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KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

泰盛實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

**ANNOUNCEMENT
AND
RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 12 September 2012 and 8 March 2013 (the “Announcements”) and the circular of the Company dated 8 February 2013 (the “Circular”) in relation to, amongst others, the Action against the Vendors. Terms used herein shall bear the same meanings as ascribed to them in the Announcements and Circular unless otherwise specified.

* *For identification purposes only*

The Board is pleased to announce that in respect of the application made by the Group to the High Court of the Hong Kong Special Administrative Region (the “High Court”) for judgment in relation to its claims for restitution for total failure of consideration and rescission in connection with the Acquisition Agreement, a written judgment was handed down by the High Court on 20 June 2013 in favour of the Group. It was ordered by the High Court that final judgment be entered against the Vendors in default of defence that the Company and Sourcestar are entitled to and granted the declaration that: –

1. The Company and Sourcestar were entitled to terminate and have terminated the Acquisition Agreement for total failure of consideration.
2. The Company and Sourcestar are entitled 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;
 - (vi) interest at the HSBC prime rate plus 1% from the date of writ until judgment and thereafter at the judgment rate until payment.

It was also ordered by the High Court that costs of this action of the Company and Sourcestar be paid by the Vendors excluding the costs of the hearing on 16 May 2013 to be taxed if not agreed.

Following the High Court judgment, the Group is contemplating, amongst others, further legal enforcement proceedings to recover the aggregate sum of HK\$275,000,000 consisting of cash paid to Second Vendor in the sum of HK\$25,000,000 and the cash in redemption of Promissory Note paid to First Vendor in the sum of HK\$250,000,000 (“Cash Consideration”) as the Group may be legally advised to compel the Vendors to satisfy the judgment debts. In respect of this matter, the Group is seeking legal opinion for the forthcoming steps to be taken. The Company will make an announcement as and when necessary if there are any significant developments concerning the legal proceedings being contemplated.

As for the accounting treatment, no accrual will be made in the books of the Company for any interest chargeable on the Cash Consideration until the directors have ascertained the financial situation of the Vendors.

Accordingly, the Company will reduce in its books the liabilities in respect of the fair value of Convertible Bonds totaling approximately HK\$104,690,000 and the Promissory Notes totaling HK\$87,500,000. Such cancellation will increase the Company’s Profit by approximately HK\$192,190,000. Therefore, the Company’s Net Book Value will also be increased by approximately HK\$192,190,000.

RESUMPTION OF TRADING

Trading in the shares of the Company has been halted with effect from 1:00 p.m. on 19 June 2013 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 21 June 2013.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 June 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.