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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)

### **COMPLETION OF THE VERY SUBSTANTIAL ACQUISITION**

References are made to the Company's announcement dated 22 May 2008 and 27 October 2008, and the Company's circular dated 28 November 2008.

The Board is pleased to announce that the Acquisition Agreement has proceeded to completion on 15 January 2009, with certain closing conditions to the Acquisition Completion being waived on a conditional basis.

This announcement is made in connection with the acquisition agreement dated 30 April 2008 (as supplemented by an agreement dated 24 October 2008) entered into, among others, between China Eagle Development Limited and Fairtime International Limited as vendors and Sourcstar Profits Limited as purchaser in relation to, inter alia, the acquisition of the entire issued share capital of Pacific Choice Holdings Limited. References are made to the Company's announcements dated 22 May 2008 and 27 October 2008 respectively, and the Company's circular dated 28 November 2008 ("**Circular**"). Capitalized terms used in this announcement shall have the same meaning as those defined in the Circular unless otherwise stated therein.

The Board is pleased to announce that the Acquisition Agreement has proceeded to completion on 15 January 2009. However, in view of the fact that the purchase price payable by Starwick Development to TMDC under the TMDC Agreement has not been settled on behalf of Starwick Development by the convertible bonds of the Company before the Acquisition Completion (but will be so settled simultaneously at the Acquisition Completion) and that as at the date of the Acquisition Completion, the pledge ("**Pledge**") created on the TMDC Sale Machineries has not been released, Sourcstar Profits has agreed, subject to the following undertakings given by the Vendors and TMDC, to waive certain closing conditions to the Acquisition Completion:

1. The Vendors shall (and TMDC shall procure the Vendors to) procure the transfer of the ownership of the TMDC Sale Machineries from TMDC to Starwick Development within twelve months from the date of the Acquisition Completion to the effect that on or before the expiry of the said twelve-month-period, the Pledge will have been released. Prior to such transfer, TMDC shall allow any members of the Target Group to use or otherwise occupy the TMDC Sale Machineries at no costs.

\* For identification purposes only

2. Among the Tranche 1 Bonds to be issued to the First Vendors (or such person(s) as nominated by the First Vendor) on the date of the Acquisition Completion, a principal amount as to US\$4,000,000 (or its Hong Kong dollar equivalent of HK\$31,000,000 (at the exchange rate of US\$1: HK\$7.75)) will be withheld by Sourcestar Profits (“**Withheld Consideration**”) and will, upon the transfer of the TMDC Sale Machineries in accordance with paragraph 1 above, be delivered to the escrow agent jointly appointed by the Vendors, Sourcestar Profits and TMDC, who shall hold such Tranche 1 Bonds in accordance with the terms of the escrow agreement to be made in contemplation of Clause 3.4B of the Acquisition Agreement. The conditions upon which the certificates of the entire Tranche 1 Bonds (i.e. including those which represent the Withheld Consideration) can be released by the escrow agent under the escrow agreement were disclosed in announcement of the Company dated 27 October 2008 and in the Circular.
3. In the event that transfer of the ownership of the TMDC Sale Machineries from TMDC to Starwick Development does not take place within twelve months from the date of the Acquisition Completion (or any such later time (if at all) as Sourcestar Profits may determine at its absolute discretion), the Acquisition Consideration shall be reduced by the Withheld Consideration.
4. The Vendors and TMDC shall, if so demanded by Sourcestar Profits, indemnify Sourcestar Profits in full and hold Sourcestar Profits harmless of (i) any costs losses or expenses incurred or sustained for the purpose of purchasing, installing and using alternative machineries in place of the TMDC Sale Machineries; and (ii) any economic loss (including loss of profit) suffered or sustained by Sourcestar Profits arising from or in connection with the interruption of the Business caused by or in connection with the enforcement action taken by the pledgee of the TMDC Sale Machineries (or party(ies) deriving any rights therefrom) or the replacement by such alternative machineries for the TMDC Sale Machineries for whatever reasons (collectively, the “**Indemnified Costs**”).
5. Both the Vendors and TMDC acknowledge that one of the steps for the Reorganisation, i.e. that the TMDC Sale Machineries will become vested in the PRC Subsidiary to the effect that they will be delivered to the PRC Subsidiary (or other persons as nominated by the Starwick Development) within three years from the date of completion of the agreement dated 5 September 2008 supplemental to the TMDC Agreement, shall remain unchanged notwithstanding the arrangement in paragraph 1 above. In addition, by the time the TMDC Sale Machineries are to be delivered to the PRC Subsidiary (or other persons as nominated by Starwick Development), the Vendors and TMDC undertake to use their best endeavors and at their own costs to procure that the import of the TMDC Sale Machineries to the PRC shall comply with the relevant laws and regulations in the PRC.
6. The Vendors and TMDC further undertake that without the prior written consent from Sourcestar Profits, TMDC shall not increase any of its indebtedness or liability which is secured by the Pledge, and TMDC shall, upon the request of Sourcestar Profits, execute such documents and do such acts and things to perform and/or perfect the undertakings given hereunder.

The Company believes that an early Acquisition Completion is beneficial to the Company and its shareholders as a whole, because any turnover and profits of the Target Group can be consolidated into the combined accounts of the Company, and would help the Group diversify its business into the sector of production and distribution of LCoS televisions in line with Company’s business direction. In addition, the waiver regarding the relevant closing conditions was given on a conditional basis as mentioned above. Based on the information provided by TMDC, the outstanding indebtedness or liability which is secured by the Pledge amounts to about US\$2,000,000 as at 31 December 2008. The Withheld Consideration (i.e. about HK\$31 million), which is a double of the said

outstanding indebtedness and which may be deducted towards the total principal amount of the Tranche 1 Bonds of HK\$300 million, only constitutes about 4.43% of the total amount of the Acquisition Consideration less the aggregated principal amount of the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds (i.e. HK\$700 million). Furthermore, the Vendors and TMDC have provided undertakings in favour of Sourcestar Profits that the Indemnified Costs (if any) can be indemnified by the Vendors and TMDC. Accordingly, the Directors do not consider that the grant of the conditional waiver as set out above constitutes a material variation of terms of the Acquisition Agreement and hence no Shareholders' approval in general meeting is required.

By order of the Board  
**Karce International Holdings Company Limited**  
**Tong Shek Lun**  
*Chairman and Managing Director*

Hong Kong, 15 January 2009

*As at the date of this announcement, the Board consists of three executive Directors, Mr. Tong Shek Lun, Mr. Chim Kim Lun, Ricky and Mr. Cheng Kwok Hing, Andy, two non-executive Directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey and three independent non-executive Directors, Mr. Sun Yaoquan, Mr. Goh Gen Cheung and Mr. Wan Hon Keung.*