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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 INTENT

This announcement is made pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board announces that on 10 September 2013, the Purchaser entered into a non-legally binding Memorandum of Intent with the Sellers in relation to the Possible Acquisition.

The Board would like to remind Shareholders and investors of the Company that the Memorandum of Intent only represents the major indicative terms of the Possible Acquisition, and there may be changes during the progress and implementation of the Memorandum of Intent. As at the date of this announcement, no legally binding agreement in relation to the Possible Acquisition has been entered into. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company under the Listing Rules. Shareholders and investors of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in compliance with the requirements under the Listing Rules in the event any Formal Agreement has been signed.

* For identification purposes only

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers are third parties independent of the Company, its subsidiaries and its connected persons.

Major terms of the Memorandum of Intent

Under the Memorandum of Intent, it is proposed that the Purchaser will acquire more than 50% but not more than 60% direct or indirect equity interests in Zhejiang Stone if the Possible Acquisition materialises.

Subject to due diligence and negotiations by the Purchaser and the Sellers, the intended consideration for the Possible Acquisition will not be more than RMB50,000,000 (or its equivalent) which might be payable by the Purchaser by way of cash and/or Shares. It is also intended that upon completion of the Possible Acquisition, the Sellers will not become substantial shareholders (as defined under the Listing Rules) of the Company.

It is envisaged that the Group will commence due diligence in respect of Zhejiang Stone and its subsidiaries (if any) after signing of the Memorandum of Intent.

Pursuant to the Memorandum of Intent, the Sellers have agreed, within three months from the date of the Memorandum of Intent, not to contact, directly or indirectly, any other person or potential purchaser and not to negotiate with any person or sign any agreement in respect of the subject matter of the Possible Acquisition.

Under the Memorandum of Intent, the Purchaser and the Sellers intend to proceed to discuss and negotiate the legally-binding Formal Agreement.

The Memorandum of Intent does not constitute any legally-binding commitment for the Purchaser and the Sellers in respect of the Possible Acquisition except for the provisions on due diligence, fees, exclusivity, governing law and jurisdiction and confidentiality provisions.

There is no assurance that the Group will proceed with the Possible Acquisition.

If the Formal Agreement is entered into, the Possible Acquisition may constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the applicable reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Information on Zhejiang Stone

Zhejiang Stone is principally engaged in the development and application of pure water (ultra-pure water) and wastewater technology; undertaking all types of water treatment works, the manufacture and sales of relevant equipment; research and development of water treatment equipment; installation and commissioning of water treatment works and equipment. Zhejiang Stone and the Sellers are experienced in the aforementioned industry. The Company is of the view that the Possible Acquisition will enable the Group to participate in the energy conservation and environmental protection industry.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 1159)
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company
“Formal Agreement”	the legally binding agreement in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Intent”	the non-legally binding memorandum of intent dated 10 September 2013 entered into between the Purchaser and the Sellers setting out the major indicative terms in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Group of more than 50% but not more than 60% of direct or indirect equity interests in Zhejiang Stone

“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Sino Yale Holdings Limited, a company incorporated in the British Virgin Islands, which is a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Mr. Chen Hao (陳浩先生), Ms. Cai Hong (蔡虹女士) and Mr. Pan Xinhua (潘欣華先生) or the entities controlled by them
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Stone”	浙江四通環境工程有限公司 (Zhejiang Stone Environmental Engineering Co., Ltd.), a company incorporated in the PRC, which is ultimately owned by Mr. Chen Hao, Ms. Cai Hong and Mr. Pan Xinhua
“%”	per-cent

By Order of the Board
Karce International Holdings Company Limited
Chau Chit
Chairman

Hong Kong, 10 September 2013

As at the date of this announcement, the Board consists of three executive Directors, Mr. Chau Chit, Mr. Tang Hao and Mr. Chan Sung Wai; and three independent non-executive Directors, Mr. Lum Pak Sum, Mr. Shum Kai Wing and Ms. Zhou Jianhong.