the discontinued (LCoS television) operations for the year under review.

FUTURE PLANS AND PROSPECTS

In 2012, the global economy will continue to be under the shadow of a stagnant US economic outlook and yet-to-be-solved European debt crisis. Against such a backdrop, the Group intends to achieve further business rationalisation and diversification.

Disposal of the discontinued LCoS television business remains high on the agenda of the Group's 2012 tasks. The Group will continue to negotiate with the original vendors to buy back the television operations.

For the conductive silicon rubber keypads trading business, the operating environment will remain difficult. Rising demand for touchscreen devices will further shrink the conductive silicon rubber keypads industry pie. To sustain revenue of its conductive silicon rubber keypads trading business, the Group will keep on identifying suitable products to expand its trading portfolio.

Apart from consolidating its existing operations, the Group has been actively identifying opportunities for business diversification to enlarge its earning base. The Group aims at seeking to invest in businesses with high growth potential and good returns. The Group's management, who have extensive investment experience, will take a prudent approach in identifying and investing in projects that will be in the interest of the Company and shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2011, the Group had a deficiency in shareholders' equity of approximately HK$306,857,000 (31 December 2010: a deficiency of approximately HK$231,420,000). As at 31 December 2011, the short term and long term interest bearing debts to shareholders' equity was nil (31 December 2010: nil).

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars and the United States dollars. 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 Company has compiled with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, 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") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Sun Ying Chung throughout the year 2011.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, 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 A.4.1, the appointment of non-executive directors should have been appointed for a specific term.

During the year ended 31 December 2011, the non-executive directors were not appointed for any specific term as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

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 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 2011, 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, 28 March 2012

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.