

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the Company's circular of the Company dated 28 November 2008 (the "**Circular**"), and the announcements of the Company dated 15 January 2009, 20 April 2009, 5 January 2010, 12 February 2010 and 23 April 2010 respectively (the "**Announcements**"). Terms used herein shall bear the same meanings as ascribed to them in the Circular and Announcements unless otherwise specified.

In connection with the Acquisition, despite completion of the Acquisition Agreement in January 2009, the original production plan has not been realized for various reasons, which constitute certain breaches of certain undertakings on the part of the Vendors, namely China Eagle Development Limited ("**First Vendor**") and Fairtime International Limited ("**Second Vendor**"), under the Acquisition Agreement. These include but not limited to: no officers from TMDC have rendered services to the Group for the purpose of carrying on the Business; the pledge by TMDC in favour of certain banks over the TMDC Sale Machineries has not been released, title to the TMDC Sale Machineries without encumbrance has not been transferred to the Group; and the Group has not been able to commence any production at all of the Business.

* *For identification purposes only*

The Company and its direct wholly owned subsidiary, Sourcestar Profits Limited (“**Sourcestar**”), have by themselves and through their legal advisers issued demand letters to the Vendors and the Warrantors under the Acquisition Agreement requesting them to provide satisfactory explanations and to suggest remedial actions to address the breaches. The same has been disclosed in 2009 Annual Report that the Company tried to negotiate with the Vendors to unwind the Acquisition. Despite the repeated demands on the part of the Group, the Vendors and Warrantors failed and refused to remedy any of the breaches or failed to respond at all to the said demands. The Group was legally advised that by reason of wrongful breaches by the Vendors and the Warrantors and their failure to take any remedial actions despite repeated demands by the Group, there was a total failure of consideration for what the Group has bargained and paid for under the Acquisition Agreement. A letter was issued by the Group’s legal adviser dated 23 July 2012 to terminate the Acquisition Agreement by accepting the wrongful repudiation of the same on the part of the Vendors and the Warrantors. A counsel has been retained to advise and to issue legal proceedings.

In the absence of any settlement arrangement with the Vendors, the Company was legally advised and obliged to take out legal action to seek judicial remedies in the form of restitution against the Vendors for return of the consideration paid and given to the Vendors 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 and/or alternatively to seek damages for breaches of contract.

On 12 September 2012, the Group issued legal proceedings (the “**Proceedings**”) against the Vendors in the High Court of Hong Kong Special Administrative Region (“**the Court**”) in regard to the claim of restitution for total failure of consideration and rescission in connection with the Acquisition Agreement. The Group has taken out a writ of summons (the “**Writ**”) dated 12 September 2012 as the plaintiffs in the Court against the Vendors as the defendants. On 12 September 2012, the Group filed a statement of claim (“**Statement of Claim**”) in connection with the Writ. Particulars of the Statement of Claim are summarized as follows:

The Group claims against the Vendors, amongst others, for:

1. A declaration that the Acquisition Agreement be null and void for total failure of consideration.

2. An order that the position of the parties (namely the Company, Sourcestar, the Vendors and the Warrantors) be restored to the original position prior to the signing of the Acquisition Agreement, including but not limited to:
 - (i) the return of Convertible Bonds in the sum of HK\$67,800,000 by First Vendor to the Company;
 - (ii) the return of Convertible Bonds in the sum of HK\$45,000,000 by Second Vendor to the Company;
 - (iii) the return of the outstanding amount of Promissory Notes in the sum of HK\$87,500,000 by First Vendor to Sourcestar;
 - (iv) the return of HK\$250,000,000 representing the amount of Promissory Notes redeemed by First Vendor at an earlier date, to Sourcestar;
 - (v) the return of Cash in the sum of HK\$25,000,000 from Second Vendor to Sourcestar.
3. Alternatively, damages to be assessed.
4. Interest, costs and other relief.

The Company will make further announcements on the Proceedings as and when appropriate.

Investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 12 September 2012

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. Law Chun Choi and Mr. Mak Ka Wing, Patrick.