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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)

**CANCELLATION AGREEMENT
IN RELATION TO
THE FORMAL AGREEMENT FOR DISPOSAL OF
SOURCESTAR PROFITS LIMITED**

References are made to the July Announcement and the August Announcement, respectively, in relation to, among other things, the lapse of the Formal Agreement for the Disposal and the profit warning on the Company's interim results for the six months ended 30 June 2011 arising from the potential refund of the Deposit (in full or partially).

On 24 August 2011, the Company and the Purchaser entered into a cancellation agreement, pursuant to which the parties agreed that the Formal Agreement were cancelled to the effect that the Formal Agreement would have no effect whatsoever and release each other from their respective obligations towards each other as contained in the Formal Agreement. The parties also agreed that a sum of HK\$35 million (being part of the Deposit) would be returned to the Purchaser on the same day as the date of the Cancellation Agreement, while HK\$15 million (being the remaining balance of the Deposit) would be forfeited to and retained by the Company. Under the Cancellation Agreement, neither of the parties was entitled to make any claim or bring any legal proceedings in relation to the Heads of Agreement or Formal Agreement in the future.

This announcement is made by the Company pursuant to the general disclosure obligations under Rule 13.09(1) of the Listing Rules. **Shareholders and investors are requested to exercise caution when dealing in the securities of the Company.**

* *For identification purposes only*

INTRODUCTION

References are made to the announcements of the Company dated 7 July 2011 (“**July Announcement**”) and 17 August 2011 (“**August Announcement**”), respectively, in relation to, among other things, the lapse of the Formal Agreement for the Disposal and the profit warning on the Company’s interim results for the six months ended 30 June 2011 due to the potential refund of the Deposit (in full or partially). Unless otherwise defined herein, capitalised terms shall have the same meaning as defined in the July Announcement.

THE CANCELLATION AGREEMENT

The following is a summary of the terms of the cancellation agreement (“**Cancellation Agreement**”) entered into by the parties stated below:

Date : 24 August 2011

Parties : (1) the Company; and
(2) Good Choice Development Ltd., (the “**Purchaser**”), which is independent of and not connected with the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates and not a connected person of the Company

Principal terms of the Cancellation Agreement

Under the Cancellation Agreement, the parties agreed that the Formal Agreement were cancelled to the effect that the Formal Agreement would have no effect whatsoever and release each other from their respective obligations towards each other as contained in the Formal Agreement. The parties also agreed that a sum of HK\$35 million (being part of the Deposit) would be returned to the Purchaser on the same day as the date of the Cancellation Agreement, while HK\$15 million (being the remaining balance of the Deposit) shall be forfeited to and retained by the Company. Under the Cancellation Agreement, neither of the parties was entitled to make any claim or bring any legal proceedings in relation to the Heads of Agreement or Formal Agreement in the future.

Pursuant to the Cancellation Agreement, the Company already returned HK\$35 million to the Purchaser.

The terms set out in the Cancellation Agreement are full and final settlement of all the parties' actual, prospective or contingent claims, whether past, present and/or future, against each other in connection with or incidental to the Heads of Agreement and Formal Agreement. Neither of the parties shall be entitled to make any claim or bring any legal proceedings in relation thereto in the future. The execution and performance of the Cancellation Agreement is not, and shall not be construed as, any admission of any liability, validity or quantum on the part of any party.

REASONS FOR ENTERING INTO THE CANCELLATION AGREEMENT

As disclosed in the July Announcement, upon signing of the Formal Agreement, a Deposit of HK\$50 million 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).

Subsequently, the Company and the Purchaser were in negotiation on the Purchaser's request for return of the Deposit, which was stated to be non-refundable under the Formal Agreement.

Having into account the factors that (i) the Formal Agreement did not proceed to Completion; (ii) there was no apparent default on the part of the Purchaser; (iii) the execution of the Cancellation Agreement would bar the Purchaser from taking any further legal actions against the Company; (iv) a portion of the Deposit would be retained by the Company; and (v) the Board may devote its full attention and resources (instead of being diverted by the potential proceedings which may arise from the Purchaser's request for return of the Deposit) to the possible acquisition of Chromium Mines in Madagascar, which may constitute a very substantial acquisition on the part of the Company, the Directors (including the independent non-executive Directors) are of the view that entering into the Cancellation Agreement is in the best interest of the Company and Shareholders as a whole, and that the terms of the Cancellation Agreement are fair and reasonable.

GENERAL

This announcement is made by the Company pursuant to the general disclosure obligations under Rule 13.09(1) of the Listing Rules. **Shareholders and investors are requested to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 25 August 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.