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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)**

**MEMORANDUM OF UNDERSTANDING  
IN RELATION TO  
THE PROPOSED ACQUISITION OF  
55% EQUITY INTEREST IN A PRC COMPANY**

The Board wishes to announce that Long Trinity Limited, the Company's wholly-owned subsidiary, on 1 June 2010 entered into a MOU with the Vendors in relation to the Proposed Acquisition of 55% equity interest in the Target Company.

**The Proposed Acquisition may or may not proceed.** The Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcements on the Proposed Acquisition will be made as and when appropriate in compliance with the Listing Rules.

**Shareholders and potential investors shall exercise extreme caution when dealing in the Shares.**

This announcement is issued under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

\* *For identification purposes only*

On 1 June 2010, Long Trinity Limited (the “**Purchaser**”), a wholly-owned subsidiary of Karce International Holdings Company Limited (the “**Company**”), entered into a non-legally binding memorandum of understanding (“**MOU**”) with 2 parties (the “**Vendors**”) in relation to a proposed acquisition (the “**Proposed Acquisition**”) of 55% equity interest in 珠海和盛特材股份有限公司 (Zhuhai Hoston Special Materials Co., Ltd.) (the “**Target Company**”), a company incorporated in the People’s Republic of China. The Target Company is engaged in, inter alia, the manufacture of steel bar for prestressed concrete.

The board of directors of the Company (the “**Board**”) confirmed that to the best knowledge, information and belief after having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are independent third parties with the Company and its connected persons (as defined in the Listing Rules).

The material terms of the MOU are summarized below:

## **TIMETABLE**

The parties agreed that the timetable for the Proposed Acquisition to be as follows:

| <b>Date</b>           | <b>Event</b>  |
|-----------------------|---|
| 15 June 2010          | All terms of the Proposed Acquisition finalized   |
| 20 June 2010          | The legal advisers and accountants of the Purchaser to prepare for the Proposed Acquisition, which includes but not limited to conducting due diligence on the Target Company |
| 20 July 2010          | Execution of formal agreement in relation to the Proposed Acquisition   |
| End of September 2010 | Completion of all registration and approval procedures with the PRC authorities in relation to the Proposed Acquisition   |

## **CONSIDERATION**

The parties agreed that the consideration of the Proposed Acquisition (the “**Consideration**”) shall be 10 times the profit forecast of the Group for the financial year ending 31 December 2010. The Board estimated that the Consideration shall be in the sum of approximately RMB100 million (equivalent to approximately HK\$114 million).

The Consideration shall be settled as to 30% by cash and 70% by way of issue of new shares of the Company (the “**Shares**”).

The Vendors warrant that the profit of the Target Company for the financial years ending 31 December 2011 and 2012 shall not be less than the profit of the Target Company for the financial year ending 31 December 2010.

## **EXECUTION OF FORMAL AGREEMENT**

The Purchaser shall sign formal agreement with the Vendors after the Purchaser has completed the due diligence on the Target Company to its satisfaction.

## **EXCLUSIVITY**

The Vendors shall not (directly or indirectly) discuss or negotiate with any third party to dispose of or transfer the equity interest in the Target Company for a period of 1 year from the date of the MOU, unless the Purchaser agrees otherwise in writing.

The Board considers that the Proposed Acquisition represents a good investment opportunity that may bring a new income stream for the Company, which is in the interest of the Company and its shareholders as a whole.

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**Shareholders and potential investors shall exercise extreme caution when dealing in the Shares.**

*For illustration purpose only, the exchange rate of RMB1 : HK\$1.14 has been adopted in this announcement.*

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

Hong Kong, 4 June 2010

*As 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*