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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)

POSSIBLE VERY SUBSTANTIAL DISPOSAL

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

On 31 December 2010, the Company (as possible vendor) and Good Choice Dev (as possible purchaser) entered into the Heads of Agreement, pursuant to which it was agreed in principle by the Company to sell to Good Choice Dev (i) all the issued shares in the capital of the Disposal Target and (ii) all loans advanced by the Company and its subsidiaries (other than the Disposal Target Group) to the Disposal Target Group. The Consideration for the possible Disposal is, subject to the final terms of the Formal Agreement to be entered into, a total sum of HK\$637,500,000 (which is expected to be settled partially by cash, and partially by the assumption by Good Choice Dev of certain liabilities of the Group).

The Heads of Agreement is generally non-legally binding. The final terms of the possible Disposal will be set out in a formal agreement targeted to be signed by the Company and Good Choice Dev on or before 31 January 2011 (or such later date as may be agreed by the parties).

If the possible Disposal proceeds to completion, the Disposal Target shall cease to be subsidiaries of the Company. Based on the latest management accounts of the Disposal Target for the six months ended 30 June 2010, the Group would realize a book profit of HK\$637,500,000.

* For identification purposes only

The possible Disposal, if proceeding to completion, will constitute a very substantial disposal under Chapter 14 of the Listing Rules. To the best knowledge of the Company after making all reasonable enquiries, neither Good Choice Dev nor its associates are interested in any Shares, and Good Choice Dev and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

A Formal Agreement is contemplated to be signed on or before 31 January 2011. Upon signing of the Formal Agreement, a full announcement followed by a circular will be made by the Company in compliance with the Listing Rules.

The Heads of Agreement is generally non-legally binding and is subject to the entering into of a Formal Agreement, except for several provisions such as Good Choice Dev's payment of Deposit. As the Disposal may or may not proceed, Shareholders and investors are advised to exercise caution when dealing in the Shares.

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

INTRODUCTION

On 31 December 2010, the Company (as possible vendor) and Good Choice Dev (as possible purchaser) entered into the generally non-legally binding Heads of Agreement, pursuant to which it was agreed in principle for the Company to sell to Good Choice Dev all the Sale Shares and Sale Debts at the Consideration of HK\$637,500,000 (which is expected to be settled partially by cash, and partially by the assumption by Good Choice Dev of certain liabilities of the Group).

THE HEADS OF AGREEMENT

Date : 31 December 2010

Parties

Possible vendor : the Company

Possible purchaser : Good Choice Development Ltd.

Having made all reasonable enquiries and to the best knowledge, information and belief of the Directors, Good Choice Dev and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

The assets to be disposed of

The entire issued share capital in the Disposal Target, and all loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group as at the Completion Date.

Consideration

The Consideration of HK\$637,500,000 was determined after arm's length negotiations between the Company and Good Choice Dev with reference to, among other things; (i) the loans in the aggregate amount of about HK\$578.7 million owing by the Disposal Target Group to the Group (excluding the Disposal Target Group) as at 31 December 2010; and (ii) the net loss on deconsolidation of the Pacific Choice Group of HK\$602.8 million as at 30 November 2009.

Terms of payment

Under the Heads of Agreement and subject to the final terms to be set out in the Formal Agreement (if entered into), the Consideration is expected to be paid by Good Choice Dev in the following manner:

- Good Choice Dev will pay HK\$50 million as deposit to the Company or its nominee upon the signing of the Formal Agreement (which currently is contemplated to be on or before 31 January 2011).
- Within 12 months from the Completion Date, Good Choice Dev will pay HK\$200 million, being the remaining balance of the cash portion of the Consideration to the Company.
- Upon Completion, Good Choice Dev will discharge the Company of all payment obligations (“Assumed Liabilities”) for any outstanding amounts (including principal amount, interests and/or premium arising therefrom or in connection therewith) due and payable to the 2008 Vendors (or their respective nominees or transferees) under the Promissory Notes and the Convertible Bonds (which as at the date of this announcement have outstanding principal amounts of HK\$87.5 million and HK\$300 million respectively).

The Formal Agreement

The final terms and conditions of the possible Disposal will be set out in the Formal Agreement, if agreed and entered into between the Company and Good Choice Dev. The Formal Agreement is expected to be signed on or before 31 January 2011. Upon signing of the Formal Agreement, a full announcement followed by a circular will be made by the Company in compliance with the Listing Rules.

REASONS FOR THE POSSIBLE DISPOSAL

Reference is made to the circular of the Company dated 28 November 2008, and the announcements of the Company dated 15 January 2009, 20 April 2009, 5 January 2010 and 12 February 2010 respectively. As the original production plan of projection televisions (applying liquid crystal on silicon technology) has not been realised and certain terms/undertakings of the 2008 Acquisition Agreement to be performed on the part of the 2008 Vendors have not been performed, despite the 2008 Acquisition Completion in January 2009, and despite continual requests by the Group's management seeking the Disposal Target Group's assistance and fulfillment of the agreed terms, no reply has been received from the 2008 Vendors or the 2008 Warrantors. The production plan at the Suzhou plant has not been realised, due to failure in delivery of the key production machineries to the plant. For the six months ended 30 June 2010, the Group incurred non-cash finance costs of HK\$17,543,000, as a result of the imputed interests on the convertible bonds and promissory notes issued to the 2008 Vendors as part of the consideration for the acquisition of patents and machineries required for the production of LCoS television. Since the pledge created on the key manufacturing machineries has not been discharged, the transfer of ownership of the machineries to the Group could not be completed. Without the machineries, the production plan and sales plan of LCoS televisions have not been realised. Moreover, the management of the Suzhou plant had never complied with the request of the Company concerning its operation and production. In light of this, the Board acknowledged at a board meeting held on 20 April 2010 that the results of the Pacific Choice Group which carried out the LCoS television business shall be treated as having been deconsolidated from that of the Group with effect from 1 December 2009.

At the Board meeting on 20 April 2010, it was resolved that the Company would first negotiate with the 2008 Vendors and the 2008 Warrantors for a proposal to sell Pacific Choice back to the 2008 Vendors. However, up to the present moment, the Company has not been able to come to terms with the 2008 Vendors.

The Disposal Target Group is in a net liability position, even though the LCoS television business market has recovered from its bottom, the operation of the Disposal Target Group remains difficult to be controlled by the Group, and the Disposal Target Group continued to incur net losses for the six months ended 30 June 2010 due to the pending commencement of production. Therefore, the Disposal Target Group remains a burden to the Company. In view of the above, the Board considers that the continual holding of the businesses of the Disposal Target Group would not be in the interests of the Shareholders and the Company as a whole.

Accordingly, the Company has been actively seeking other potential purchaser(s) to acquire the Disposal Target Group. After arm's length negotiations with Good Choice Dev, the Company and Good Choice Dev entered into the Heads of Agreement on 31 December 2010.

According to Good Choice Dev, it had business connections with which it could develop certain business plans, which might utilise the assets held by the Disposal Target Group and the related knowhow to manufacture and/or sell LCoS televisions and related accessories.

On the other hand, the Company is actively seeking solutions with an objective to turnaround the overall financial performance of the Group, including but not limited to reviewing the existing business operations of the Group and to seek for other business opportunities to be identified by the Company. On account of the deposit of HK\$50,000,000 receivable from Good Choice Dev upon the signing of the Formal Agreement and subsequent payment of HK\$200,000,000 within 12 months after Completion, the Directors are of the view that the recent proposed acquisition and Disposal may bring a new start to the Company and diversify into other business with good returns.

As an update of the progress of the possible acquisition of Chromium Mines in Madagascar, the Company is currently following up the progress of exploration and implementation of production plan undertaken by the vendor of the Chromium mines, in particular the relevant competent person report in compliance with Chapter 18 of the Listing Rules (the "Competent Person Report"). Under Chapter 18 of the Listing Rules, the Competent Person Report is considered to be an essential element of an acquisition of mineral resources company, the Board will further assess the consequence of such acquisition after receipt of the Competent Person Report and the relevant valuation report. Save for the Share Purchase Agreement signed on 22 September 2010 in respect of the Chromium Mines, the Company has no agreement, arrangement, understanding, intention or negotiation about acquiring any other new business as at the date of this announcement.

INFORMATION ON GOOD CHOICE DEV

Good Choice Dev is a company incorporated in the British Virgin Islands. Its registered office is located at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Its ultimate shareholder is Mr. Lin Shao Bin.

GENERAL

The possible Disposal, if proceeding to the signing of the Formal Agreement and to completion, is likely to constitute a very substantial disposal under Chapter 14 of the Listing Rules and is therefore subject to approval by the Shareholders by way of poll at the SGM. The Formal Agreement, subject to its terms and conditions being agreed by the Company and Good Choice Dev, is contemplated to be signed on or before 31 January 2011. Upon signing of the Formal Agreement, a full announcement followed by a circular will be made by the Company in compliance with the Listing Rules.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“2008 Acquisition Agreement”	:	The acquisition agreement dated as of 30 April 2008 together with the supplemental agreements thereto
“2008 Acquisition Completion”	:	Completion of the 2008 Acquisition Agreement which took place on 15 January 2009
“2008 Circular”	:	A circular dated 28 November 2008 issued by the Company in connection with the 2008 Acquisition Agreement
“2008 Vendors”	:	The “Vendors” as defined in the 2008 Circular, namely China Eagle Development Limited and Fairtime International Limited
“2008 Warrantors”	:	Ms. HSU Ming Shan together with Mr. CHAN Hau Kong (formerly known as Mr. CHAN Shun Yuen)
“Board”	:	The board of Directors

- “Business Day” : A day on which banks in Hong Kong open for general business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
- “Company” : Karce International Holdings Company Limited
- “Completion” : The completion of the Disposal
- “Completion Date” : The third Business Day after the fulfillment of all the conditions precedent of the last of the closing conditions as set out in the Heads of Agreement and Formal Agreement
- “Consideration” : The total consideration payable by Good Choice Dev to the Company for the Disposal under the Heads of Agreement
- “Convertible Bonds” : The zero coupon convertible bond(s) in an aggregate principal amount up to HK\$2,300 million (subject to adjustments) issued by the Company as part of the consideration pursuant to the terms of the 2008 Acquisition Agreement
- “Deposit” : A deposit of HK\$50 million to be paid by Good Choice Dev to the Company or its nominee upon signing of the Formal Agreement
- “Director(s)” : The director(s) of the Company
- “Disposal” : Possible disposal of the Sale Interests to Good Choice Dev by the Company pursuant to the Formal Agreement (subject to it being entered into)
- “Disposal Target” : Sourcestar Profits Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company

“Disposal Target Group”	:	Disposal Target and all of its subsidiaries
“Formal Agreement”	:	The formal agreement which is expected to be signed on or before 31 January 2011 in accordance with the Heads of Agreement
“Good Choice Dev”	:	Good Choice Development Ltd., a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. LIN Shao Bin, a third party independent of the Company and its connected persons as defined under the Listing Rules
“Group”	:	The Company and its subsidiaries
“Heads of Agreement”	:	The Heads of Agreement (which is generally non-legally binding) signed by the Company and Good Choice Dev on 31 December 2010
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	The Hong Kong Special Administrative Region of the People’s Republic of China
“LCoS”	:	Liquid crystal on silicon technology which is typically applied in projection televisions
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange
“Pacific Choice”	:	Pacific Choice Holdings Limited, a subsidiary of the Disposal Target
“Pacific Choice Group”	:	Pacific Choice Holdings Limited and its subsidiaries

- “Promissory Notes” : The promissory notes with aggregate principal amounts of HK\$375 million issued by the Company with 2-year maturity from the date of issue at zero coupon rate as part of the consideration payable under the 2008 Acquisition Agreement
- “Sale Debts” : All loans advanced by the Group (excluding the Disposal Target Group) to the Disposal Target Group as at the Completion Date, which amounted to approximately HK\$578.7 million as at 31 December 2010
- “Sale Shares” : The entire issued share capital in Disposal Target
- “Sales Interests” : The Sale Shares and Sale Debts
- “SGM” : The special general meeting of the Company to be convened to approve, amongst other things, the Formal Agreement, and the transactions contemplated thereunder
- “Share(s)” : Shares(s) of HK\$0.10 each
- “Shareholder(s)” : Holder(s) of the Shares
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited

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

Hong Kong, 17 January 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.

In the case of any inconsistency, the English text of this announcement should prevail over the Chinese Text.

This announcement will remain on the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.