

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.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

泰盛實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

**VERY SUBSTANTIAL ACQUISITION,
TERMINATION OF THE ACQUISITION
AND
RESUMPTION OF TRADING**

VERY SUBSTANTIAL ACQUISITION

On 22 September 2010, the Company, through the Purchaser, entered into the Agreement with the Vendor pursuant to which the Company had conditionally agreed to acquire from the Vendor the Sale Shares and the Shareholder's Loan. The Sale Shares represent the entire issued share capital of the Target Company which holds licences in respect of the Target Mines through Madagascar Chromium. The Consideration payable under the Agreement was US\$3,520,000,000 (subject to adjustment as described below).

Should the Acquisition proceed, it would have constituted a very substantial acquisition for the Company under the Listing Rules and would have been subject to approval by Shareholders at the SGM.

* *For identification purposes only*

TERMINATION OF THE ACQUISITION

The Board would like to announce that on 28 December 2011, the Company, the Purchaser and the Vendor entered into the Termination Deed and the Release of Share Charge pursuant to which the parties thereto agreed to terminate all transactions contemplated under the Agreement and the Agreement shall cease to have any force or effect after the date of the Termination Deed.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 22 September 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 January 2012.

Reference is made to the announcement published by the Company on 22 September 2010 in relation to the suspension of trading of shares in the Company pending the release of an announcement in relation to a very substantial acquisition of the Company.

The Board would like to announce that (i) on 22 September 2010, the Company, through the Purchaser, entered into the Agreement with the Vendor in relation to the Acquisition; and (ii) on 28 December 2011, the Company, the Purchaser and the Vendor entered into the Termination Deed and the Release of Share Charge pursuant to which the parties thereto agreed to terminate all transactions contemplated under the Agreement and that the Agreement shall cease to have any force or effect after the date of the Termination Deed. Details of the Agreement and the Termination Deed are set out below.

THE ACQUISITION

The Agreement

Date : 22 September 2010

Parties : Purchaser : Max Dynasty Limited, a wholly-owned subsidiary of the Company

Vendor : Tak Mining (Chromium) Company Limited

The Vendor is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate owner are third parties independent of the Company and its connected persons. The Group has not engaged in any previous transactions which were related to the Acquisition or with either the Vendor or its ultimate owner in the last 12 months.

Target to be acquired

Pursuant to the Agreement, the Vendor had agreed to sell to the Purchaser the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder's Loan.

The Vendor and the Purchaser had also agreed that the Vendor shall before Completion procure Madagascar Chromium to transfer and/or assign the exploration licences of the Carve-out Mines, at nil consideration, to the Vendor or such entity controlled by the Vendor.

For details of the Target Company, please refer to the paragraph headed "Information on the Target Company and the Target Mines" below.

Consideration

Should the Acquisition proceed, the total consideration for the Acquisition was US\$3,520,000,000 (subject to adjustment as described below) to be satisfied as follows:

- (i) as to US\$176,000,000, being deposit and (subject to Completion) part payment of the Consideration, by the issuance by the Company of the First Convertible Note. The Company signed and sealed the First Convertible Note upon the signing of the Agreement. On the other hand, the Vendor entered into the Share Charge in favour of the Purchaser upon the signing of the Agreement as security for the refund of the deposit if the transaction contemplated under the Agreement falls through. In addition, the Vendor agreed that the First Convertible Note should be held by the Company and the Company would have no obligation to release the First Convertible Note to the Vendor until the Purchaser has received from the Vendor a Competent Person's Report which complies with Chapter 18 of the Listing Rules and the Purchaser has confirmed in writing that it is satisfied with such Competent Person's Report; and
- (ii) as to US\$3,344,000,000 (subject to adjustment as described below), by the issuance by the Company of the Second Convertible Note(s) to the Vendor (or its nominee(s)) after Completion.

If the aggregate Indicated Resources of chromium in the Target Mines reported in the Competent Person's Report is less than 176 million tonnes, the Consideration shall be adjusted downward by the following formula:

Adjustment = US\$20 x the aggregate shortfall of the Indicated Resources of chromium reported in the Competent Person's Report which is below the 176 million tonnes

If the aggregate Indicated Resources of chromium in the Target Mines reported in the Competent Person's Report is equal to or more than 176 million tonnes, no upward adjustment in the Consideration will be made.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor and with reference to the preliminary valuation on the Target Company estimated by an independent valuer and technical reports of the Target Mines prepared for an affiliate company of the Vendor, taking into account, among other things, (i) the preliminary valuation of approximately US\$3,800,000,000 (the "**Preliminary Valuation**") and the discount of approximately 7.37% represented by the Consideration to such Preliminary Valuation; and (ii) the adjustment mechanism to the Consideration as illustrated above.

Conditions

Completion is conditional in all respects upon:–

- (a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) in general meeting to approve:–
 - (i) (if applicable), the increase in its authorized share capital to an amount that shall allow the Company to issue and allot the Conversion Shares;
 - (ii) the Agreement and the transactions contemplated in or incidental to the Agreement and the implementation thereof, including, but not limited to, the acquisition by the Purchaser of the Sale Shares and the Shareholder's Loan, the issue of the Convertible Note(s) and the issue and allotment of the Conversion Shares;
 - (iii) such other matters as may be required by the Stock Exchange for consummation of the transactions contemplated therein;

in accordance with the requirements of the Listing Rules and the applicable laws and regulations;

- (b) the Listing Committee granting or indicating that it will grant the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange;

- (c) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Company, the Purchaser or the Target Company at any time prior to Completion in relation to the transactions contemplated under the Agreement and the uninterrupted continuation of the current rights and business of the Company, the Purchaser or the Target Company on or before Completion;
- (d) the Purchaser notifying the Vendor in writing that the Purchaser is satisfied in its sole and absolute discretion with the results of the due diligence review (and for the avoidance of doubt it shall not be obliged to give any reasons for being satisfied or not being satisfied);
- (e) all third party consents and waivers required to be obtained by the Purchaser or the Vendor or the Target Company having been obtained in connection with the transactions contemplated under the Agreement;
- (f) the Purchaser having obtained a legal opinion issued by a Madagascar legal adviser in respect of, among others, (i) due incorporation of Madagascar Chromium; (ii) the undertakings of the Target Company in Madagascar (including but not limited to the legality, validity and enforceability of the Exploration Licences and the Exploitation Licences and the Target Company's rights and interests in the Target Mines, which is in both form and substance and in all respects satisfactory to the Purchaser;
- (g) the Vendor having delivered to the Purchaser a legal opinion issued by a BVI legal adviser in form and substance satisfactory to the Purchaser and addressed to the Purchaser in respect of, among others, (i) due incorporation of the Target Company; (ii) full legal and beneficial ownership of the Sale Shares and the Shareholder's Loan by the Vendor;
- (h) the delivery by the Vendor to the Purchaser of (i) Certificate of Incumbency; and (ii) Certificate of Good Standing dated before the Completion Date in respect of the Target Company certifying that the Target Company has been duly incorporated and is in good standing;

- (i) the delivery by the Vendor to the Purchaser of a Competent Person's Report addressed to the Company and in all respects to the satisfaction of the Purchaser reporting that the Indicated Resources of chromium in the Target Mines to be not less than 50% of 96 million tonnes and 80 million tonnes respectively in compliance with Chapter 18 of the Listing Rules and the applicable reporting standard as modified by Chapter 18 of the Listing Rules;
- (j) the Purchaser having obtained a Valuation Report on the Target Company issued by a Competent Evaluator nominated by the Purchaser, showing the valuation on the Indicated Resources of the Target Mines on Completion being not less than the actual Consideration and in all respects to the satisfaction of the Purchaser;
- (k) evidence to the satisfaction of the Purchaser that the Carve-out Mines have all been transferred and/or assigned, at nil consideration, to the Vendor or an entity controlled by the Vendor before Completion and are (and will be) wholly-owned by it free of Encumbrances (at Completion);
- (l) Madagascar Chromium having obtained the Exploitation Licences of the Target Mines on terms in all respects to the satisfaction of the Purchaser free of Encumbrances; and
- (m) no Material Adverse Change having occurred.

Under the Agreement, the Purchaser could in its absolute discretion at any time waive the Conditions set out in (c) (in so far as matters relating to the Target Company are concerned), (d) to (l) above by written notice to the Vendor. Neither the Vendor nor the Purchaser could waive any of the Conditions in (a), (b), (c) (other than matters relating to the Target Company which the Purchaser has discretion to waive as aforesaid) and (m) above.

In the event that all the Conditions were not fulfilled (or waived) and remain unfulfilled on or before 30 August 2013 (or such later date as may be agreed by the parties in writing) and/or the Condition in (m) above did not remain fulfilled on the Completion Date, all rights, obligations and liabilities of the parties to the Agreement should, save and except certain provisions should remain in full force and effect, cease and determine and neither of the parties to the Agreement should have any claim against the other save and except any antecedent breach.

The Purchaser was entitled (but not obliged) to carry out, from the signing of the Agreement, a “due diligence” review and investigation on the Target Group.

Completion

Subject to (i) the Conditions being fulfilled (or, where applicable, waived); (ii) no indication being received on or before the Completion Date from the Stock Exchange to the effect that the listing of the Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Agreement or transactions contemplated under the Agreement or for any reason; and (iii) the Vendor’s warranties in the Agreement remaining true and accurate, and not misleading, in all material respects, Completion should take place on the Completion Date.

Principal terms of the Convertible Notes

Pursuant to the Agreement, if the First Convertible Note and the Second Convertible Note(s) were to be issued, they shall bear following principal terms:–

Principal amount:	First Convertible Note: US\$176,000,000; and Second Convertible Note(s): US\$3,344,000,000 (subject to adjustment as described in the paragraph headed “Consideration” above).
Interest:	The Convertible Notes shall not bear any interest.
Maturity Date:	First Convertible Note: the date falling on the day being the third anniversary of its date of issue; and Second Convertible Note(s): the date falling on the day being the fifth anniversary of the date of issue.

Conversion rights:

Provided that (i) any conversion of the Convertible Notes does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Notes (or any party acting in concert with it) when the Conversion Rights are exercised, whether or not such mandatory offer obligation is triggered by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes (if applicable, including any Shares acquired by the parties acting in concert with the holder(s) of the Convertible Notes) represents 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) or more of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules, and (iii) if and to the extent that the aggregate number of Conversion Shares issued or to be issued exceeds a designated limit, the issue of the relevant Conversion Shares shall have been approved by Shareholders' resolution of the Company (items (i) to (iii) above, collectively, the "**Conversion Restrictions**"), the holder of the Convertible Notes shall have the right at any time from the date of issue of the Convertible Notes up to the Maturity Date to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of US\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Notes is less than US\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted.

Initial Conversion Price: First Convertible Note: HK\$0.5 per Share (subject to adjustment)

Second Convertible Note(s): HK\$1.0 per Share (subject to adjustment)

The Convertible Notes shall be converted at the Initial Conversion Price set out above and subject to adjustments upon the occurrence of consolidation or subdivision of Shares, capitalisation issues, capital distribution, rights issues and issue of new Shares or convertible securities at issue or conversion price at less than 90% of the then market price per Share on the date of the relevant announcement (being the average of the closing price of one Share on the Stock Exchange for the last five dealing days of the Stock Exchange on which dealings in the Shares on the Stock Exchange took place ending on the last dealing day preceding the day on or as of which the market price per Share is to be ascertained)

Conversion Shares: Upon the full conversion of the First Convertible Note at the initial conversion price of HK\$0.5 per Conversion Share, an aggregate of 2,745,600,000 Conversion Shares shall be issued, representing approximately 390.91% of the issued share capital of the Company as at the date hereof and approximately 79.63% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares.

Upon the full conversion of the Second Convertible Note(s) at the initial conversion price of HK\$1.0 per Conversion Share, an aggregate of 26,083,200,000 Conversion Shares shall be issued, representing approximately 3,713.67% of the issued share capital of the Company as at the date hereof. The aggregate of 28,828,800,000 Conversion Shares to be issued upon the exercise of the conversion rights attached to the First Convertible Note and the Second Convertible Note(s) shall represent approximately 97.62% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares upon exercise of the conversion rights attached to the First Convertible Note and the Second Convertible Note(s).

- Voting: A Convertible Notes holder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a Convertible Notes holder.
- Listing: No application shall be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application shall be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Notes.
- Ranking: The Conversion Shares issued upon conversion of the Convertible Notes shall in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders of Conversion Shares to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.
- Transferability: Subject to any conditions, approvals, requirements and any other provisions of or under the Listing Rules, the approval for listing in respect of the Shares, and all applicable laws and regulations, a Convertible Notes holder shall be entitled to transfer the Convertible Notes to any party subject to the prior written approval of the Company.

The above principal terms of the Convertible Notes had been arrived at after arm's length negotiations between the Company and the Vendor. The Directors consider that the terms of the Convertible Notes were fair and reasonable.

INFORMATION ON THE TARGET COMPANY AND THE TARGET MINES

The Target Company and Madagascar Chromium

The Target Company is an investment holding company incorporated in the British Virgin Islands on 29 June 2010 and is the sole owner of Madagascar Chromium. Madagascar Chromium is a company incorporated in the Republic of Madagascar, its principal assets being the Prospecting Licences for the Target Mines.

According to the unaudited financial statements of Madagascar Chromium, the turnover, net loss before and after taxation of Madagascar Chromium were approximately nil, HK\$748,520 and HK\$748,520 respectively for the period from 17 April 2008 (its date of incorporation) to 31 December 2008; while the turnover, net loss before and after taxation of Madagascar Chromium for the year ended 31 December 2009 were approximately nil, HK\$398,634 and HK\$396,634 respectively. The net liabilities of Madagascar Chromium were approximately HK\$173,725 and HK\$572,359 respectively as at 31 December 2008 and 31 December 2009.

The Target Mines

Republic of Madagascar, is an island nation located in the Indian Ocean off the south-eastern coast of Africa. Madagascar is one of the largest producer of chromite and its mining industry has also been known for the production and export of phlogopite mica and high quality crystalline flake graphite.

The BEPILOPILO Mine is located in the Bepilopilo Area, Andriamena County, Betsiboka Province, Republic of Madagascar. It has an aggregate mining area of 137.5 km².

The BERIANA Mine is located at Beriana Area, Befundriana City, Sofia Province, Republic of Madagascar. It has an aggregate mining area of 75 km².

Madagascar Chromium holds Prospecting Licences for the Target Mines. A Prospecting Licence confers on its holder the exclusive right to carry out the prospecting and research of the substances for which the licence was granted within an area specified under the licence during the term of that licence. The licence also confers on the holder priority right to apply for an Exploitation Licence for all or part of the area which is subject to the Prospecting Licence. The Exploitation Licence confers upon its holder the exclusive right to mine the substances subject to the licences, and the right to continue the prospecting and research of such substances in accordance with a plan approved by the Madagascar authorities for the term of the licence. Up to the date of the Termination Deed, only preliminary assessment of the Target Mines development has been prepared based on the limited drilling and exploration works conducted. As further geotechnical investigation will need to be conducted to accurately determine actual pit slope, bench parameters and strip ratio, no information on, among other things, Indicated Resources of the Target Mines were available, and detailed development plan (including the production forecast and capital costs forecast) could yet be formulated up to the date of the Termination Deed. As at the date of this announcement, the preparation of the Competent Person's Report and the Valuation Report have not been commenced.

INFORMATION ON THE GROUP AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the trading of conductive silicon rubber keypads.

As disclosed in the 2009 annual report of the Company, the Group is actively exploring opportunities to achieve further business diversification, with an aim to broaden its revenue stream and earning base.

Chromium has a wide range of uses in metals, chemicals, and refractories. Chromium used in iron, steel, and nonferrous alloys enhances hardenability and resistance to corrosion and oxidation. The use of chromium to produce stainless steel and nonferrous alloys are two of its relative important applications. Other applications are in alloy steel, plating of metals, pigments, leather processing, catalysts, surface treatments, and refractories. Chromium has no substitute in producing stainless steel, the leading end use, or in superalloys, the major strategic end use.

The price of chromium metal reached historically high levels in 2008, and then declined in 2009 with a weakening world economy. The price rebounded in mid 2009 and was on an increasing trend in 2010. China's role as a chromium consumer grew along with its stainless steel production industry. China's importance as a consumer of raw materials used in stainless steel production increased owing to its strong economic growth and the expansion of its stainless steel production. The Board is therefore of the view that chromium has very high commercial value.

Having considered that (i) the Acquisition represented a raw potential but a good opportunity for the Group to venture into the natural resources business which would allow the Group to diversify its business and broaden its income base; (ii) the Consideration represented a discount of approximately 7.37% to the Preliminary Valuation; and (iii) the Completion was subject to, among other things, the compliance of requirements under Chapter 18 of the Listings Rules for the Acquisition, the Board at the time of entering into the Agreement was of the view that the terms of the Acquisition were fair and reasonable and that the Acquisition was in the interests of the Company and Shareholders as a whole.

Should the Acquisition proceed, it would have constituted a very substantial acquisition for the Company under the Listing Rules and would have been subject to approval by Shareholders at the SGM.

TERMINATION OF THE ACQUISITION

Following the entering of the Agreement in September 2010, the Company conducted due diligence against the Target Group and the Target Mines, which included, amongst other matters, site visits of the Target Mines, obtaining legal advice from Madagascar legal counsel on the due incorporation and valid existence of Madagascar Chromium, and the validity of its Prospecting Licences, and reviewing relevant reports prepared by, among others, respectable PRC geological brigades on the Target Mines.

During the course of the due diligence exercise, the Company noted that the progress of geotechnical investigation on the Target Mines procured by the Vendor has been slow and unorganised. In addition, according to the latest information on the Target Mines obtained by the Company in October 2011, the findings stated therein have not been able to sufficiently evidence the existence of sizable chromium resources on the Target Mines. Furthermore, given that there are still much investigation works and drillings to be done before the Competent Person's Report and the Valuation Report can be compiled in accordance with Chapter 18 of the Listing Rules, and the progress of such works done will also be subject to unpredictable circumstances such as the weather and geological conditions in Madagascar, it is considered difficult for the Company to reasonably ascertain a reliable timetable for obtaining the Competent Person's Report and the Valuation Report and in turn, reaching the Completion. Having considered all the above, the Board has finally come to the decision to terminate the Agreement which is considered to be in the interest of the Company and its Shareholders as a whole.

On 28 December 2011, the Company, the Purchaser and the Vendor entered into the Termination Deed pursuant to which the Purchaser and the Vendor agreed to terminate all transactions contemplated under the Agreement and the Agreement shall cease to have any force or effect after the date of the Termination Deed. As a result of the termination of the Agreement and pursuant to the terms of the Termination Deed, each of the Company, the Purchaser and the Vendor also confirmed and acknowledged that the First Convertible Note has not been effectively issued and even if issued, shall be treated as null and void. The Vendor also confirmed and acknowledged that it has acquired no enforceable legal rights under the First Convertible Note and irrevocably and unconditionally waives and relinquishes all its rights (if any) under any First Convertible Note.

According to the terms of the Agreement, the Vendor had pledged the Sale Shares to the Purchaser by way of Share Charge as security. As a result of the termination of the Agreement, the Purchaser and the Vendor entered into Release of Share Charge on 28 December 2011 pursuant to which the Purchaser and the Vendor agreed that the Share Charge on the Sale Shares shall be terminated and shall cease to have any force or effect after the date of the Release of Share Charge.

The Directors expect that there would be no material adverse effects on the financial position and operations of the Group as a result of the termination of the Agreement, and hence, the Acquisition.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 22 September 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 January 2012.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares and the Shareholder’s Loan by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 22 September 2010 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate”	the meaning ascribed to that term in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday or a public holiday) on which banks are open for general banking business in Hong Kong
“BVI”	British Virgin Islands
“Carve-out Mines”	the mines owned by Madagascar Chromium in the Republic of Madagascar other than the Target Mines
“Company”	Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange

“Competent Evaluator”	has the meaning ascribed to that term in Chapter 18 of the Listing Rules
“Competent Person’s Report”	has the meaning ascribed to that term in Chapter 18 of the Listing Rules
“Completion”	completion of the Acquisition in accordance with the provisions of the Agreement
“Completion Date”	the 7th Business Day after the date on which the last of the Conditions is fulfilled (or waived), or such other date as the Purchaser and the Vendor may agree in writing
“Conditions”	the conditions precedent to the Completion
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Agreement, subject to adjustment
“Conversion Notice”	the written notice(s) served by the holder(s) of the Convertible Note(s) to exercise its/their conversion rights attached to its/their Convertible Note(s)
“Conversion Share(s)”	the new Share(s) which shall be issued and allotted to the holder(s) of the Convertible Note(s) upon exercise of the conversion rights attached to the Convertible Note(s)
“Convertible Note(s)”	the convertible note(s) in the aggregate principal amount of US\$3,520,000,000 (subject to adjustment) (including both the First Convertible Note and the Second Convertible Note(s)) to be issued by the Company to the Vendor (or its nominee(s)) pursuant to the Agreement
“Directors”	the directors of the Company

“Encumbrance”	any interest or equity of any person (including any right to acquire, option or right of pre-emption), mortgage, charge, pledge, bill of sale, lien, deposit, hypothecation, assignment or any other encumbrance, priority or security interest or arrangement or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant shares, assets or property
“Exploitation Licences”	the exploitation licences in relation to the Target Mines to be obtained by Madagascar Chromium before Completion
“Exploration Licences”	<p>six exploration licences granted by the Government of Madagascar to Madagascar Chromium in relation to 352 Area Blocks for the exploration to be carried at Bepilopilo areas; and</p> <p>three exploration licences granted by the Government of Madagascar to Madagascar Chromium in relation to 192 Area Blocks which totally consists of 75 km², for the exploration to be carried out at Beriana areas</p>
“First Convertible Note”	the 3-year zero coupon Convertible Note in the principal amount of US\$176,000,000 signed and sealed by the Company upon signing of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indicated Resources”	the meaning ascribed to it in Chapter 18 of the Listing Rules
“Listing Committee”	the listing committee of the Stock Exchange

“Listing Division”	the listing division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madagascar Chromium”	Madagascar Chromium Company Limited-SARL, a company incorporated in Republic of Madagascar and wholly-owned by the Target Company
“Material Adverse Change”	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, business prospects or assets or liabilities of the Target Company
“Maturity Date”	the date falling on the day being the third anniversary of the date of issue of the First Convertible Note and the fifth anniversary of the date of issue of the Second Convertible Note(s) respectively
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Prospecting Licences”	the mining licences granted by the Government of Madagascar for exploration at certain areas in the Republic of Madagascar
“Purchaser”	Max Dynasty Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Release of Share Charge”	The deed of termination and release entered into between the Purchaser and the Vendor on 28 December 2011 in relation to, among other things, the termination of the Share Charge

“Sale Shares”	the 10,000 issued shares of US\$1.00 nominal value in the capital of the Target Company constituting the entire issued share capital of the Target Company
“Second Convertible Note(s)”	the 5-year zero coupon Convertible Note(s) in the aggregate principal amount of US\$3,344,000,000 (subject to the adjustment) to be issued by the Company to the Vendor at Completion forming part of the Consideration
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Acquisition and the transactions contemplated under the Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Charge”	The deed of charge issued by the Vendor in favour of the Purchaser upon signing of the Agreement, pursuant to which the Vendor pledged the Sale Shares to the Purchaser
“Shareholders”	holders of the Shares
“Shareholder’s Loan”	each amount (if any) owing by the Target Company to the Vendor or any of its associates as at the Completion Date
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Target Company”	Malagasy Chromium Resources Company Limited (馬加士鉻礦資源有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor
“Target Group”	Target Company and its subsidiaries

“Target Mines”	two chromium mines located in the Republic of Madagascar, namely the BEPILOPILO Mine and the BERIANA Mine, which are wholly-owned by Madagascar Chromium
“Termination Deed”	the deed of termination entered into between the Company, the Purchaser and the Vendor on 28 December 2011 in relation to, among other things, the termination of the Agreement
“Valuation Report”	has the meaning ascribed to that term in Chapter 18 of the Listing Rules
“Vendor”	Tak Mining (Chromium) Company Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“km ² ”	square kilometers
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, an exchange rate of US\$1=HK\$7.75 has been used in currency translations. The usage of this exchange rate is for illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged or converted at the above rates or at any other rate at all.

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

Hong Kong, 11 January 2012

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