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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)

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS 2011

INTERIM RESULTS

The board of directors (the "Directors" or the "Board") of Karce International Holdings Company Limited ("the Company") is pleased to present the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011, together with the unaudited comparative figures of the corresponding period in the 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*4*	**4,138**	13,116
Cost of goods sold		**(3,408)**	(10,934)
Gross profit		**730**	2,182
Selling and distribution costs		**–**	(3)
Administrative expenses		**(3,910)**	(2,730)
Finance costs	*5*	**(19,397)**	(17,543)
Loss before taxation	*6*	**(22,577)**	(18,094)
Income tax credit	*7*	**3,200**	2,895
Loss for the period from continuing operations		**(19,377)**	(15,199)

* *For identification purposes only*

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Discontinued operations			
Loss for the period from discontinued operations	*8*	**(35,000)**	–
Loss and total comprehensive expense for the period, attributable to owners of the Company		**(54,377)**	(15,199)
		HK Cents	*HK Cents*
Loss per share	*9*		
From continuing and discontinued operations			
Basic		**(7.74)**	(2.16)
Diluted		**(7.74)**	(2.16)
From continuing operations			
Basic		**(2.76)**	(2.16)
Diluted		**(2.76)**	(2.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	*11*	**15**	17
Intangible asset	*12*	**–**	50,000
		15	50,017
Current Assets			
Trade receivables	*13*	**942**	5,925
Prepayments, deposits and other receivables		**157**	419
Bank balances and cash		**63,181**	15,856
		64,280	22,200
Current Liabilities			
Trade payables	*14*	**455**	1,196
Other payables and accruals	*15*	**35,095**	596
Promissory notes	*16*	**80,725**	–
Deferred tax liabilities	*18*	**1,118**	–
		117,393	1,792
Net Current (Liabilities)/Assets		**(53,113)**	20,408
Total Assets less Current Liabilities		**(53,098)**	70,425
Non-current Liabilities			
Amount due to a shareholder		**3,653**	7,153
Promissory notes	*16*	**–**	74,964
Convertible bonds	*17*	**215,025**	201,389
Deferred tax liabilities	*18*	**14,021**	18,339
		232,699	301,845
Net Liabilities		**(285,797)**	(231,420)
Capital and Reserves			
Share capital		**70,236**	70,236
Reserves		**(356,033)**	(301,656)
Equity attributable to owners of the Company		**(285,797)**	(231,420)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 (Unaudited)

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Capital redemption reserve *HK$'000*	Convertible bonds reserve *HK$'000*	Accumulated Loss *HK$'000*	Total *HK$'000*
At 1 January 2010	70,236	102,675	(123)	1,564	120,398	(550,599)	(255,849)
Loss and total comprehensive expense for the period	–	–	–	–	–	(15,199)	(15,199)
At 30 June 2010	70,236	102,675	(123)	1,564	120,398	(565,798)	(271,048)

For the six months ended 30 June 2011 *(Unaudited)*

	Attributable to owners of the Company						
	Share capital ***HK$'000***	**Share premium** ***HK$'000***	**Special reserve** ***HK$'000***	**Capital redemption reserve** ***HK$'000***	**Convertible bonds reserve** ***HK$'000***	**Accumulated Loss** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2011	**70,236**	**102,675**	**(123)**	**1,564**	**120,398**	**(526,170)**	**(231,420)**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(54,377)**	**(54,377)**
At 30 June 2011	**70,236**	**102,675**	**(123)**	**1,564**	**120,398**	**(580,547)**	**(285,797)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	**32,325**	(9,136)
Net cash generated from /(used in) investing activities	**15,000**	(15)
Net increase/(decrease) in cash and cash equivalents	**47,325**	(9,151)
Cash and cash equivalent at 1 January	**15,856**	25,544
Cash and cash equivalent at 30 June, represented by bank balances and cash	**63,181**	16,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The Company is an investment holding company where the Group is principally engaged in the trading and sale of conductive silicon rubber keypads.

The consolidated financial statements are presented in Hong Kong dollars, which are the functional currency of the Company.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing or Securities on the Stock Exchange and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations ("new or revised HKFRSs") issued by the HKICPA.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] *Effective for annual periods beginning on or after 1 January 2013*
[2] *Effective for annual periods beginning on or after 1 July 2012*

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

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

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 constitutes a discontinued operation of the Group.

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

Six months ended 30 June 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	4,138	–	4,138
Segment result	376	–	376
Unallocated corporate expenses items:			
Central administration costs and directors' salaries	(3,556)	–	(3,556)
Impairment loss on intangible asset	–	(50,000)	(50,000)
Gain on forfeited deposit for disposal of LCoS	–	15,000	15,000
Finance costs	(19,397)	–	(19,397)
Loss before taxation	(22,577)	(35,000)	(57,577)

Six months ended 30 June 2010

	Continuing operations Conductive silicon rubber keypads and segment total *HK$'000*
Revenue – External sales	13,116
Segment result	2,182
Unallocated corporate expenses items:	
Central administration costs and Directors' salaries	(2,733)
Finance costs	(17,543)
Loss before taxation	(18,094)

4. REVENUE

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

5. FINANCE COSTS

	Continuing operations and consolidated	
	2011 ***HK$'000***	2010 *HK$'000*
Effective interests on:		
Convertible bonds	**13,636**	11,833
Promissory notes	**5,761**	5,710
	19,397	17,543

6. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation has been arrived at after charging:						
Cost of inventories recognised as expense	**3,408**	10,934	**–**	–	**3,408**	10,934
Depreciation of property, plant and equipment	**2**	1	**–**	–	**2**	1
Impairment loss on intangible assets	**–**	–	**50,000**	–	**50,000**	–
Gain on forfeited deposit for disposal of LCoS	**–**	–	**(15,000)**	–	**(15,000)**	–
Operating lease rentals	**240**	252	**–**	–	**240**	252
Directors' remuneration and staff costs	**727**	559	**–**	–	**727**	559

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements since the Group has no assessable profits in Hong Kong for the period.

	Continuing operations and consolidated	
	2011	2010
	HK$'000	*HK$'000*
Deferred tax credit and total tax credit for the period	**(3,200)**	(2,895)

8. DISCONTINUED OPERATIONS

The loss from the discontinued operations for the period amounted HK$35,000,000 (2010: nil) is resulted from the loss of HK$50,000,000 (2010: nil) on impairment of intangible asset and the gain of HK$15,000,000 (2010: nil) recognized on forfeiture of the deposit for the disposal of LCoS Television business.

9. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(a) From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(54,377)**	(15,199)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**13,636**	11,833
Loss for the purpose of diluted loss per share	**(40,741)**	(3,366)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands)	**702,356**	702,356
Effect of dilutive potential ordinary shares:		
Convertible bonds (in thousands)	**750,000**	750,000
Weighted average number of ordinary shares for the purpose of diluted loss per share (in thousands)	**1,452,356**	1,452,356

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 and discontinued operations for the six months ended 30 June 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:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Earnings/(loss)		
Loss for the purpose of basic loss per share	**(19,377)**	(15,199)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**13,636**	11,833
Loss for the purpose of diluted loss per share	**(5,741)**	(3,366)

The computation of diluted loss per share from continuing 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 six months ended 30 June 2011 and 2010.

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

Basic and diluted loss per share from the discontinued operations is HK4.98 cents per share, based on loss for the six months ended 30 June 2011 from discontinued operations attributed to the owners of the company of HK$35,000,000.

The discontinued operations contributed no interest to the Group for the six months ended 30 June 2010.

10. DIVIDEND

No interim dividend was paid or declared by the Company for the six months ended 30 June 2011 (2010: nil).

11. MOVEMENTS IN PROPERTY, PLANT & EQUIPMENT

There was no material acquisition of property, plant and equipment for the six months ended 30 June 2011.

For the six months ended 30 June 2010, the Group had acquired property, plant and equipment of approximately HK$14,000.

12. MOVEMENTS IN INTANGIBLE ASSET

	Patents
	HK$'000
Carrying value	
At 31 December 2010	50,000
Impairment loss recognised in profit or loss	(50,000)
At 30 June 2011	0

The Company entered into the Disposal Agreement with an independent third party (the "Purchaser") on 25 January 2011, pursuant to which the Group would dispose of the entire interest in Sourcestar Profits Limited and the Pacific Choice Group and a non-refundable deposit amounting HK$50,000,000 has been received during the period. The non-refundable deposit serves as a clear evidence of an increase in net realisable value of the Group's intangible asset. The relevant intangible asset was fully impaired during the year ended 31 December 2009 and is therefore reversed by such amount of HK$50,000,000 in the year ended 31 December 2010.

On 7 July 2011 and 17 August 2011, the Company announced that as some of the conditions precedent to Completion under the Disposal Agreement (including but not limited to the obtaining of Shareholders' approval for the Disposal) were not fulfilled by the Long Stop Date (i.e. 30 June 2011), the Disposal Agreement lapsed on the same day (save for certain clauses). As such, the carrying amount of the intangible asset was impaired during the period.

13. TRADE RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. An aged analysis of trade receivables, net of provision for impairment loss recognised in respect of trade receivables, is as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
0-30 days	**942**	4,883
Over 30 days	**–**	1,042
	942	5,925

14. TRADE PAYABLES

	30 June 2011 HK$'000	31 December 2010 HK$'000
0 – 60 days	**–**	1,192
60 – 90 days	**–**	4
Over 90 days	**455**	–
	455	1,196

15. OTHER PAYABLES AND ACCRUALS

	30 June 2011 HK$'000	31 December 2010 HK$'000
Other payables – return of deposit received in relation to the disposal of LCoS	**35,000**	–
Accruals	**95**	596
	35,095	596

16. PROMISSORY NOTES

On 15 January 2009, the Group issued promissory notes of HK$375,000,000 at zero coupon rate as part of the consideration for acquiring the entire issued share capital of Pacific Choice Group. The effective interest rate was 16% at the date of grant.

On 16 February 2009, the Group and the bearer of the promissory notes had agreed that if there was an early repayment of HK$250,000,000, 10% of the principal amount of the promissory notes, i.e. HK$37,500,000, would be cancelled in favour to the Group. The repayment had been made on 19 February 2009.

On 26 April 2010, the Group and the bearer of the promissory notes had agreed to extend the maturity date from 14 January 2011 to 14 January 2012. A gain on extension of maturity of promissory note of approximately HK$11,908,000 is recognised during the year ended 31 December 2010.

The movements of the promissory note are as follows:

	Six months ended 30 June 2011	Year ended 31 December 2010
	HK$'000	*HK$'000*
Carrying amount at the beginning of the period/year	**74,964**	75,031
Extension of maturity	**–**	(11,908)
Interest charged	**5,761**	11,841
Carrying amount at the end of the period/year	**80,725**	74,964

17. CONVERTIBLE BONDS

Zero-coupon Tranche 1 Bonds due 2014

On 15 January 2009, the Company issued the Tranche 1 Bonds due on 14 January 2014 with a principal amount of HK$300,000,000, which is interest free, as part of the consideration for acquisition of the Pacific Choice Group. The Tranche 1 Bonds are convertible into fully paid ordinary shares with a conversion price of HK$0.4 per share, subject to adjustments.

Upon full conversion of the Tranche 1 Bonds at the conversion price of HK$0.4 per ordinary share of the Company, subject to adjustments, a total of 750,000,000 new ordinary shares would be issued by the Company upon the exercise of the conversion rights attached to the Tranche 1 Bonds. The Company shall redeem any convertible bonds which remain outstanding on the maturity date at its principal amount.

None of the Tranche 1 Bonds were converted from the date of issue to the end of the reporting period.

The convertible bonds contain liability and equity components. The effective interest rate of the liability component is 14% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

The movement of the liability component of the convertible bonds for the period is set out below:

	Six months ended 30 June 2011	Year ended 31 December 2010
	HK$'000	*HK$'000*
Carrying amount at the beginning of the period/year	**201,389**	176,785
Interest charged	**13,636**	24,604
Carrying amount at the end of the period/year	**215,025**	201,389

18. DEFERRED TAX LIABILITIES

The major deferred tax liabilities recognised by the Group and movements thereon during the current period and prior fiscal year are as follows:

	Promissory notes	**Convertible bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	2,058	20,330	22,388
Charge (credit) to profit or loss			
– Recognised in relation to extension of the maturity of the promissory notes	1,964	–	1,964
– Release upon amortisation of promissory notes and convertible bonds under effective interest method	(1,954)	(4,059)	(6,013)
	10	(4,059)	(4,049)
At 31 December 2010	2,068	16,271	18,339
Credit to profit or loss			
– Release upon amortisation of promissory notes and convertible bonds under effective interest method	(950)	(2,250)	(3,200)
At 30 June 2011	1,118	14,021	15,139

Analysed for reporting purposes as:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Current liability	**1,118**	–
Non-current liability	**14,021**	18,339
	15,139	18,339

19. MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Company had not announced any material acquisition.

As announced on 7 July 2011, 17 August 2011 and 25 August 2011, the Company had on 25 January 2011 entered into the Disposal Agreement with an independent third party for the disposal of LCoS Television business. However, as some of the conditions precedent to Completion under the Disposal Agreement were not fulfilled by the Long Stop Date (i.e. 30 June 2011), the Disposal Agreement lapsed on the same date. Such Disposal Agreement was subsequently cancelled on 24 August 2011.

20. RELATED PARTY TRANSACTION

During the period ended 30 June 2011, the Group had entered into the following transactions with related party which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

		Six months ended 30 June	
		2011	2010
Name of related party	**Nature of transaction**	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Man Lee Management Limited ("Man Lee") *(note a)*	Administration fee paid by the Group	**434**	444

Note:

(a) Man Lee is beneficially held by a shareholder of the Company.

21. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 29 May 2002 under which the Board of the Directors may grant options to eligible participants, including employees and directors, of the Company and any of its subsidiaries to subscribe for shares of the Company. The Scheme is valid and effective for a period of 10 years commencing from the adoption date after which no further options may be issued.

The number of shares, which may be issued upon exercise of all outstanding options granted under the Scheme and other schemes adopted by the Group, is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted under the Scheme and other schemes adopted by the Group in aggregate is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue at any 12-month period.

Consideration of HK$1 is payable by the grantee on the acceptance of option granted. Option may be exercised from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses and 10 years from the offer date of that option. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing prices of the shares on the Stock Exchange on the date of the grant of the options; the average of the closing prices of the shares for the five trading days immediately preceding the date of the grant of the options; and the nominal value of the shares.

No share options have been granted under the Scheme since its adoption.

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011 and 31 December 2010.

23. CAPITAL COMMITMENTS

Pursuant to the announcement of the Company dated 17 January 2011, the Group entered into a conditional sale and purchase agreement on 22 September 2010 with an independent third party pursuant to which the Group would acquire certain chromium mines in the Republic of Madagascar by the issue of convertible bonds in a maximum aggregate consideration of US$3,520,000,000 (equivalent to approximately HK$27,280,000,000) by the Company. As at the date of this report, the acquisition is subject to the approvals by the Stock Exchange and shareholders of the Company and the transaction has not yet completed.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

Disposal of Pacific Choice Group

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

On 7 July 2011, 17 August 2011 and 25 August 2011, the Company announced that as some of the conditions precedent to Completion under the Disposal Agreement (including but not limited to the obtaining of Shareholders' approval for the Disposal) were not fulfilled by the Long Stop Date (i.e. 30 June 2011), the Disposal Agreement lapsed on the same day (save for certain clauses).

On 24 August 2011, the Company entered into a Cancellation Agreement with the Purchaser to cancel the Disposal Agreement and to release each other from their respective obligations towards each other as contained in the Disposal Agreement. As agreed, a sum of HK$35 million (being part of the Deposit) was returned to the Purchaser, while HK$15 million (being the remaining balance of the Deposit) was forfeited to and retained by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the six months ended 30 June 2011 (the "Period"), the Group continued its effort in consolidating its principal business of conductive silicon rubber keypads trading, as well as identifying opportunities for acquisition to expand its portfolio and source of income.

During the Period, the Group continued to exercise stringent cost control, thereby maintaining its operating expenses at a minimal level.

With respect to the LCoS television operation, an impairment loss on intangible asset of HK$50,000,000 was made during the Period due to the lapse of the Disposal Agreement on 30 June 2011. Upon the signing of the Cancellation Agreement, a sum of HK$35,000,000 was returned to the Purchaser and a gain of HK$15,000,000 on the forfeited deposit was recognized.

As a result, the loss attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately HK$54,377,000, representing an increase in loss of approximately HK$39,178,000 from that of the first half of 2010. Basic loss per share for the Period was approximately HK7.74 cents (2010 corresponding period: basic loss per share was HK2.16 cents).

SEGMENTAL ANALYSIS

Conductive Silicon Rubber Keypads

The market environment of conductive silicon rubber keypads continued to be extremely competitive during the Period. Selling prices had been declining amid a glutted market and weak demand for conductive silicon rubber keypads with rising trend for touch-screen keyboards.

On the other hand, the cost of conductive silicon rubber keypads remained high due to increase in production costs as a result of the rise in wages and raw material costs in Mainland China. The profit margin of this business had been under increasing pressure.

Through stringent cost control and improved operational efficiency, the Group's trading business remained profitable during the Period. Despite a 68.5% decrease in revenue of the conductive silicon rubber keypads trading business, this segment reported a gross profit of approximately HK$730,000 during the Period, with a profit margin of 17.6%, up from 16.6% of the corresponding period of 2010.

LCoS Televisions

The Group and an independent third party ("Purchaser") 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 in cash 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 Disposal Agreement.

On 7 July 2011 the Group announced that as some of the conditions precedent to the completion of the Disposal Agreement (including but not limited to the obtaining of Shareholders' approval for the Disposal) were not fulfilled by the Long Stop Date (i.e. 30 June 2011), the Disposal Agreement lapsed on the same day (save for certain clauses).

On 24 August 2011, the Company entered into a Cancellation Agreement with the Purchaser to cancel the Disposal Agreement. Pursuant to the Cancellation Agreement, the Company was able to retain HK$15,000,000 of the Deposit, which was treated as gain on forfeited deposit for the disposal . As a result of the cancellation of the Disposal Agreement, the Group made an impairment loss on intangible asset of HK$50,000,000 during the Period.

FUTURE PLANS AND PROSPECTS

The aftershocks of Eurozone debt crisis and the US economic instability are expected to drag down the global economy. Coupled with RMB appreciation and continued increase in production costs, the operating environment of the Group's trading business will remain challenging.

To cope with these challenges, the Group will continue to implement stringent cost control measures to reduce operating costs and to improve its competitiveness. Moreover, the Group will further strengthen its relationship with existing customers, expand customer base, and enrich its portfolio of trading products. The Group is now exploring the opportunities for trading other electronic components. With extensive experience in trading operations and solidified relationship with existing customers, the Group is confident in enhancing the competitiveness of its trading business in order to be better prepared for upcoming opportunities and challenges.

Following the cancellation of the Disposal Agreement, the Group will continue to negotiate with the original vendors to sell back the LCoS television business to them.

The Group is of the view that the global consumption of metals and minerals has been growing rapidly, and these markets provide vast room for development in mid and long term. China is now the world's largest consumer of metals and minerals including iron ore, steel, coal, aluminum, copper and nickel. In light of this, the Group is also identifying suitable metals and minerals projects for possible acquisition to achieve sustainable growth.

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

INVESTMENT STEERING COMMITTEE

An Investment Steering Committee was established in June 2010 which composed of one executive director, one non-executive director and one independent non-executive director. The Committee is responsible for the consideration, recommendation of potential investment projects. Ad-hoc meetings will be held when potential projects are identified. During the meeting, they will review individual project's position and action to be taken if necessary, and to recommend to the board for consideration and approval.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

CAPITAL STRUCTURE

The Group has a deficiency in shareholders' equity of approximately HK$285,797,000 (31 December 2010: a deficiency of approximately HK$231,420,000). As at 30 June 2011, the short term and long term interest bearing debts to shareholders' equity was nil (31 December 2010: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 June 2011, the Group's fixed deposits and cash balances increased to approximately HK$63,181,000 (31 December 2010: approximately HK$15,856,000).

As at 30 June 2011, the current ratio was approximately 0.55 (31 December 2010: approximately 12.4) based on current assets of approximately HK$64,280,000 and current liabilities of approximately HK$117,393,000 and the quick ratio was approximately 0.55 (31 December 2010: approximately 12.4).

MATERIAL ACQUISITION AND DISPOSALS

Details of material acquisition and disposal during the six months ended 30 June 2011 are set out in note 19.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong Dollars, Renminbi and US Dollars which have been relatively stable during the period. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed approximately 8 full time employees in Hong Kong. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Employees may also participate in the share option scheme of the Group.

CORPORATE GOVERNANCE PRACTICES

The Group has established a formal and transparent procedure to protect the interests of the shareholders of the Group. The Group regularly reviews the corporate governance procedures and developments of the Group. The Group applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the period under review, except that:

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

Under the code provision A.4.1, the appointment of non-executive Directors should have been appointed for a specific term. During the period under review, the non-executive Directors were not appointed for any specific terms 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Group.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all the information required by Appendix 16 of the Listing Rules will be available 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 in due course.

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

Hong Kong, 29 August 2011

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