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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)

**UPDATE ON POSSIBLE VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF THE LCOS TELEVISION BUSINESS**

Reference is made to, among others, the announcements of the Company dated 22 September 2010 and 17 January 2011 and the Company's annual report 2010.

On 25 January 2011, the Company (as vendor) and Good Choice Dev (as purchaser) entered into the Formal Agreement, pursuant to which it was conditionally agreed that the Company would sell and Good Choice Dev would purchase (i) all the issued shares in the capital of the Disposal Target and (ii) all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group for a Consideration of HK\$637,500,000 (which was agreed to be settled partially in cash, partially by the execution of the Purchaser Promissory Note and partially by the assumption by Good Choice Dev of certain liabilities of the Group). The Disposal would, if it had proceeded to completion, constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and would be subject to Shareholders' approval under Chapter 14 of the Listing Rules.

* For identification purposes only

Upon the signing of the Formal Agreement, a non-refundable deposit of HK\$50,000,000 was paid to the Company as part payment of the Consideration. As some of the conditions precedent to Completion under the Formal 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 Formal Agreement lapsed on the same day (save for certain clauses). The Company received a letter dated 28 June 2011 from the legal advisers of Good Choice Dev, stating that it would not consider extending the Long Stop Date and would demand the return of the Deposit on the basis of, among other matters, the alleged failure on the part of the Company to use its best endeavors to procure the fulfillment of all the conditions precedent to Completion and to do and execute all acts and deed as may reasonably be required by the Stock Exchange. The Company is in discussion with Good Choice Dev on the return or the retention of the Deposit or a portion thereof as it was agreed in the Formal Agreement that the Deposit was non-refundable.

Trading in Shares on the Stock Exchange was suspended with effect from 22 September 2010 at the request of the Company, and will remain to be suspended pending the issue and publication of an announcement relating to a very substantial acquisition of the Company.

INTRODUCTION

Reference is made to the announcements of the Company dated 22 September 2010 and 17 January 2011 in relation to the suspension of trading in Shares pending the release of an announcement in relation to a proposed very substantial acquisition and the Heads of Agreement in relation to a proposed very substantial disposal respectively, and the Company's annual report 2010. The purpose of this announcement is to inform the Shareholders and the public that the Formal Agreement, which was executed pursuant to the Heads of Agreement, lapsed (save for certain clauses) on 30 June 2011.

LAPSE OF THE FORMAL AGREEMENT

Details of the Formal Agreement

The Directors would announce that on 25 January 2011, the Company (as vendor) and Good Choice Dev (as purchaser) entered into the Formal Agreement, pursuant to which it was conditionally agreed that the Company would sell and Good Choice Dev would purchase (i) all the issued shares in the capital of the Disposal Target and (ii) all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group. The Consideration for the Disposal was a total sum of HK\$637,500,000 (which was agreed to be settled partially in cash, partially by the execution and delivery of the Purchaser Promissory Note to the Company and partially by the assumption by Good Choice Dev of the Assumed Liability).

Date of the Formal Agreement : 25 January 2011

Parties

Vendor: the Company

Purchaser: Good Choice Development Ltd.

The assets to be disposed of

The entire issued share capital in the Disposal Target, and all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group as at the Completion Date. Pacific Choice Group is wholly owned by the Disposal Target, and it carried out the LCoS television business.

Terms of payment

The Consideration for the Disposal was a total sum of HK\$637,500,000, which was agreed to be settled as to HK\$50,000,000 in cash as Deposit and part payment of the Consideration, as to HK\$200 million by the execution and delivery of the Purchaser Promissory Note to the Company, and as to the remaining balance by the assumption by Good Choice Dev of the Assumed Liability by Good Choice Dev's issue and delivery of a deed of undertakings at Completion, which would contain provisions to discharge the Company of any payment obligations for any outstanding amounts (including principal amount, interests and/or premium arising therefrom or in connection therewith) due and payable to the 2008 Vendors (or their respective nominees or transferees) under the Promissory Notes and the Convertible Bonds (which as at the date of this announcement have outstanding principal amounts of HK\$87.5 million and HK\$300 million respectively). In accordance with the terms of the Formal Agreement, a non-refundable Deposit of HK\$50,000,000 was paid to the Company by Good Choice Dev upon the execution of the Formal Agreement.

The Disposal would, if it had proceeded to completion, constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and would be subject to Shareholders' approval under Chapter 14 of the Listing Rules.

Letter from the Purchaser's solicitors

As some of the conditions precedent to Completion under the Formal Agreement (including but not limited to the obtaining of Shareholders' approval for the Disposal) were not fulfilled by the Long Stop Date, the Formal Agreement lapsed on the same day, save for certain clauses relating to confidentiality, notices, governing law and jurisdiction and process agent.

On 28 June 2011, the Company received a letter from the legal advisers acting for Good Choice Dev, stating that Good Choice Dev would not consider extending the Long Stop Date and would demand the return of the Deposit on the basis of, among other matters, the alleged failure on the part of the Company to use its best endeavors to procure the fulfillment of all the conditions precedent to Completion and to do and execute all acts and deed as may reasonably be required by the Stock Exchange. It was also mentioned in the letter that the business licence of United Opto-Electronics (Suzhou) Co., Ltd was deregistered with effect from 22 December 2010 because it failed to attend the annual filing for the years 2009 and 2010 with the government of the People's Republic of China and such deregistration has allegedly affected Good Choice Dev's business plans to manufacture and sell LCoS televisions and related accessories. The Company is in discussion with Good Choice Dev on the return or the retention of the Deposit or a portion thereof as it was agreed in the Formal Agreement that the Deposit was non-refundable. The Company would not preclude the possibility of proceeding to legal actions in connection with the refund or retention of the Deposit. The Directors will make further disclosure in accordance with the Listing Rules where appropriate.

SUSPENSION OF TRADING

Trading in Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 22 September 2010 at the request of the Company, and will remain to be suspended pending the issue and publication of an announcement relating to a very substantial acquisition of the Company.

As an update of the progress of the possible acquisition of Chromium Mines in Madagascar, the Company is currently following up the progress of exploration and implementation of production plan undertaken by the vendor of the Chromium mines, in particular the relevant competent person report in compliance with Chapter 18 of the Listing Rules (the "Competent Person Report"). Under Chapter 18 of the Listing Rules, the Competent Person Report is considered to be an essential element of an acquisition of mineral resources company, the Board will further assess the consequence of such acquisition after receipt of the Competent Person Report and the relevant valuation report. Save for the Share Purchase Agreement signed on 22 September 2010 in respect of the Chromium Mines, the Company has no agreement, arrangement, understanding, intention or negotiation about acquiring any other new business as at the date of this announcement.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

- “2008 Acquisition Agreement” : the acquisition agreement dated as of 30 April 2008 together with the supplemental agreements thereto made between, among others, the 2008 Vendors and the Disposal Target
- “2008 Vendors” : the “Vendors” as defined in the circular dated 28 November 2008 issued by the Company in connection with the 2008 Acquisition Agreement, namely China Eagle Development Limited and Fairtime International Limited
- “Assumed Liability” : Good Choice Dev’s undertakings to pay to 2008 Vendors (without recourse to the Company) or, as the case may be, discharge the Company of any payment obligations for any outstanding amounts (including principal amount, interests and/or premium or otherwise arising therefrom or in connection therewith) due and payable to 2008 Vendors (or their respective nominees or transferees) under the Promissory Notes and the Convertible Bonds) (which as at the date of this announcement have outstanding principal amounts of HK\$87,500,000 and HK\$300,000,000 respectively)
- “Board” : the board of Directors
- “Company” : Karce International Holdings Company Limited
- “Completion” : the completion of the Disposal

- “Completion Date” : the third business day after the date on which the last of the conditions precedent under the Formal Agreement (except for the item concerning that no material adverse change (i.e. any event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse effect on the financial position, management, business or property, results of operations, legal or financing structure or assets or liabilities of the Disposal Target) having occurred) is fulfilled (or waived) or such other date as Good Choice Dev and the Company may agree
- “Consideration” : the total consideration payable by Good Choice Dev to the Company for the Disposal under the Formal Agreement
- “Convertible Bonds” : the zero coupon convertible bond(s) having outstanding aggregate principal amount of HK\$300 million issued by the Company to the 2008 Vendors as part of the consideration pursuant to the terms of the 2008 Acquisition Agreement
- “Deposit” : a non-refundable deposit of HK\$50 million paid by Good Choice Dev to the Company upon signing of the Formal Agreement
- “Director(s)” : the director(s) of the Company
- “Disposal” : proposed disposal of the Sale Interests to Good Choice Dev by the Company pursuant to the Formal Agreement
- “Disposal Target” : Sourcestar Profits Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
- “Disposal Target Group” : Disposal Target and all of its subsidiaries

- “Formal Agreement” : the agreement dated 25 January 2011 entered into between the Company (as vendor) and Good Choice Dev (as purchaser), pursuant to which it was agreed by the Company to sell to Good Choice Dev (i) all the issued shares in the capital of the Disposal Target and (ii) all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group at a consideration of HK\$637,500,000
- “Good Choice Dev” : Good Choice Development Ltd., a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. LIN Shao Bin, a third party independent of the Company and its connected persons as defined under the Listing Rules
- “Group” : the Company and its subsidiaries
- “Heads of Agreement” : the Heads of Agreement (which is generally non-legally binding) signed by the Company and Good Choice Dev on 31 December 2010 relating to the Disposal
- “HK\$” : Hong Kong dollars, the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “LCoS” : liquid crystal on silicon technology which is typically applied in projection televisions

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| “Long Stop Date” | 30 June 2011 |
| “Listing Rules” | : the Rules Governing the Listing of Securities on the Stock Exchange |
| “Pacific Choice” | : Pacific Choice Holdings Limited, a company incorporated in the British Virgin Islands which is a wholly owned subsidiary of the Disposal Target |
| “Pacific Choice Group” | : Pacific Choice and its subsidiaries |
| “Promissory Notes” | the promissory notes with an aggregate outstanding principal amounts of HK\$87.5 million issued by the Company with 2-year maturity from the date of issue at zero coupon rate as part of the consideration payable under the 2008 Acquisition Agreement |
| “Purchaser Promissory Note” | the promissory note to be issued by Good Choice Dev in the sum of HK\$200 million as part of the Consideration to the Company (or such person(s) as nominated by the Company, which maturity date shall fall on 12 months from the Completion Date) at Completion under the Formal Agreement |
| “Sales Interests” | : the entire issued share capital in Disposal Target and all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group as at the Completion Date, which amounted to approximately HK\$578.7 million as at 31 December 2010, based on the unaudited management accounts |

“Share(s)” : Shares(s) of HK\$0.10 each

“Shareholder(s)” : holder(s) of the Shares

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

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

Hong Kong, 7 July 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.

In the case of any inconsistency, the English text of this announcement should prevail over the Chinese Text.