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Mitsumaru East Kit (Holdings) Limited
三丸東傑(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2358)

UPDATE ON LISTING STATUS;

**VERY SUBSTANTIAL ACQUISITION INVOLVING ACQUISITION
OF TV BUSINESS;**

**PROPOSED OPEN OFFER OF 2,400,000,000 OFFER SHARES
ON THE BASIS OF
SIX OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE;**

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;

CHANGE OF BOARD LOT SIZE; AND

SHARE SUBSCRIPTION

UPDATE ON LISTING STATUS OF THE COMPANY

References are made to the announcements of the Company dated 16 May 2012, 31 October 2012, 5 December 2012, 4 March 2013, 20 May 2013, 18 June 2013 and 15 August 2013 respectively providing updates in respect of the listing status of the Company and an announcement made by the Stock Exchange dated 5 December 2012.

To provide the Listing (Review) Committee with the updated resumption plan of the Company based on the May Proposal and seek the Stock Exchange's approval for the implementation of the resumption plan of the Company to achieve the Resumption, the Company submitted the August Proposal, which includes the Proposed Acquisition, the Open Offer, the Increase in Authorised Share Capital and the CWA Subscription, on 21 August 2013.

THE PROPOSED ACQUISITION

References are made to the announcements of the Company dated 20 May 2013 and 15 August 2013 respectively in relation to the Proposed Acquisition. On 20 May 2013, the Company and Westlake Electronics entered into a non-legally binding Framework Agreement with regard to the Proposed Acquisition. Pursuant to the Framework Agreement, it was legally binding that Westlake Electronics would procure SOYEA to offer the Sale Capital for sale by public tendering and the Company would (or procure its designated subsidiary to) submit a bidding application to participate in and bid for the tender for acquisition of the Sale Capital.

The Bidding Process commenced on 19 July 2013 and has ended on 15 August 2013. The Company, through Ace Earn, submitted the bidding application for acquisition of the Sale Capital and has been successful. On 20 August 2013, Ace Earn and SOYEA entered into the Acquisition Agreement for the Proposed Acquisition, upon completion of which the Target Company will become an indirect wholly-owned subsidiary of the Company.

THE OPEN OFFER

The Company proposes to raise approximately HK\$240 million, before expenses, by way of the Open Offer of 2,400,000,000 Shares at the Offer Price of HK\$0.10 per Offer Share on the basis of six (6) Offer Shares for every (1) existing Share held on the Record Date.

The gross proceeds and net proceeds from the Open Offer are estimated to be approximately HK\$240 million and HK\$233 million respectively. The Company intends to use the net proceeds from the Open Offer as to (i) approximately HK\$133,350,000 for the Acquisition Consideration; and (ii) the remaining HK\$99,650,000 as general working capital of the Group. Should the Acquisition Consideration be settled before the completion of the Open Offer by internal resources of the Group and/or bank or other borrowings, the net proceeds from the Open Offer will be used for replenishment/repayment of such internal resources of the Group and/or bank or other borrowings.

THE INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares. As at the date of this announcement, 400,000,000 Shares are issued and allotted as fully paid or credited as fully paid.

To allow the Company to have sufficient unissued Shares for the completion of the Open Offer and the CWA Subscription, the Company proposes to increase its authorised share capital from HK\$100,000,000 (divided into 1,000,000,000 Shares) to HK\$500,000,000 (divided into 5,000,000,000 Shares) by the creation of an additional 4,000,000,000 Shares which will rank *pari passu* with all existing Shares.

THE CHANGE OF BOARD LOT SIZE

Based on the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on the Last Trading Day and the Offer Price of HK\$0.10 for each Offer Share under the Open Offer, the theoretical ex-entitlement price of each Share will be approximately HK\$0.22 and the theoretical value of each board lot of 2,000 Shares upon completion of the Open Offer will be approximately HK\$440.00.

In order to increase the value of each board lot of the Shares so that the value of each board lot of Shares will not be less than HK\$2,000 and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading in the Shares to from 2,000 to 10,000 upon the Open Offer becoming unconditional. The change of board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change of board lot size is in the interests of the Company and the Shareholders as a whole.

THE CWA SUBSCRIPTION

References are made to the joint announcements of the Company and CWA dated 1 December 2010, 7 March 2011, 31 March 2011, 30 June 2011, 7 December 2011, 29 December 2011, 29 June 2012, 28 December 2012 and 2 July 2013 respectively, regarding, among other things, the CWA Subscription.

On 1 December 2010, the Company (as the borrower) and New Prime (as the lender) entered into a loan agreement, pursuant to which New Prime agreed to make available to the Company the CWA Loan of up to a principal amount of HK\$100,000,000 in cash. On even date, the Company (as the borrower) and New Prime (as the lender) entered into the Debenture as a security for the repayment of the CWA Loan. Details of the CWA Loan and the Debenture were included in the December Joint Announcement.

On 1 December 2010, the Company (as the issuer) and New Prime (as the subscriber) entered into the Subscription Agreement, pursuant to which the Company has agreed to issue and New Prime has agreed to subscribe for 1,000,000,000 Subscription Shares, representing (i) approximately 250% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 71.43% of the total issued share capital of the Company as enlarged by the Subscription Shares (before the Open Offer). Details of the CWA Subscription were included in the December Joint Announcement.

The Subscription Price is to be satisfied by way of offsetting against the CWA Loan.

IMPLICATIONS UNDER THE LISTING RULES

As the asset ratio under Rule 14.07 of the Listing Rules in respect of the Guarantee Payment exceeds 100%, the Stock Exchange has expressed concern on whether the Guarantee Payment, which shall be forfeited by SOYEA in the event that the default in payment of any part of the Acquisition Consideration shall continue for more than 60 days since the due date, or if the Shareholders' approval cannot be obtained by 30 November 2013, should be subject to the applicable requirements under Chapter 14 of the Listing Rules, in particular, the prior shareholders' approval requirement.

As the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition for the Company exceed(s) 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval at the EGM.

The August Proposal is a self-rescue plan of the Company and does not involve introduction of new investor/white knight to the Company. Subject to the Review Hearing, the Directors consider that the Proposed Acquisition fulfills the requirements as set out in the Listing Committee Annual Report 2010 which stated that "where the resumption proposals involved very substantial acquisition from third parties independent of the incoming investors, the Stock Exchange would not apply RTO rules to acquisition of business in the same line as the company's original businesses before suspension". Thus, the Directors are of the view that the relaxation of the RTO rules should apply to the August Proposal in respect of the Proposed Acquisition and such view is subject to the Review Hearing.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. The Company shall also seek the Shareholders' approval at the EGM for the issue of the Subscription Shares under a specific mandate of the Company.

As no Shareholder has material interest in the Increase in Authorised Share Capital and the CWA Subscription, no Shareholder is required to abstain from voting on each of the resolutions approving the Increase in Authorised Share Capital and the CWA Subscription at the EGM.

As at the date of this announcement, SOYEA is interested in 38,088,000 Shares, representing approximately 9.52% of the existing issued share capital of the Company. As being the vendor under the Proposed Acquisition, SOYEA and its associates shall abstain from voting on the resolution approving the Proposed Acquisition at the EGM.

The Open Offer is subject to, among other things, the approval by the independent shareholders of the Company at the EGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in accordance with the Listing Rules. Accordingly, Z-Idea Company Limited, being a controlling shareholder of the Company, and its associates shall abstain from voting on the resolution approving the Open Offer at the EGM. In addition, since the majority of the net proceeds from the Open Offer is intended to be used for settling the Acquisition Consideration, SOYEA is deemed to have material interests in the Open Offer. Accordingly, SOYEA and its associates shall also abstain from voting on the resolution approving the Open Offer at the EGM.

GENERAL

An independent board committee will be formed to advise the independent shareholders of the Company as to the terms of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in this regard.

The Circular containing, among other things, (a) further information in respect of (i) the Proposed Acquisition and the Target Company including but not limited to its financial information; (ii) the Open Offer; (iii) the Increase in Authorised Share Capital; (iv) the change of board lot size; and (v) the CWA Subscription; and (b) a notice to convene the EGM at which resolutions will be proposed to approve each of the aforesaid except for the change of board lot size, will be despatched to the Shareholders as soon as practicable. However, since the transactions contemplated under the August Proposal, which include the Proposed Acquisition and the Open Offer, are the subject matters of the Review Hearing, the despatch date of the Circular remains uncertain as at the date of this announcement.

Shareholders and potential investors should note that the Proposed Acquisition and the CWA Subscription are conditional upon the fulfillment of a number of condition(s) precedent and hence may or may not proceed. Moreover, the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

The issuance of this announcement does not mean that trading in the Shares be resumed and listing of the Offer Shares and the Subscription Shares will be approved by the Stock Exchange.

The transactions contemplated under the August Proposal, which include the Proposed Acquisition and the Open Offer, are the subject matters of the Review Hearing. In the event that the Review Hearing uphold the Listing Committee's decision, the transactions contemplated under the August Proposal will not be able to proceed.

The Company shall, in accordance with the relevant provision of the Acquisition Agreement, approach SOYEA to negotiate for the amendment/termination of the Acquisition Agreement should the Review Hearing uphold the Listing Committee's decision. Further announcement shall be made by the Company in this regard as and when appropriate in compliance with the Listing Rules.

SUSPENSION OF TRADING

At the direction of the Stock Exchange, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 14 February 2008 and will remain suspended until further notice.

(A) UPDATE ON LISTING STATUS OF THE COMPANY

References are made to the announcements of the Company dated 16 May 2012, 31 October 2012, 5 December 2012, 4 March 2013, 20 May 2013, 18 June 2013 and 15 August 2013 respectively providing updates in respect of the listing status of the Company and an announcement made by the Stock Exchange dated 5 December 2012.

The Company submitted several resumption proposals to the Stock Exchange after the Trading Suspension. On 23 November 2012, the Listing Division issued the Letter to the Company, stating that, among other things, the Stock Exchange has decided to place the Company in the third stage of delisting on 5 December 2012 under Practice Note 17 to the Listing Rules. The third stage of delisting has expired on 4 June 2013.

In response to the Letter and due to changes in circumstances and market environment, including but not limited to the new investment and acquisition opportunity which has been identified by the Company, the Company revised its resumption plan and submitted a revised resumption proposal to the Stock Exchange on 20 May 2013 (the **"May Proposal"**).

The May Proposal contained certain details of the Proposed Acquisition and the Target Company. Nevertheless, the Company had only entered into a non-legally binding Framework Agreement and the Bidding Process had not yet commenced when the May Proposal was submitted. Furthermore, under the May Proposal, the Open Offer would be fully underwritten by three underwriters, including a subsidiary of Westlake Electronics and New Prime. The May Proposal also included a proposed very substantial disposal for the Company regarding the possible disposal of China Mutual, which through the shareholding of Sunbow is principally engaged in the manufacturing, assembling and installation of electronic water meters in the PRC, by the Company.

The Company also submitted certain updated information to facilitate the Stock Exchange's assessment on the viability of the May Proposal on 12 June 2013.

The Listing Committee considered the Company's case on 13 June 2013 and considered that the May Proposal is not viable. The Listing Committee decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with Practice Note 17 to the Listing Rules (the "**Decision**").

In arriving at the Decision, the Listing Committee has taken into account the following reasons:

- (i) the May Proposal is not in a finalised form as (a) the Company had only entered into a non-legally binding Framework Agreement; (b) the Proposed Acquisition was contingent on, among other things, the Company's success in the Bidding Process; and (c) the May Proposal lacks sufficient information to demonstrate the viability of the Target Company's business; and
- (ii) the May Proposal, if materialised, would constitute a reverse takeover ("**RTO**") for the Company under Rule 14.06(6) of the Listing Rules as (a) the Company has disposed of the Existing Business (as defined below) in July 2012 and is now engaging in the water meters business; (b) the previous underwriting arrangement of the proposed Open Offer might enable Westlake Electronics (and its associates) to increase their shareholding interests in the Company and become the second largest Shareholder; (c) the Target Company is unable to meet the financial track record requirements under Rule 8.05 of the Listing Rules; and (d) Westlake Electronics (and its associates) were both the vendor of the Proposed Acquisition and the investor.

In accordance with Rule 2B.07(5)(b) of the Listing Rules, on 18 June 2013, the Company submitted its request for a review of the Decision. The Review Hearing is scheduled to be held on 17 September 2013.

To provide the Listing (Review) Committee with the updated resumption plan of the Company (with further details on the business and operations of the Target Company and of which the Acquisition Agreement and the Underwriting Agreement have both been executed, and the Underwriter being engaged as the sole Underwriter for the Open Offer) based on the May Proposal and seek the Stock Exchange's approval for the implementation of the resumption plan of the Company to achieve the Resumption, the Company submitted the August Proposal, which includes the Proposed Acquisition, the Open Offer, the Increase in Authorised Share Capital and the CWA Subscription, on 21 August 2013.

The Company will make further announcement if and when there is material development in relation thereto.

(B) THE PROPOSED ACQUISITION

References are made to the announcements of the Company dated 20 May 2013 and 15 August 2013 respectively in relation to the Proposed Acquisition. On 20 May 2013, the Company and Westlake Electronics entered into a non-legally binding Framework Agreement with regard to the Proposed Acquisition. Pursuant to the Framework Agreement, it was legally binding that Westlake Electronics would procure SOYEA to offer the Sale Capital for sale by public tendering and the Company would (or procure its designated subsidiary to) submit a bidding application to participate in and bid for the tender for acquisition of the Sale Capital.

The Bidding Process commenced on 19 July 2013 and has ended on 15 August 2013. The Company, through Ace Earn, submitted the bidding application for acquisition of the Sale Capital and has been successful. On 20 August 2013, Ace Earn and SOYEA entered into the Acquisition Agreement for the Proposed Acquisition, upon completion of which the Target Company will become an indirect wholly-owned subsidiary of the Company.

THE ACQUISITION AGREEMENT

Set out below are the major terms and conditions of the Acquisition Agreement:

Date

20 August 2013

Parties involved

- (i) Ace Earn, a wholly-owned subsidiary of the Company, as purchaser.
- (ii) SOYEA, as vendor. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, SOYEA owns 38,088,000 Shares, representing approximately 9.52% of the existing issued share capital of the Company. Save as and except for the information disclosed above, SOYEA and its ultimate beneficial owners have no relationship with the Company and its connected persons.

Assets to be acquired

The Sale Capital, representing the entire registered and paid-up share capital of the Target Company.

The Acquisition Consideration

The Acquisition Consideration of RMB105,000,000 (equivalent to approximately HK\$133,350,000) shall be paid to SOYEA by cash in the following manner:

- (i) as to RMB63,000,000, being 60% of the Acquisition Consideration (the “**First Installment**”), shall be payable within ten business days after the entering into of the Acquisition Agreement; and
- (ii) as to RMB42,000,000, being the remaining 40% of the Acquisition Consideration, shall be payable by 31 December 2013, together with the interests accrued thereto which are calculated based on the 1-year RMB benchmark loan interest rates for financial institutions.

The Acquisition Consideration shall be satisfied in RMB, and should Ace Earn choose to satisfy the Acquisition Consideration in other currencies, the relevant exchange rate shall be determined by the prevailing exchange rate on the date on which the Acquisition Consideration is being settled. A guarantee payment (the “**Guarantee Payment**”) of RMB30,000,000 (equivalent to approximately HK\$38,100,000) has been paid by Ace Earn upon submitting the bidding application for acquisition of the Sale Capital. Such Guarantee Payment shall be applied as part of the First Installment in the event that the Company becomes the successful bidder or be refunded to the Company if otherwise.

The Company considers that the Guarantee Payment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole given that (i) the Company is provided with the flexibility (with minimal default interest payment obligation) to settle the Acquisition Consideration after receiving the positive results of the Review Hearing; and (ii) the Target Company is a quality asset to be acquired for the purpose of the Resumption which shall be in the best interests of the Company and the Shareholders as a whole.

Pursuant to the Acquisition Agreement, any delay in payment of the First Installment for not more than 60 days from the due date would not be considered as a breach of the Acquisition Agreement, but a default interest to be calculated on a daily interest rate of 0.05% on the outstanding amount due (i.e. a maximum of RMB990,000) will be charged. As the Guarantee Payment has been paid and applied as part of the First Installment, there is only RMB33,000,000 (equivalent to approximately HK\$41,910,000) remains outstanding. In light

of this, and taking into account that the Proposed Acquisition is the subject matter of the Review Hearing, the Company intends to settle the First Installment only after receiving the positive results of the Review Hearing. However, it is also provided under the Acquisition Agreement that if the default in payment of any part of the Acquisition Consideration shall continue for more than 60 days since the due date, or if the Shareholders' approval cannot be obtained by 30 November 2013, the Acquisition Agreement shall be terminated and the Guarantee Payment shall be forfeited by SOYEA.

The Group has financed the Guarantee Payment by borrowings from an Independent Third Party, and shall finance the Acquisition Consideration by its internal resources, bank or other borrowings and/or the net proceeds from the Open Offer.

Basis of the Acquisition Consideration

The Acquisition Consideration was determined with reference to the business prospects, the management and expertise and the net asset value of the Target Company as at 30 June 2013 of approximately RMB89,370,000.

Condition precedent

The Acquisition Agreement shall become effective and proceed to completion upon passing by the Shareholders who are allowed to vote and not required to abstain from voting of the necessary resolution(s) at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

The long stop date for completion of the Proposed Acquisition is 31 December 2013.

Completion

The parties to the Acquisition Agreement shall fulfill the reporting obligation to the relevant regulatory authority(ies) and shall use their best endeavours to cooperate in handling the reasonable requests and enquiries being put forward by the relevant regulatory authority(ies) in order to obtain its/their approval for the Acquisition Agreement and the transactions contemplated thereunder.

The Zhejiang Property & Stock Exchange shall issue a property transaction certificate to SOYEA and Ace Earn within three business days upon payment of the full Acquisition Consideration and the service fees incurred by Ace Earn.

Within 20 business days after the issuance of the property transaction certificate by the Zhejiang Property & Stock Exchange, SOYEA shall procure the Target Company to conduct the requisite registration transfer procedures in the relevant registration authority and Ace Earn shall provide all necessary cooperation for the transfer of the Sale Capital. The date on which the registration authority completes the registration transfer procedures for the Sale Capital shall be regarded as the date of completion of the Acquisition Agreement.

Other major terms

Pursuant to the Acquisition Agreement (as supplemented by a supplemental agreement being entered into on even date), the Company should be able to obtain the Shareholders' approval for the Acquisition Agreement and the transactions contemplated thereunder no later than 30 November 2013 (or such other date as mutually agreed by the parties to the Acquisition Agreement).

INFORMATION ON SOYEA

SOYEA is a company established under the laws of the PRC in 1999, whose issued shares are listed on the Shenzhen Stock Exchange (Stock code: 000909). The parent company of SOYEA is Westlake Electronics, which is a state-owned sole capital company authorised by the Hangzhou government of the PRC.

As at the date of this announcement, SOYEA owns 38,088,000 Shares, representing approximately 9.52% of the existing issued share capital of the Company.

SOYEA mainly engages in the research, development, sales, consultant and result-transfer of the high-tech products of digital audio visual (AV) products, digital (analog) colour televisions (TV), tele-communication equipment, satellite-broadcasting TV equipment, computer software, network integrated service, intellectual building project and real estate.

For the year ended 31 December 2012, SOYEA recorded audited consolidated turnover and profit after tax of approximately RMB1,261.5 million and approximately RMB41.7 million respectively.

INFORMATION ON THE TARGET COMPANY

The Reorganisation

SOYEA announced on the Shenzhen Stock Exchange's website on 27 April 2013 regarding its proposal to carry out the Reorganisation whereby the Target Company would be established under the laws of the PRC as the operating arm of SOYEA's TV business. The Target Company was established on 9 June 2013 with registered capital of RMB90 million, which has already been fully paid up. The Reorganisation was completed on 18 July 2013 and the TV production facilities and TV business of SOYEA are now owned and operated by the Target Company.

Business and operations

The Target Company is a company engaging in the R&D, manufacturing and sales of digital TV, high definition (**HD**) liquid crystal display (**LCD**) TV and set-top box (**STB**) as well as the provision of application solutions regarding integration of tele-communication, television and internet in the digital AV industry (the "**TV Business**").

The products of the Target Company can be classified into the following three main categories:

- (i) TV set products such as digital TV, HD LCD TV and smart TV integrated with internet functions;
- (ii) AV end-user products such as digital TV STB, over the top (**OTT**) TV and internet protocol television (**IPTV**); and
- (iii) multi-media front end solutions for various industry applications.

The production base of the Target Company is located at the industrial park of 5th Avenue, Xiasha Economic and Technological Development Zone, Hangzhou, the PRC with an area of approximately 8,000 sq.m.. The site is equipped with high-speed surface mount technology (**SMT**) and auto-insertion machines, colour TV (including LCD TV) production lines and STB production lines. The Target Company has its own web station, union resource planning (**URP**) and information management system.

Further information of the Target Company (including but not limited to its business and operations, management, competitive advantages and future strategies) and an overview of the TV industry shall be disclosed in the Circular to be despatched by the Company to the Shareholders.

Financial information on the Target Company

The Target Company will become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition Agreement. Accordingly, the financial results of the Target Company will be consolidated as to 100% into the financial statements of the Group.

Set out below is a summary of the audited financial information prepared by Zhonghui Certified Public Accountants Co., Limited in accordance with the PRC accounting standards of the TV Business of the Target Company as a business segment of SOYEA for the period from 1 January 2010 to 31 December 2012

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	316,042	309,332	278,725
Profit before tax	14,004	17,239	13,714
Profit after tax	11,904	14,653	11,657

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net asset value (Note)	11,900	26,560	38,210

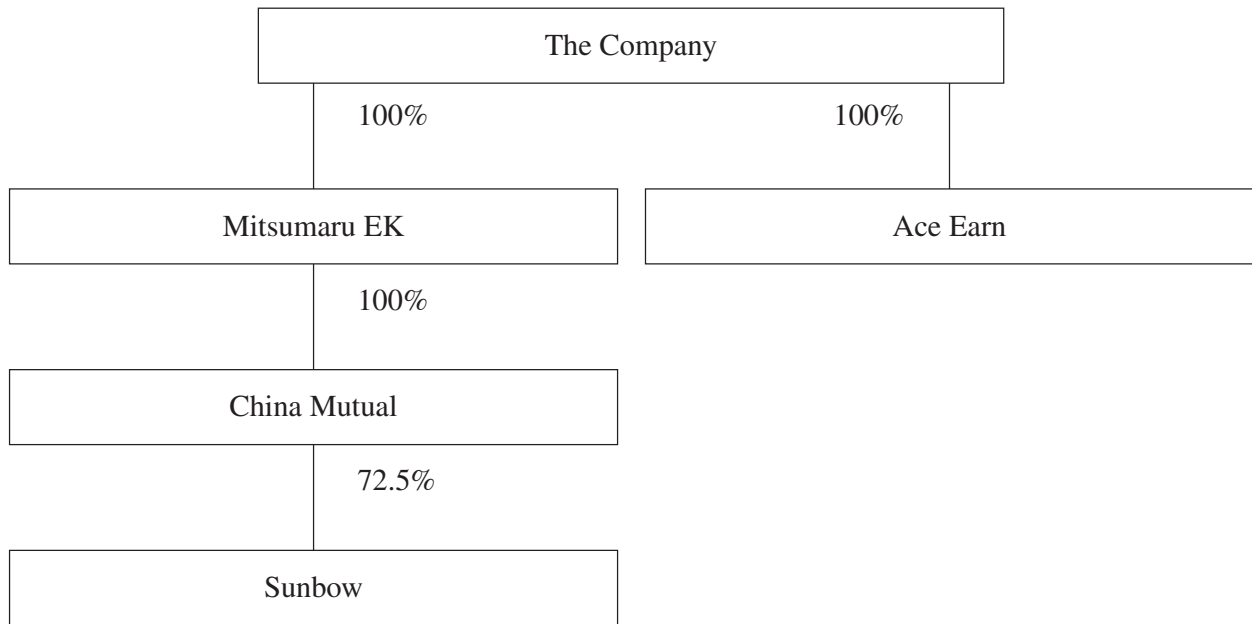
Note: as the TV Business of the Target Company was a business segment of SOYEA before completion of the Reorganisation, the net asset value only reflected the business segment's profit and did not include any share capital.

The net asset value of the Target Company as at 30 June 2013 was approximately RMB89,370,000.

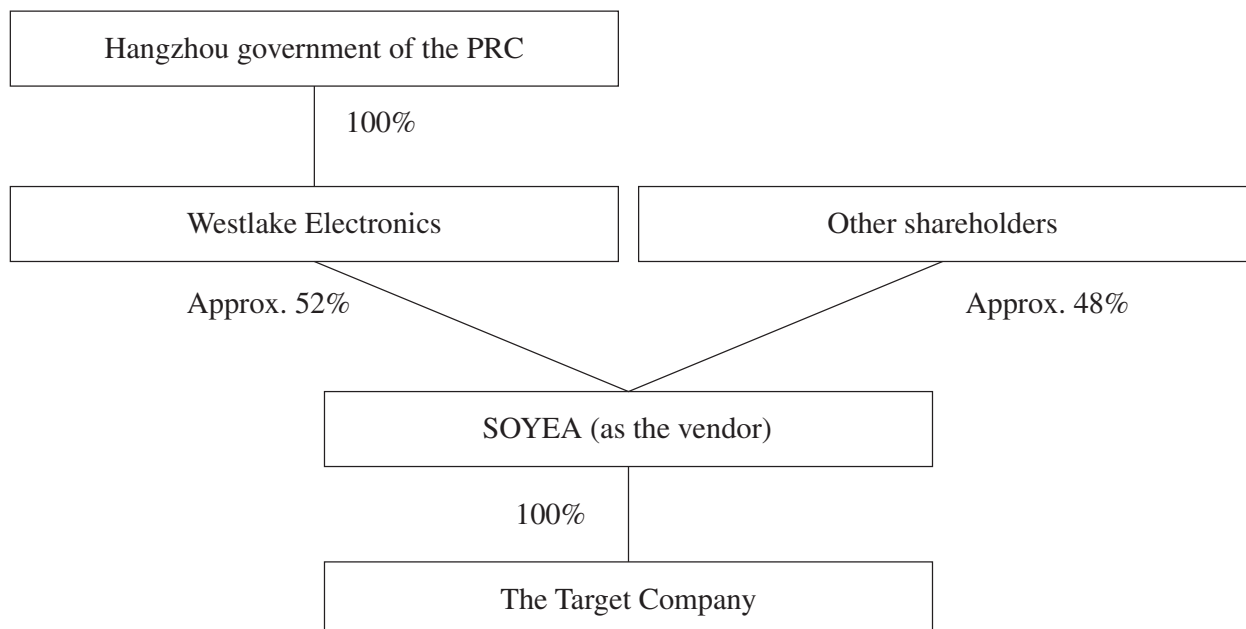
SHAREHOLDING CHARTS

The following charts show the corporate structure of (i) the Group and the Target Company at the date of this announcement; and (ii) the Enlarged Group immediately upon completion of the Acquisition Agreement:

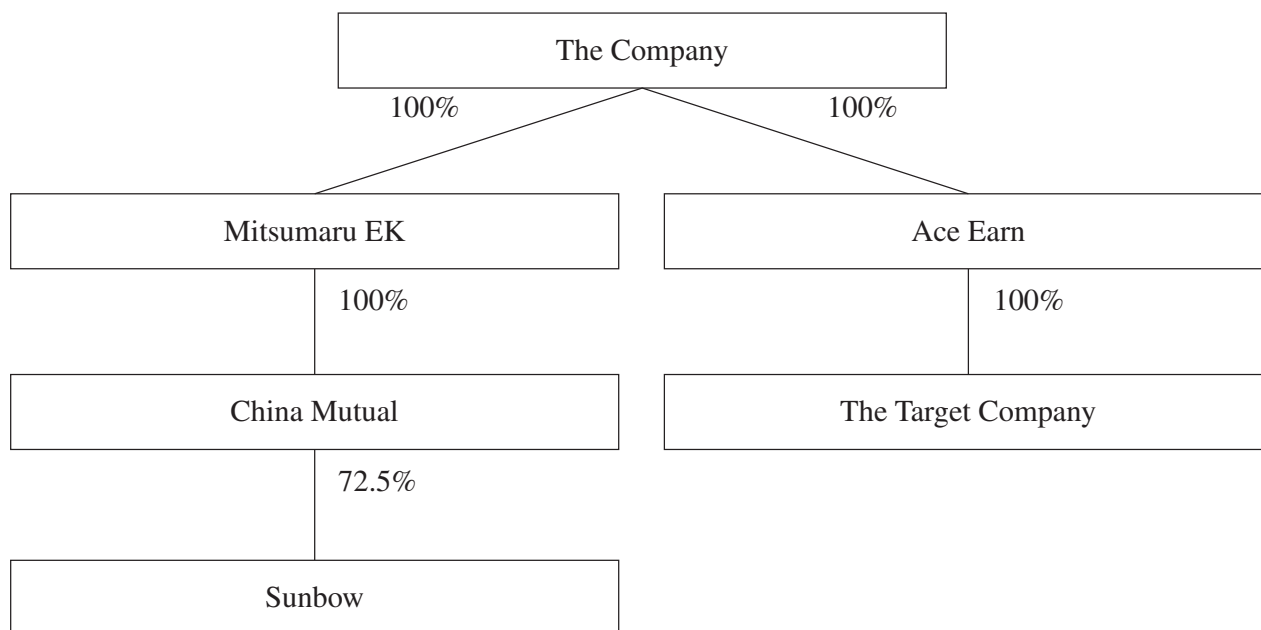
Corporate structure of the Group as at the date of this announcement



Corporate structure of the Target Company as at the date of this announcement



Corporate structure of the Enlarged Group upon completion of the Acquisition Agreement



REASONS FOR THE PROPOSED ACQUISITION

Since the listing of the Shares on the Stock Exchange on 15 July 2004, and immediately before and during the Trading Suspension, the Group has all along been engaging in the television and its related components design, trading and assembly business (the “**Existing Business**”). On 29 February 2012, the Group acquired a company which is principally engaged in the assembling and installation of electronic water meters in the PRC. Due to the loss making position of the Existing Business, the Group completed the disposal of the same in July 2012 and continued with the water meters business as its only business for the time being.

To achieve the Resumption, the Directors have been persistently searching for acquisition opportunity of similar television business with satisfactory financial performance and sufficient level of operations for the purpose of achieving resumption in the Shares after taken into account the Listing Committee Report 2010 which stated that “where the resumption proposals involved very substantial acquisitions from third parties independent of the incoming investors, the Stock Exchange would not apply RTO rules to acquisition of businesses in the same line as the companies’ original businesses before suspension”. Having considered the historical financial performance of the TV Business of the Target Company as a business segment of SOYEA before the Reorganisation, the business operations as well as future prospects of the Target Company, the Directors believe that the Enlarged Group’s operations and profitability would be enhanced through the Proposed Acquisition and the Enlarged Group shall be able to meet the relevant operations and assets’ sufficiency

requirements under Rule 13.24 of the Listing Rules. The Proposed Acquisition also aligns with the strategies to seek acquisition opportunities to boost the performance of the Group and creating value for the Shareholders.

In light of the above, the Directors consider that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

(C) THE OPEN OFFER

The Company proposes to raise approximately HK\$240 million, before expenses, by way of the Open Offer of 2,400,000,000 Shares at the Offer Price of HK\$0.10 per Offer Share on the basis of six (6) Offer Shares for every (1) existing Share held on the Record Date.

Issue statistics of the Open Offer

Basis of the Open Offer	Six (6) Offer Shares for every one (1) existing Share held on the Record Date
Offer Price	HK\$0.10 per Offer Share
	The aggregate nominal value of the Offer Shares is HK\$240,000,000.
Number of Shares in issue as at the date of this announcement	400,000,000 Shares
Number of Offer Shares	2,400,000,000 Shares
Enlarged issued share capital of the Company immediately upon completion of the Open Offer and the CWA Subscription	3,800,000,000 Shares

As at the date of this announcement, the Company has no outstanding warrants, options or convertible or exchangeable securities.

The Offer Shares

The total number of Offer Shares of 2,400,000,000 Shares represents:

- (a) approximately 600% of the Company's existing issued share capital as at the date of this announcement; and
- (b) approximately 63.16% of the Company's issued share capital as enlarged by the Open Offer and the CWA Subscription.

The Offer Price

The Offer Price of HK\$0.10 per Offer Share represents:

- (a) the par value of the Shares;
- (b) a discount of approximately 89.36% to the closing price of HK\$0.94 per Share on the Last Trading Day;
- (c) a discount of approximately 89.36% to the average closing prices of the Shares for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.94 per Share; and
- (d) a discount of approximately 54.55% to the theoretical ex-rights price of approximately HK\$0.22 per Share based on the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on the Last Trading Day.

The net price to be raised upon completion of the Open Offer will be approximately HK\$0.097 per Offer Share. Trading in the Shares had been suspended for more than five years since 14 February 2008, and in light of the tight financial position and net liability position of the Group, the Company has, after arm's length negotiations with the Underwriter, agreed with the Underwriter that the Offer Price should be set at a substantial discount to the closing price of the Shares before the Trading Suspension so as to incentivise the Qualifying Shareholders to take up their entitlements under the Open Offer. Based on the foregoing, the Directors are of the view that the Offer Price is fair and reasonable.

Basis of provisional allotments

The basis of the Open Offer will be six (6) Offer Shares for every (1) one existing Share held by the Qualifying Shareholders on the Record Date at the Offer Price of HK\$0.10 per Offer Share. Application for all or any part of a Qualifying Shareholder's assured entitlements should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for.

Status of the Offer Shares

The Offer Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing issued Shares on its date of allotment.

Certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out under the section headed "Conditions precedent to the Open Offer" below, share certificates for all fully-paid Offer Shares shall be posted to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares, by ordinary post at their own risks.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, the Qualifying Shareholders must be registered as members of the Company on the Record Date and not be Excluded Shareholders. In order to be registered as a member of the Company on the Record Date, all transfer of Shares must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before a date as will be announced by the Company.

As being further elaborated under the section headed "THE CWA SUBSCRIPTION" below, given that completion of the CWA Subscription is expected to take place simultaneously upon or immediately after the completion of the Open Offer, New Prime shall not be a Qualifying Shareholder and will not be entitled to participate in the Open Offer.

Rights of the Excluded Shareholders

The Open Offer Documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Board will make enquiries as to whether the issuance of Offer Shares to the Excluded Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Excluded Shareholders, the Open Offer will not be extended to such Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send the Application Forms to the Excluded Shareholders.

Closure of register of members

The register of members of the Company will be closed for the purpose of preparing for the EGM by way of poll and further announcement will be made on the expected timetable. No transfers of Shares will be registered during the book closure period. The register of members of the Company will be closed for the purpose of determining the entitlements of the Qualifying Shareholders for the Open Offer.

Fractions of the Offer Shares

Fractional entitlements of the Offer Shares, if any, will not be allotted and issued. All Offer Shares arising from the aggregation of such fractional entitlements will be firstly taken up by the Qualifying Shareholders who have applied for the excess Offer Shares and then by the Underwriter if there is any excess Offer Shares which have not been taken up by the Qualifying Shareholders.

No excess application for the Offer Shares

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, the Company decided that no excess Offer Shares will be offered to the Qualifying Shareholders as if application for excess Offer Shares is allowed since the Company will be required to put in additional effort and costs to administer the excess application procedures. As such, the Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Conditions precedent to the Open Offer

The Open Offer is conditional upon the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Open Offer Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the date on which the Open Offer Documents are despatched;
- (b) the passing no later than the posting date of the Open Offer Documents by the independent shareholders of the Company by way of poll at the EGM of an ordinary resolution to approve the Open Offer;

- (c) the posting of the Open Offer Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only, explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the posting date of the Open Offer Documents;
- (d) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listings of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (e) the Stock Exchange has granted its approval-in-principle (subject to any conditions as may be imposed by the Stock Exchange) for the Resumption;
- (f) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms on or before the Latest Time for Termination;
- (g) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (h) all requirements and conditions imposed by the Stock Exchange or under the Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination;
- (i) the entering into of binding agreements by the Underwriter with certain sub-underwriters, which shall be Independent Third Parties, for sub-underwriting the Offer Shares, such that none of (i) the Underwriter, together with their respective ultimate beneficial owners and/or the parties acting in concert with any of them nor (ii) any of the sub-underwriters and their respective associates and/or the parties acting in concert with any of them, shall be in aggregate interested in 10% or more of the share capital of the Company as enlarged by the Open Offer; and
- (j) the Increase in Authroised Share Capital becoming effective.

All the above conditions are not waivable. If any of the conditions of the Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

THE UNDERWRITING AGREEMENT

Date 21 August 2013

Parties The Company

The Underwriter. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties, and they do not have any relationship with SOYEA or CWA or their respective ultimate beneficial owners. As at the date of this announcement, the Underwriter is not interested in any Shares.

Number of the Underwritten Shares The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite an aggregate of 2,400,000,000 Offer Shares on a fully underwritten basis at the Offer Price.

Underwriting commission 2.5% of the aggregated Offer Price in respect of the Underwritten Shares for which the Underwriter has agreed to subscribe for or procure subscription under the Underwriting Agreement (i.e. HK\$6,000,000).

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the placing of the Underwritten Shares with selected placees with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that the sub-underwriter(s) and/or the subscribers procured by the Underwriter for any Underwritten Shares (collectively the "**Relevant Subscribers**") would be independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Underwriter has also undertaken in favour of the Company under the Underwriting Agreement that in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Underwritten Shares: (1) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 10% of the voting rights of the

Company upon completion of the Open Offer; and (2) the Underwriter shall use all reasonable endeavours to ensure that each of the Relevant Subscribers shall not, together with any party acting in concert with it, hold 10% or more of the voting rights of the Company upon completion of the Open Offer.

The Directors are of the opinion that the terms of the Underwriting Agreement are fair and reasonable.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by: (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise make it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination, all obligations of the Underwriter, and the Company under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of and in connection with the Underwriting Agreement, except for any antecedent breach of any obligation under the Underwriting Agreement.

Reasons for the Open Offer and use of proceeds

The Directors consider that the Open Offer will enlarge the capital base and strengthen the financial position of the Company so as to facilitate the Enlarged Group's long term development. The Directors are of the view that it is in the interest of the Company to raise additional capital by way of the Open Offer of which all the Qualifying Shareholders are given an equal opportunity to maintain their respective shareholdings in the Company and participate in the enlargement of capital base as well as the future development of the Enlarged Group at their own wish.

The gross proceeds and net proceeds from the Open Offer are estimated to be approximately HK\$240 million and HK\$233 million respectively. The Company intends to use the net proceeds from the Open Offer as to (i) approximately HK\$133.35 million for the Acquisition Consideration; and (ii) the remaining HK\$99.65 million as general working capital of the Group. Should the Acquisition Consideration be settled before the completion of the Open Offer by internal resources of the Group and/or bank or other borrowings, the net proceeds from the Open Offer will be used for replenishment/repayment of such internal resources of the Group and/or bank or other borrowings.

EXPECTED TIMETABLE

Further announcement will be made by the Company regarding the expected timetable of the Open Offer.

(D) THE INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares. As at the date of this announcement, 400,000,000 Shares are issued and allotted as fully paid or credited as fully paid.

To allow the Company to have sufficient unissued Shares for the completion of the Open Offer and the CWA Subscription, the Company proposes to increase its authorised share capital from HK\$100,000,000 (divided into 1,000,000,000 Shares) to HK\$500,000,000 (divided into 5,000,000,000 Shares) by the creation of an additional 4,000,000,000 Shares which will rank *pari passu* with all existing Shares.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

(E) THE CHANGE OF BOARD LOT SIZE

Based on the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on the Last Trading Day and the Offer Price of HK\$0.10 for each Offer Share under the Open Offer, the theoretical ex-entitlement price of each Share will be approximately HK\$0.22 and the theoretical value of each board lot of 2,000 Shares upon completion of the Open Offer will be approximately HK\$440.00.

In order to increase the value of each board lot of the Shares so that the value of each board lot of Shares will not be less than HK\$2,000 and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading in the Shares to from 2,000 to 10,000

upon the Open Offer becoming unconditional. The change of board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change of board lot size is in the interests of the Company and the Shareholders as a whole.

The Company shall inform the Shareholders as to the administrative arrangement regarding such change of board lot size in the Circular.

(F) THE CWA SUBSCRIPTION

References are made to the joint announcements of the Company and CWA dated 1 December 2010, 7 March 2011, 31 March 2011, 30 June 2011, 7 December 2011, 29 December 2011, 29 June 2012, 28 December 2012 and 2 July 2013 respectively, regarding, among other things, the CWA Subscription.

The CWA Loan and the Debenture

On 1 December 2010, the Company (as the borrower) and New Prime (as the lender) entered into a loan agreement, pursuant to which New Prime agreed to make available to the Company the CWA Loan of up to a principal amount of HK\$100,000,000 in cash.

On even date, the Company (as the borrower) and New Prime (as the lender) entered into the Debenture as a security for the repayment of the CWA Loan.

Details of the CWA Loan and the Debenture were included in the December Joint Announcement.

The Subscription Agreement

On 1 December 2010, the Company (as the issuer) and New Prime (as the subscriber) entered into the Subscription Agreement, pursuant to which the Company has agreed to issue and New Prime has agreed to subscribe for 1,000,000,000 Subscription Shares, representing (i) approximately 250% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 71.43% of the total issued share capital of the Company as enlarged by the Subscription Shares (before the Open Offer).

Details of the CWA Subscription were included in the December Joint Announcement. Set out below are the major terms of the Subscription Agreement as extracted from the December Joint Announcement:

The Subscription Price

The Subscription Price is HK\$0.10 per Subscription Share and it represents:

- (a) the par value of the Shares;
- (b) a discount of approximately 89.36% to the closing price of HK\$0.94 per Share on the Last Trading Day; and
- (c) a discount of approximately 89.36% to the average closing prices of the Shares for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.94 per Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and CWA. The Directors are of the opinion that the Subscription Price is fair and reasonable.

Conditions precedent

Completion of the CWA Subscription is conditional upon, among other things, (a) the Stock Exchange having granted or stated that it will grant (either unconditionally or subject only to conditions to which the Company and New Prime do not reasonably object) the approval for (i) the Resumption and (ii) the listing of and permission to deal in the Subscription Shares; and (b) the passing by the Shareholders by way of poll at the EGM of the resolutions approving, among other things, the issue of the Subscription Shares under a specific mandate of the Company and the Increase in Authorised Share Capital.

Due to the Trading Suspension, the CWA Subscription is still pending for completion. Subject to fulfilment of the above conditions precedent and according to the expected timetable of the Resumption, completion of the CWA Subscription is expected to take place simultaneously upon or immediately after the completion of the Open Offer (or at such other time to be agreed in writing between the Company and New Prime) and each party shall perform its respective obligations as set out in the Subscription Agreement.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue on the date of issue and allotment of the Subscription Shares.

Application will be made by the Company to the Listing Committee for the grant of the listing of and permission to deal in the Subscription Shares.

Reasons for the CWA Loan and the CWA Subscription, and use of proceeds

CWA and its subsidiaries are primarily engaging in the provision of water supply and sewage treatment operation and construction services, development of properties for sale and investment, manufacture and sale of concrete products, other infrastructure construction and business activities.

As extracted from the December Joint Announcement, CWA has been considering different investment opportunities, in particular, that of manufacturing of water meters and appliances that would be complementary to its existing operations. The Company is principally involved in the design of the chassis of cathode ray tube (CRT) and LCD colour TVs, and the trading of related components, and the assembling of colour TV set. CWA believes that the experience and skills of the Company's management team in electrical and electronic products can readily be applied to cover a product range from colour TV sets to water meters and ancillary electronic and electrical appliances. Given the Group's current financial position and the Trading Suspension, the Directors consider that it is beneficial to and in the interest of the Company to enter into the loan agreement for the CWA Loan, the Debenture and the Subscription Agreement for the purpose of providing sufficient working capital to finance its existing operations as well as future expansion. The Directors believe that the terms of the CWA Loan, the Debenture and the Subscription Agreement, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription Price is to be satisfied by way of offsetting against the CWA Loan.

(G) FUND RAISING ACTIVITY OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the date of this announcement.

(H) SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company as at the date of this announcement and the possible shareholding structure of the Company (i) as announced by the Company in the December Joint Announcement (immediately after the CWA Subscription only); and (ii) immediately after the Open Offer and the CWA Subscription, assuming that (a) all of the Qualifying Shareholders take up the Offer Shares in full (“**Scenario I**”); and (b) none of the Qualifying Shareholders participate in the Open Offer (“**Scenario II**”):

	As at the date of this announcement		As announced by the Company in the December Joint Announcement (immediately after the CWA Subscription only) (Note 1)		Scenario I (Note 2)		Scenario II	
	Shares	% of shareholding	Shares	% of shareholding	Shares	% of shareholding	Shares	% of shareholding
CWA/New Prime Mr. Zhang’s related company (Note 3)	-	-	1,000,000,000	71.42	1,000,000,000	26.32	1,000,000,000	26.32
Good Day International Limited (“ Good Day ”) (Note 4)	249,000,000	62.25	249,000,000	17.79	1,743,000,000	45.87	249,000,000	6.55
SOYEA	45,000,000	11.25	-	-	-	-	-	-
The Underwriter (Note 5)	38,088,000	9.52	38,088,000	2.72	266,616,000	7.02	38,088,000	1.00
Other public Shareholders	-	-	-	-	-	-	2,400,000,000	63.16
	67,912,000	16.98	112,912,000	8.07	790,384,000	20.79	112,912,000	2.97
Total	400,000,000	100	1,400,000,000	100	3,800,000,000	100	3,800,000,000	100

Notes:

- (1) Pursuant to the December Joint Announcement, CWA, through New Prime, shall subscribe for 1,000,000,000 Shares under the CWA Subscription. Due to the Trading Suspension, the CWA Subscription is currently pending for approval and completion. According to the expected timetable of the Resumption, completion of the CWA Subscription is expected to take place simultaneously upon or immediately after the completion of the Open Offer.

- (2) As it is expected that completion of the CWA Subscription will take place simultaneously with completion of the Open Offer, i.e. after the Record Date, New Prime shall not be a Qualifying Shareholder and will not be entitled to participate in the Open Offer. New Prime will be interested in 1,000,000,000 Subscription Shares immediately after the completion of the Open Offer.
- (3) As at the date of this announcement, Mr. Zhang has not indicated to the Company as to whether or not his related company will accept the Open Offer.
- (4) The shareholding interest of Good Day in the Company will be diluted to below 10% immediately after the CWA Subscription and under Scenario I and Scenario II. Accordingly, Good Day will fall into the category of “Other public Shareholders” under such circumstances.
- (5) The Underwriter will subscribe for or procure places to subscribe for the Underwritten Shares. As such, there will not be a new substantial shareholder of the Company and the Company will have sufficient public float under Scenario II.

The Proposed Acquisition, the CWA Subscription and the Open Offer will not result in a change in control (as defined in the Takeovers Code) of the Company.

(I) IMPLICATIONS UNDER THE LISTING RULES

As the asset ratio under Rule 14.07 of the Listing Rules in respect of the Guarantee Payment exceeds 100%, the Stock Exchange has expressed concern on whether the Guarantee Payment, which shall be forfeited by SOYEA in the event that the default in payment of any part of the Acquisition Consideration shall continue for more than 60 days since the due date, or if the Shareholders’ approval cannot be obtained by 30 November 2013, should be subject to the applicable requirements under Chapter 14 of the Listing Rules, in particular, the prior shareholders’ approval requirement.

As the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition for the Company exceed(s) 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders’ approval at the EGM.

The August Proposal is a self-rescue plan of the Company and does not involve introduction of new investor/white knight to the Company. Subject to the Review Hearing, the Directors consider that the Proposed Acquisition fulfills the requirements as set out in the Listing Committee Annual Report 2010 which stated that “where the resumption proposals involved very substantial acquisition from third parties independent of the incoming investors, the Stock Exchange would not apply RTO rules to acquisition of business in the same line as the company’s original businesses before suspension”. Thus, the Directors are of the view that the relaxation of the RTO rules should apply to the August Proposal in respect of the Proposed Acquisition, and such view is subject to the Review Hearing.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. The Company shall also seek the Shareholders’ approval at the EGM for the issue of the Subscription Shares under a specific mandate of the Company.

As no Shareholder has material interest in the Increase in Authorised Share Capital and the CWA Subscription, no Shareholder is required to abstain from voting on each of the resolutions approving the Increase in Authorised Share Capital and the CWA Subscription at the EGM.

As at the date of this announcement, SOYEA is interested in 38,088,000 Shares, representing approximately 9.52% of the existing issued share capital of the Company. As being the vendor under the Proposed Acquisition, SOYEA and its associates shall abstain from voting on the resolution approving the Proposed Acquisition at the EGM.

The Open Offer is subject to, among other things, the approval by the independent shareholders of the Company at the EGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in accordance with the Listing Rules. Accordingly, Z-Idea Company Limited, being a controlling shareholder of the Company, and its associates shall abstain from voting on the resolution approving the Open Offer at the EGM. In addition, since the majority of the net proceeds from the Open Offer is intended to be used for settling the Acquisition Consideration, SOYEA is deemed to have material interests in the Open Offer. Accordingly, SOYEA and its associates shall also abstain from voting on the resolution approving the Open Offer at the EGM.

(J) GENERAL

An independent board committee will be formed to advise the independent shareholders of the Company as to the terms of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in this regard.

The Circular containing, among other things, (a) further information in respect of (i) the Proposed Acquisition and the Target Company including but not limited to its financial information; (ii) the Open Offer; (iii) the Increase in Authorised Share Capital; (iv) the change of board lot size; and (v) the CWA Subscription; and (b) a notice to convene the EGM at which resolutions will be proposed to approve each of the aforesaid except for the change of board lot size, will be despatched to the Shareholders as soon as practicable. However, since the transactions contemplated under the August Proposal, which include the Proposed Acquisition and the Open Offer, are the subject matters of the Review Hearing, the despatch date of the Circular remains uncertain as at the date of this announcement.

Shareholders and potential investors should note that the Proposed Acquisition and the CWA Subscription are conditional upon the fulfillment of a number of condition(s) precedent and hence may or may not proceed. Moreover, the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

The issuance of this announcement does not mean that trading in the Shares be resumed and listing of the Subscription Shares and the Offer Shares will be approved by the Stock Exchange.

The transactions contemplated under the August Proposal, which include the Proposed Acquisition and the Open Offer, are the subject matter of the Review Hearing. In the event that the Review Hearing uphold the Listing Committee's decision, the transactions contemplated under the August Proposal will not be able to proceed.

The Company shall, in accordance with the relevant provision of the Acquisition Agreement, approach SOYEA to negotiate for the amendment/termination of the Acquisition Agreement should the Review Hearing uphold the Listing Committee’s decision. Further announcement shall be made by the Company in this regard as and when appropriate in compliance with the Listing Rules.

(K) SUSPENSION OF TRADING

At the direction of the Stock Exchange, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 14 February 2008 and will remain suspended until further notice.

(L) DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Ace Earn”	Ace Earn Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Acquisition Agreement”	the sale and purchase agreement (as supplemented by a supplemental agreement dated 20 August 2013 for an extension of the deadline for holding of the EGM) entered into between Ace Earn and SOYEA on 20 August 2013 regarding the Proposed Acquisition and the transactions contemplated thereunder
“Acquisition Consideration”	the consideration of RMB105,000,000 (equivalent to approximately HK\$133,350,000 payable by the Company to SOYEA for the Proposed Acquisition
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“August Proposal”	the resumption proposal submitted by the Company on 21 August 2013
“Bidding Process”	the bidding process starting from 19 July 2013 to 15 August 2013, through which bidding applications made in accordance with the tender requirements for acquisition of the Sale Capital were received after the relevant tender notice was posted by SOYEA
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) or which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Mutual”	China Mutual Investment Limited, an investment holding company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Circular”	the circular to be despatched to the Shareholders regarding the Proposed Acquisition, the Open Offer, the Increase in Authorised Share Capital, the change of board lot size, the CWA Subscription, and the respective transactions contemplated thereunder
“Company”	Mitsumaru East Kit (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange (Stock code: 2358)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“CWA”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liabilities, whose issued shares are listed on the main board of the Stock Exchange (Stock code: 855)
“CWA Loan”	the loan in the principal amount of HK\$100,000,000 advanced by New Prime to the Company under a loan agreement dated 1 December 2010 entered into between the Company and New Prime
“CWA Subscription”	the subscription of the Subscription Shares by New Prime under the Subscription Agreement
“Debenture”	the debenture dated 1 December 2010 entered into between the Company and New Prime as a security for the repayment of the CWA Loan
“December Joint Announcement”	the announcement jointly made by the Company and CWA on 1 December 2010 regarding, among other things, the CWA Loan, the Debenture and the CWA Subscription
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of considering and, if thought fit, approving the Proposed Acquisition, the Open Offer, the Increase in Authorised Share Capital, the CWA Subscription, and the respective transactions contemplated thereunder
“Enlarged Group”	the Group immediately upon completion of the Proposed Acquisition

“Excluded Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses are in places outside Hong Kong and whom the Directors are of the view that it would be necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the places of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Framework Agreement”	the non-legally binding framework agreement entered into between the Company and Westlake Electronics on 20 May 2013 regarding the Proposed Acquisition
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares by creation of an additional 4,000,000,000 Shares
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons, whose independence is/are determined based on the best of the Directors’ knowledge, information and belief after making reasonable enquiries
“Mr. Zhang”	Mr. Zhang Shuyang, the former executive Director and Chairman of the Company

“Last Trading Day”	13 February 2008, the last day on which the Shares were traded on the Stock Exchange immediately preceding the Trading Suspension
“Latest Time for Acceptance”	the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus, the exact date of which shall be fixed by the Company and the Underwriter in later stage
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Letter”	the letter from the Listing Division to the Company dated 23 November 2012 with regard to the Trading Suspension
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Division”	the Listing Division of the Stock Exchange
“Listing (Review) Committee”	the Listing (Review) Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mitsumaru EK”	Mitsumaru East Kit (Group) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“New Prime”	New Prime Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of CWA
“Offer Price”	HK\$0.10 per Offer Share

“Offer Share(s)”	2,400,000,000 Shares to be allotted and issued under the Open Offer
“Open Offer”	the proposed issue of the Offer Shares at the Offer Price on the basis of six (6) Offer Shares for every (1) existing Share held on the Record Date
“Open Offer Documents”	the Prospectus and the Application Forms
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Target Company by the Company pursuant to the terms and conditions as stipulated under the Acquisition Agreement
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	the date for determining the entitlements to the Open Offer
“Reorganisation”	the internal organisational restructuring arrangements carried out by SOYEA, to the effect that the production facilities of SOYEA have been beneficially and effectively owned by the Target Company
“Resumption”	the resumption of trading in the Shares after the Trading Suspension following the implementation of the August Proposal

“Review Hearing”	the review hearing by the Listing (Review) Committee to be held on 17 September 2013 regarding the Resumption
“Sale Capital”	the entire registered and paid-up capital of the Target Company
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“SOYEA”	數源科技股份有限公司 (SOYEA Technology Co., Ltd), a company established under the laws of the PRC, whose issued shares are listed on the Shenzhen Stock Exchange (Stock code: 000909)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 1 December 2010 entered into between the Company and New Prime setting out the terms and conditions of the CWA Subscription
“Subscription Price”	HK\$0.10 per Subscription Share
“Subscription Share(s)”	1,000,000,000 new Shares to be issued to New Prime under the Subscription Agreement

“Sunbow”	武漢盛博科技有限公司 (Wuhan Sunbow Science & Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. Sunbow is principally engaged in the manufacturing, assembling and installation of electronic water meters in the PRC
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Target Company”	數源久融技術有限公司 (Soyea Jiu Rong Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and is wholly owned by SOYEA before the completion of the Proposed Acquisition
“Trading Suspension”	the suspension of trading in the Shares since 14 February 2008 at the direction of the Stock Exchange
“Underwriter”	Yue Xiu Securities Company Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and being the sole underwriter of the Open Offer
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 21 August 2013 in relation to the Open Offer
“Underwritten Share(s)”	the 2,400,000,000 Offer Shares agreed to be underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement
“Westlake Electronics”	西湖電子集團有限公司 (Westlake Electronics Group Co., Ltd.*), a state-owned sole capital company authorised by Hangzhou government of the PRC, being the controlling shareholder of SOYEA
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter
“%”	per cent.

By order of the Board
Mitsumaru East Kit (Holdings) Limited
Siu Chi Ming
Executive Director

Hong Kong, 28 August 2013

As at the date of this announcement, the executive Directors are Mr. Siu Chi Ming and Mr. Tang Chin Wan, the independent non-executive Directors are Ms. Au Shui Ming and Mr. Martin He.

In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

The figures in RMB are converted into HK\$ at the exchange rate of RMB1 : HK\$1.27 throughout this announcement for indicative purpose only.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange and the website of the Company for at least seven days from the date of its posting.

* *For identification purposes only*