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 2012

ANNUAL RESULTS

The board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") announced that the annual consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

		2012	2011
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue		**10,078**	5,025
Cost of goods sold		**(10,037)**	(6,232)
Gross profit/(loss)		**41**	(1,207)
Other revenue		**298**	–
Other gains and losses		**80**	2,515
Administrative expenses		**(8,477)**	(8,109)
Finance costs	*4*	**(32,606)**	(40,266)
Loss before taxation		**(40,664)**	(47,067)
Income tax credit	*5*	**5,379**	6,644
Loss for the year from continuing operations		**(35,285)**	(40,423)

* *For identification purposes only*

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Discontinued operations			
Loss for the year from discontinued operations		**–**	(35,000)
Loss for the year, attributable to owners of the Company		**(35,285)**	(75,423)
Increase/(decrease) in fair value of available-for-sale investments, representing other comprehensive income for the year		**1,492**	(14)
Loss and total comprehensive income for the year, attributable to owners of the Company	*6*	**(33,793)**	(75,437)
		HK cents	*HK cents*
Loss per share	*8*		
From continuing and discontinued operations			
– Basic		**(5.02)**	(10.74)
– Diluted		**(5.02)**	(10.74)
From continuing operations			
– Basic		**(5.02)**	(5.76)
– Diluted		**(5.02)**	(5.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Non-current assets			
Equipment		**21**	16
Intangible asset		**–**	–
Goodwill		**–**	–
Available-for-sale investments		**6,712**	5,220
		6,733	5,236
Current assets			
Inventories		**–**	937
Trade receivables	*9*	**622**	927
Prepayments		**966**	474
Bank balances and cash		**9,917**	19,293
		11,505	21,631
Current liabilities			
Accruals and other payables		**1,694**	3,757
Promissory notes		**87,500**	87,036
		89,194	90,793
Net current liabilities		**(77,689)**	(69,162)
Total assets less current liabilities		**(70,956)**	(63,926)
Non-current liabilities			
Amount due to a shareholder		**1,653**	1,653
Convertible bonds		**261,725**	229,583
Deferred tax liabilities		**6,316**	11,695
		269,694	242,931
Net liabilities		**(340,650)**	(306,857)
Capital and reserves attributable to owners of the Company			
Share capital		**70,236**	70,236
Reserves		**(410,886)**	(377,093)
		(340,650)	(306,857)

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 incurred a loss of approximately HK$35,285,000 for the year ended 31 December 2012 and as of that date, had net current liabilities of approximately HK$77,689,000 and net liabilities of approximately HK$340,650,000. 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, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. 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 2013, and the bank balances and cash position of approximately HK$9,917,000 as at 31 December 2012, the Group has sufficient resources to continue its operations for the foreseeable future.

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

(i) the indebtedness of the Group mainly comprised liabilities arising from the acquisition of 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$355,541,000 in aggregate as at 31 December 2012.

The Group has put continuing efforts to negotiate with the vendors in the acquisition agreement entered into in 2008 ("Acquisition Agreement") 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 maturity of the promissory notes was extended to January 2012 without further extension granted. However, these liabilities have not been settled and no demand for claims of any amounts of the promissory notes has been received from the holder of the promissory notes or its representative up to the date of approval of this announcement.

The Company has initiated legal proceedings against the vendors on 12 September 2012 in regard to the claim of restitution for total failure of consideration and rescission in connection with the Acquisition Agreement. Subsequently on 8 March 2013, the Company lodged an application to the High Court of the Hong Kong Special Administrative Region (the "High Court") for a default judgment in favour of the Company. The details are set out in Company's announcement on 8 March 2013. A court hearing was on 27 March 2013. Upon the hearing, there is a court order that the matter will be adjourned to be heard before a judge in chambers. Further notice has not been given by the High Court at the date of approval of this announcement.

As referred to the legal opinions, the Company has taken the firm legal position as evinced in the statement of claims filed on 12 September 2012 that the Acquisition Agreement should terminate and there should be restitution whereby all the consideration paid or given out by the Company would be recovered or cancelled in the case of promissory notes and convertible bonds.

The directors of the Company have evaluated all the relevant facts available to them, and are of the opinion that should the legal proceedings against the vendors be successful, the relevant liabilities to the vendors arising from the acquisition of the Pacific Choice Group amounting to HK$475,300,000 as at 31 December 2012 would be derecognised from the consolidated statement of financial position;

(ii) the Group has also continued 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, on the successful basis of 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, taking account of the progress that has been made so far since initiation, 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") which are relevant to the Group's operations.

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets

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.

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 continuing 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 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 2012

	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	**10,078**	**–**	**10,078**
Segment profit	**104**	**–**	**104**
Unallocated income/(expenses) items:			
Central administration costs and directors' salaries	**(8,460)**	**–**	**(8,460)**
Other income	**298**	**–**	**298**
Finance costs	**(32,606)**	**–**	**(32,606)**
Loss before taxation	**(40,664)**	**–**	**(40,664)**

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 Sourcestar	–	15,000	15,000
Finance costs	(40,266)	–	(40,266)
Loss before taxation	(47,067)	(35,000)	(82,067)

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/(expenses) 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:

	2012	2011
	Continuing operations	Continuing operations
	Conductive silicon rubber keypads and segment total	Conductive silicon rubber keypads and segment total
	HK$'000	*HK$'000*
Assets		
Segment assets	**622**	1,864
Bank balances and cash	**9,917**	19,293
Other unallocated assets	**7,699**	5,710
Consolidated assets	**18,238**	26,867
Liabilities		
Segment liabilities	**115**	1,900
Unallocated liabilities	**358,773**	331,824
Consolidated liabilities	**358,888**	333,724

No analysis for the Group's assets and liabilities attributable to discontinued operations as at 31 December 2012 and 2011 have been presented since all of such operations have been deconsolidated/impaired. As at 31 December 2011, 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 2012

	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:				
Reversal of impairment loss recognised on trade receivables	**79**	**–**	**–**	**79**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	**–**	**12**	**–**	**12**
Depreciation of equipment	**–**	**7**	**–**	**7**
Finance costs	**–**	**32,606**	**–**	**32,606**

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

Note: Non-current assets exclude financial instruments.

4. FINANCE COSTS

	Continuing operations and consolidated	
	2012	2011
	HK$'000	*HK$'000*
Effective interests on borrowings wholly repayable within five years:		
Convertible bonds	**32,142**	28,194
Promissory notes	**464**	12,072
	32,606	40,266

5. INCOME TAX CREDIT

	Continuing operations and consolidated	
	2012	2011
	HK$'000	*HK$'000*
Deferred tax credit– current year	**5,379**	6,644

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 FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Auditors' remuneration	**750**	880
Depreciation of equipment	**7**	6
Cost of inventories recognised as expense	**10,037**	6,232
Management fee (included in administrative expenses, note)	**883**	819
Loss on disposal of equipment (included in other gains and losses)	**–**	5
Reversal of impairment loss recognised in respect of trade receivables (included in other gains and losses), net	**(79)**	(2,516)

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 for an office premise, including in which an amount of HK$696,000 (2011: HK$480,000) representing the share of the rental expenses for the year under an operating lease.

7. DIVIDENDS

No dividend has been paid or declared during each of the year ended 31 December 2011 and 2012. The directors do not recommend the payment of a final dividend for 2012 (2011: nil).

8. LOSS PER SHARE

(a) For continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(35,285)**	(75,423)
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**26,839**	23,542
Loss for the purpose of diluted loss per share	**(8,446)**	(51,881)

	2012	2011
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**702,356**	702,356

The computation of diluted 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 years ended 31 December 2012 and 2011.

(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:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(35,285)**	(40,423)
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	**26,839**	23,542
Loss for the purpose of diluted loss per share	**(8,446)**	(16,881)

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

(c) From discontinued operations

Basic and diluted loss per share from the discontinued operations is Nil HK cents (2011: 4.98 HK cents) per share, based on loss for the year from the discontinued operations attributable to the owners of the Company of HK$Nil (2011: HK$35,000,000) and the denominators detailed above for basic and diluted loss 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**622**	927

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

(a) 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.

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 were appointed as auditors of the Company pursuant to an ordinary resolution passed at the special general meeting of the Company held on 18 March 2013. We have therefore been unable to carry out audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether:

(i) the accumulated losses of the Group as at 31 December 2012, 31 December 2011 and 1 January 2011 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) were 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 2011 and the results of operations for the years ended 31 December 2012 and 31 December 2011 that might have a significant effect on the state of the Group's affairs as at 31 December 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(b) Limitation of Scope – Fair Value and Carrying Amounts of Convertible Bonds as at 31 December 2012 and 31 December 2011 and Interest Charge for the years ended 31 December 2012 and 31 December 2011

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 26 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 not provided with the explanation that we considered necessary for the assessment of the valuation of the convertible bonds and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the valuation was properly prepared 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 value of HK$261,725,000, HK$229,583,000 and HK$201,389,000 as at 31 December 2012, 31 December 2011 and 1 January 2011, respectively, as disclosed in note 26 to the consolidated financial statements were free from material misstatement;

(ii) convertible bonds reserve of HK$120,398,000 as at 31 December 2012, 31 December 2011 and 1 January 2011 representing equity component of the convertible bonds (net of related deferred tax liabilities arising from the issue of the convertible bonds) recognised directly in equity, income tax credit of HK$5,303,000 and HK$4,652,000 recognised in the profit or loss for the years ended 31 December 2012 and 31 December 2011, respectively, and the deferred tax liabilities arising from the issue of the convertible bonds of HK$6,316,000, HK$11,619,000 and HK$16,271,000 as at 31 December 2012, 31 December 2011 and 1 January 2011, respectively, were 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 2012, 31 December 2011 and 1 January 2011;

(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 on this goodwill of HK$77,685,000 recognised in the profit or loss for the year ended 31 December 2009 and included in the accumulated losses as at 31 December 2012, 31 December 2011 and 1 January 2011 was free from material misstatement; and

(v) the interest charge recognised in the profit or loss in respect of the liability component of the convertible bonds, as set out in note 26 to the consolidated financial statements, amounting to HK$32,142,000 and HK$28,194,000 for the years ended 31 December 2012 and 31 December 2011, respectively, were free from material misstatement.

We were therefore unable to determine whether any adjustments were necessary to be made to the carrying amounts of the liability component of the convertible bonds as at 31 December 2012, 31 December 2011 and 1 January 2011, the accumulated losses as at 1 January 2011 and the results of operations for the years ended 31 December 2012 and 31 December 2011 that might have a significant effect on the state of the Group's affairs as at 31 December 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(c) Limitation of Scope – Carrying Amounts of Promissory Notes as at 31 December 2012 and 31 December 2011 and Interest Charge and Income Tax Credit for the years ended 31 December 2012 and 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 25 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 without further extension granted during the year. However, this liability has neither been settled nor, in the opinion of the directors, a demand for claims has been received from the noteholder or its representative up to the date of this report.

We circulated direct confirmations to the noteholder but did not receive a reply and there were no alternative audit procedures that we could perform to obtain sufficient audit evidence to satisfy ourselves as to whether the promissory notes of HK$87,500,000 and HK$87,036,000 included in the consolidated statement of financial position as at 31 December 2012 and 31 December 2011, respectively, and the pertinent interest charge of HK$464,000 and HK$12,072,000 and income tax credit of HK$76,000 and HK$1,992,000 recognised in the profit or loss for the years ended 31 December 2012 and 31 December 2011, respectively, were free from material misstatement. 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 2012 and 31

December 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

(d) *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 2012 and 31 December 2011*

The Group acquired an intangible asset in the acquisition of the Pacific Choice in 2009. The carrying amount of this intangible asset was fully impaired in the year ended 31 December 2009. (See limitation of scope (a) above.)

Included in the consolidated statement of financial position as at 1 January 2011 as set out in note 17 to the consolidated financial statements, the carrying value of this intangible asset amounted to HK$50,000,000. This HK$50,000,000 uplift arose from the partial reversal of the impairment loss recognised during the year ended 31 December 2010. The amount of reversal 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. We were not provided with an assessment of recoverable amount of the intangible asset 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 any reversal of impairment loss should be recognised and whether the reversal amount of HK$50,000,000 included in the accumulated losses as at 1 January 2011 was free from material misstatement and the carrying value of the intangible asset as at 1 January 2011 had been properly stated in accordance with HKAS 38 "Intangible Assets" issued by the HKICPA ("HKAS 38").

As set out in notes 3(v) and 17 to the consolidated financial statements, the proposed disposal of Sourcestar and the Pacific Choice Group 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 we were not provided with an assessment of recoverable amount of the intangible asset 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) recognised in the profit or loss for the year ended 31 December 2011 and included in the accumulated losses as at 31 December 2012 and 31 December 2011 was properly determined in accordance with the requirements of HKAS 36; and

(ii) the carrying values of the intangible asset has been properly stated in accordance with HKAS 38 as at 31 December 2012 and 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 2012, 31 December 2011 and 1 January 2011 and on its loss for the years ended 31 December 2012 and 31 December 2011. The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the years ended 31 December 2011 and 31 December 2010.

Going Concern

As set out in note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK$35,285,000 during the year ended 31 December 2012 and, as of that date, had net current liabilities and net liabilities of approximately HK$77,689,000 and approximately HK$340,650,000 respectively. 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 and the recognition of further liabilities 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 2012.

RESULTS OF THE YEAR

Business conditions in 2012 had been further complicated by the continued slowdown in global economic growth and political leadership changes in a number of major countries, including the United States, China and Russia during the year. Against this backdrop, the Group stepped up its efforts to improve its existing operations and to unwind the acquisition of the TV business through negotiation with the vendors ("Vendors").

In 2012, the Group continued to take proactive measures to increase sales of its conductive silicon rubber keypads trading business. Amid difficult market conditions for conductive rubber keyboards due to sluggish demand and price competition, the Group explored and seized the opportunity to sell products related to conductive silicon rubber keypads – acrylonitrile butadiene styrene. Through expansion of its trading portfolio, the Group was able to double the revenue of its conductive silicon rubber keypads trading business to HK$10,078,000 for the year ended 31 December 2012, and realised a gross profit of HK$41,000 as opposed to a gross loss of HK$1,207,000 in the previous year.

In addition to its principal rubber keypad trading business, the Group had invested in certain blue-chip stocks at relatively low prices during the stock market volatility in 2011, with the aim to broaden revenue stream and make capital gain. These securities investments generated a total dividend income of HK$298,000 for the Group during the year.

During 2012, the Group continued to devote efforts in unwinding the acquisition of the LCoS television business. Results of the efforts were reflected in the completion of the disposal ("Disposal") of the television business in February 2013 to Taiwan Micro Display Corp. ("TMDC"), which returned convertible bonds of HK$187,200,000 to the Company for cancellation. The Disposal included transferring back to TMDC the patents in relation to the production of the LCoS televisions.

For the year ended 31 December 2012, the Group significantly reduced its net loss to HK$35,285,000 from HK$75,423,000 in 2011, which included a loss of HK$35,000,000 from the discontinued LCoS television operations. The loss from the television segment in 2011 was due to the cancellation of a formal agreement on the disposal of the LCoS television operations with an independent third party ("Purchaser"), pursuant to which the Group had to return HK$35,000,000 of a HK$50,000,000 deposit previously paid to the Group by the Purchaser.

Basic loss per share from continuing and discontinued operations for the year under review was approximately 5.02 HK cents (2011: basic loss per share of 10.74 HK cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

The operating environment in 2012 remained challenging. The Group's principal operations — conductive silicon rubber keypads trading, continued to be under the pressure of weak demand for rubber keypads and price competition. Nevertheless, the Group kept exploring ways to boost sales through expanding its trading portfolio.

Regarding the discontinued LCoS television operation, a breakthrough had been made in negotiation with one of the concerned parties to cancel a series of agreements and to return to the Group HK$187,200,000 convertible bonds issued in relation to the acquisition of the television business. The latest development evidenced the Group's perseverance with improving its results and balance sheet through unwinding the acquisition of the LCoS television business and the convertible bonds and promissory notes issued thereof.

For the year ended 31 December 2012, the Group incurred an effective interest of HK$32,606,000 (2011: HK$40,266,000) on outstanding convertible bonds and promissory notes issued as consideration for the acquisition of the television business. As a result, the Group reported a loss attributable to owners of the Company of approximately HK$35,285,000. Basic loss per share for the year under review was approximately 5.02 HK cents (2011: basic loss per share of 10.74 HK cents).

The significant reduction in the Group's net loss when compared with HK$75,423,000 in 2011 was mainly due to a loss of HK$35,000,000 incurred by the discontinued LCoS television operation in 2011, due to the cancellation of a formal agreement with the Purchaser on the LCoS television business disposal. Pursuant to the cancellation of the agreement, the Group had to return to the Purchaser HK$35,000,000 out of the HK$50,000,000 deposit paid to the Group in January 2011. The HK$50,000,000 amount was recognized in 2010 profit or loss as a reversal of impairment loss in respect of intangible assets and included in the profit from discontinued operations for 2010.

SEGMENTAL ANALYSIS

Conductive Silicon Rubber Keypads

In light of deteriorating market conditions for conductive silicon rubber keypads, the Group sought to trade other related products to improve turnover. By selling acrylonitrile butadiene styrene, a related product of rubber keypads, the Group's revenue increased by 101% to HK$10,078,000 for the year ended 31 December 2012, with a gross profit of HK$41,000 as compared to a gross loss of HK$1,207,000 in the previous year.

The Group will continue to consolidate this business segment through identifying the opportunities for cooperation with PRC notebook and computer keyboard manufacturers and expanding its trading portfolio.

LCoS Television

During the year under review, the Group continued to engage in or seek negotiation with the Vendors of the LCoS television business to buy back or unwind the acquisition. After repeated attempts, the Group succeeded in concluding a deal ("Disposal") with TMDC, the original vendor who sold the LCoS television business to the Vendors. The Disposal included transferring back to TMDC the patents related to LCoS television production and terminating several agreements ("Termination Deeds") in relation to the acquisition. Upon completion of the Termination Deeds in February 2013, TMDC had returned HK$187,200,000 convertible bonds to the Group for cancellation.

As the Vendors failed to take any remedial actions despite the Group's repeated demands, the Group, in September 2012, initiated legal actions against the Vendors, who again did not file their acknowledgement of service or defence before the deadlines. Such legal actions are aimed at claiming rescission and restitution of all the consideration paid including cash of HK$275,000,000, and cancellation of convertible bonds of a total principal amount of HK$112,800,000 and promissory notes of HK$87,500,000. The Group subsequently decided to apply for a default judgment to declare the acquisition agreement null and void. The application is now pending hearing.

FUTURE PLANS AND PROSPECTS

In 2013, the United States and the EU countries are expected to tighten austerity measures to address the issues of budget deficit and sovereign debts respectively. Slowdown in growth, if not continued recession, is expected to be seen in these economies. Meanwhile, world trade is also expected to decline. In the face of these economic prospects, the Group will keep exploring opportunities to increase revenue and broaden earning base.

Amid intense competition in the rubber keypad market, the Group will continue to monitor the market closely and make timely adjustment to its trading portfolio to increase sales.

In addition to the rubber keypad trading business, the Group has been exploring the opportunities for investing in businesses with high growth potential and good returns. The Group is now conducting study on other non-traditional petroleum derivative products such as aramids paper, which offers better profit margin on trading. However, as of now, no related concrete business plan has been formulated.

The cancellation of HK$187,200,000 convertible bonds resulting from the unwinding of the acquisition of the LCoS television business will have an immediate positive effect on the Group's balance sheet. To further improve its balance sheet and thus shareholders' value, the Group believes it is paramount to unwind the promissory notes and the remaining convertible bonds issued in 2009 as part of the consideration for the LCoS television business. After unsuccessful attempts to obtain reply or appropriate actions from the Vendors, the Group initiated legal proceedings, in September 2012, against the Vendors, claiming rescission and restitution of all the consideration paid for the acquisition, including cash of HK$275,000,000 and cancellation of convertible bonds of a total principal amount of HK$112,800,000 and promissory notes of HK$87,500,000. However, the Vendors had not filed their acknowledgement of service or defence before the deadlines. The Group subsequently decided to apply for a default judgement to declare the acquisition agreement null and void, which is now pending hearing. The Group will continue to pursue further legal actions, if necessary, to seek judicial remedies against the Vendors for return of the balance of consideration paid and given to the Vendors.

CAPITAL STRUCTURE

As at 31 December 2012, the Group had a deficiency in shareholders' equity of approximately HK$340,650,000 (31 December 2011: a deficiency of approximately HK$306,857,000). As at 31 December 2012, the short term and long term interest bearing debts to shareholders' equity was nil (31 December 2011: nil).

FOREIGN EXCHANGE RISK MANAGEMENT

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

MATERIAL ACQUISITION AND DISPOSAL DURING THE YEAR

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company. However, subsequent to the end of the year under review, the Group completed the disposal of its LCoS television business through the completion of the Termination Deeds with TMDC, and the transfer of patents in relation to LCoS television production to TMDC. Upon the completion of the Termination Deeds in February 2013, the Group was given back convertible bonds previously issued to TMDC in a total principal amount of HK$187,200,000 for cancellation.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Directors consider that the Company has compiled with all applicable provisions of the Corporate Governance Code (formerly the "Code on Corporate Governance Practices") contained in Appendix 14 (the "Code") of the Listing Rules throughout the year ended 31 December 2012, except for deviation as stated below:

Code Provision A.2.1

Under the code provision A.2.1, 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 2012.

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.

Code Provision A.6.7

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Mr. Lee Kwok Leung was unable to attend the general meeting held during the year.

Code Provision E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other pre-arranged commitments, Mr. Sun Ying Chung was unable to attend the annual general meeting held during the year.

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 2012, 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 2013

As at the date of this announcement, the board of Directors consists of two Executive Directors, Mr. Sun Ying Chung and Mr. Chan Sung Wai; 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. Mak Ka Wing, Patrick and Mr. Shum Kai Wing.