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**中國水務集團有限公司\***  
China Water Affairs Group Limited

*(Incorporated in the Cayman Islands and  
continued in Bermuda with limited liability)*  
(Stock Code: 855)



**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)

## **DISCLOSEABLE TRANSACTION**

### **TERMINATION OF POSSIBLE APPLICATION FOR WHITEWASH WAIVER**

## **TERMINATION OF UNDERWRITING LETTER IN RELATION TO PREVIOUS OPEN OFFER**

On 30 October 2013, MEK and the Investor mutually agreed that the previous Open Offer shall not be proceeded, and accordingly, MEK decided that neither the transactions as contemplated under the non-legally binding Letter of Intent shall be proceeded.

On 30 October 2013, MEK and the Investor entered into an agreement terminating the Underwriting Letter in relation to the previous Open Offer.

On 30 October 2013, the Investor and MEK entered into the 4th Supplemental Agreement amending the Subscription Agreement.

There is no change to the Loan Agreement and the Debenture (as amended as the case may be) which shall remain in full force and effect.

Since the Investor and its parties acting in concert will not acquire 30% or more of the voting rights in MEK upon completion of the New Open Offer and the Subscription, no obligation shall arise on the part of the Investor to make a mandatory general offer for the MEK Shares under the Takeovers Code and no application for the Whitewash Waiver will be made by the Investor.

\* For identification purpose only

References are made to (1) the joint announcements of CWA and MEK 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 (the “Joint Announcements”) in relation to, among other things, the Subscription Agreement, the Letter of Intent and the Underwriting Letter; and (2) the announcements of MEK dated 3 January 2011, 5 July 2011, 16 May 2012, 31 October 2012, 5 December 2012, 4 March 2013, 20 May 2013, 18 June 2013, 28 August 2013 and 30 September 2013 respectively in relation to, among other things, updates on the listing status of MEK; and (3) the announcements of CWA dated 1 November 2012, 21 May 2013 and 20 June 2013 respectively in relation to, among other things, the possible application for the Whitewash Waiver. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Joint Announcements.

### **TERMINATION OF PREVIOUS OPEN OFFER**

As disclosed in MEK’s announcements dated 28 August 2013 and 30 September 2013 respectively, MEK’s resumption proposal submitted on 21 August 2013 (“**August Proposal**”) was approved by the Stock Exchange which involves a new proposed open offer on the basis of six (6) Offer Shares for every one (1) MEK Share held on the record date (“**New Open Offer**”). It is the intention of MEK to proceed with the New Open Offer in accordance with the August Proposal. Accordingly on 30 October 2013, MEK and the Investor (i.e. New Prime Holdings Limited, being a wholly owned subsidiary of CWA and the subscriber under the Subscription Agreement) mutually agreed that the previous Open Offer on the basis of fifteen (15) Offer Shares for every four (4) MEK Shares held on the record date as set out in the joint announcement of CWA and MEK dated 1 December 2010 shall not be proceeded.

In view of the above, MEK decided that the transactions as contemplated under the non-legally binding Letter of Intent entered into by MEK and the Possible Underwriters (i.e. Wealth Investment Development Limited and Kingston Securities Limited) in relation to the underwriting obligations under the previous Open Offer shall not be proceeded.

### **Termination of the Underwriting Letter**

On 30 October 2013, MEK and the Investor entered into an agreement terminating the Underwriting Letter in relation to the previous Open Offer.

### **THE SUBSCRIPTION AGREEMENT**

On 30 October 2013, the Investor and MEK entered into a 4th supplemental agreement (“**4th Supplemental Agreement**”) amending the Subscription Agreement to the effect that, among others:

- (a) reference to the “Open Offer” in the Subscription Agreement shall be deemed to be reference to the New Open Offer and reference to “Underwriting Agreement” in the Subscription Agreement shall be deemed to be reference to the underwriting agreement dated 21 August 2013 made between MEK and Yue Xiu Securities Company Limited in respect of the New Open Offer;

- (b) the provision relating to adjustment of the Subscription Price for the purpose of maintaining CWA's intended shareholding in MEK as a result of the previous Open Offer as set out in paragraph (ii) under the heading "Adjustments of Subscription Price" in the joint announcement of CWA and MEK dated 1 December 2010 was deleted;
- (c) the conditions precedent of the Subscription Agreement involving the Whitewash Waiver were deleted and completion of the Subscription Agreement was made conditional upon the allotment and issue of the offer shares under the New Open Offer having taken place simultaneously with or immediately before completion of the Subscription Agreement; and
- (d) the Long Stop Date was extended to 30 June 2014, failing which the Investor shall have the right at its own discretion to extend the Long Stop Date to a date not later than 31 December 2014 (or any other date as may be agreed in writing by the parties thereto).

Other than the above, there is no other material amendment to the Subscription Agreement. Since completion of the Subscription is conditional upon completion of the New Open Offer, it is expected that the Subscription will take place simultaneously upon or immediately after the New Open Offer. If the New Open Offer does not proceed, the Subscription will not proceed.

#### **THE LOAN AGREEMENT AND THE DEBENTURE**

There is no change to the Loan Agreement and the Debenture (as amended as the case may be) which shall remain in full force and effect.

#### **SHAREHOLDING STRUCTURE OF MEK**

Set out below is a table showing the shareholding structure of MEK as at the date of this announcement and the possible shareholding structure of MEK (i) immediately after the completion of the New Open Offer 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 New Open Offer ("**Scenario II**"); (ii) immediately after the completion of the New Open Offer and the Subscription assuming that (a) all of the qualifying shareholders take up the offer shares in full ("**Scenario III**"); and (b) none of the qualifying shareholders participate in the New Open Offer ("**Scenario IV**");

	As at the date of this announcement		Scenario I		Scenario II		Scenario III		Scenario IV	
	% of share- holding		% of Share- holding		% of Share- holding		% of share- holding		% of share- holding	
	Shares	holding	Shares	holding	Shares	holding	Shares	holding	Shares	holding
CWA/Investor	-	-	-	-	-	-	1,000,000,000	26.32	1,000,000,000	26.32
Z-Idea Company Limited (Note 1)	249,000,000	62.25	1,743,000,000	62.25	249,000,000	8.89	1,743,000,000	45.87	249,000,000	6.55
Good Day International Limited (“Good Day”) (Note 2)	45,000,000	11.25	315,000,000	11.25	-	-	-	-	-	-
The underwriter of the New Open Offer (Note 3)	-	-	-	-	2,400,000,000	85.72	-	-	2,400,000,000	63.16
Other public MEK Share-holders	106,000,000	26.50	742,000,000	26.50	151,000,000	5.39	1,057,000,000	27.81	151,000,000	3.97
<b>Total</b>	<b>400,000,000</b>	<b>100</b>	<b>2,800,000,000</b>	<b>100</b>	<b>2,800,000,000</b>	<b>100</b>	<b>3,800,000,000</b>	<b>100</b>	<b>3,800,000,000</b>	<b>100</b>

*Notes:*

1. Z-Idea Company Limited is wholly owned by Mr. Zhang Shuyang, a former executive director and chairman of MEK. Mr. Zhang Shuyang is a third party independent of and neither connected with nor acting in concert with CWA and its parties acting in concert. As at the date of this announcement, Mr. Zhang Shuyang had not indicated to MEK as to whether or not his related company would accept the New Open Offer.
2. The shareholding interest of Good Day in MEK will be diluted to below 10% under Scenario II, III and IV. Accordingly, Good Day will fall into the category of “Other public MEK Shareholders” under such circumstances.
3. Yue Xiu Securities Company Limited, being the underwriter of the New Open Offer, will subscribe for or procure sub-underwriters to subscribe for the underwritten shares.

Scenario II and Scenario IV above are for illustration purpose only. As disclosed in the announcement of MEK dated 28 August 2013, it is a condition precedent of the New Open Offer that Yue Xiu Securities Company Limited shall enter into binding agreements with certain sub-underwriters, which shall be Independent Third Parties, for sub-underwriting the offer shares such that none of (i) Yue Xiu Securities Company Limited, together with its ultimate beneficial owners and/or the parties acting in concert with it 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 MEK as enlarged by the New Open Offer. Such condition precedent is not waivable. If such condition is not fulfilled, the New Open Offer will not proceed. As such, Yue Xiu Securities Company Limited will not acquire 30% or more of the voting rights of MEK and there will not be a new substantial shareholder of MEK and MEK will have sufficient public float under Scenario II and Scenario IV.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE**

As disclosed in MEK's announcements dated 28 August 2013 and 30 September 2013 respectively, the August Proposal as approved by the Stock Exchange includes a proposed acquisition, the New Open Offer, a proposed increase in authorised share capital and the Subscription. Since completion of the Subscription is conditional upon completion of the New Open Offer, it is expected that the Subscription will take place simultaneously upon or immediately after the completion of the New Open Offer. As disclosed in the joint announcement of CWA and MEK dated 1 December 2010, it was expected that the total number of issued shares of MEK immediately after completion of the previous Open Offer and the Subscription was 2,900,000,000 MEK Shares and the shareholding interests of the Investor and its parties acting in concert in MEK were expected to be approximately (1) 62.06% and (2) 86.20% immediately following completion of (1) both the Subscription and the previous Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the previous Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (2) both the Subscription and the previous Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the previous Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively. According to the August Proposal and the proposed New Open Offer, the total number of issued shares of MEK immediately after completion of the New Open Offer and the Subscription will be increased to 3,800,000,000 MEK Shares and the aggregate shareholding interest of the Investor and its parties acting in concert in MEK is expected to be approximately 26.32% immediately after completion of the New Open Offer and the Subscription. CWA is not a party to the underwriting arrangement under the New Open Offer and confirms that there is no relationship between CWA and its parties acting in concert on the one hand and the underwriter of the New Open Offer on the other hand. As completion of the Subscription is conditional upon completion of the New Open Offer, if the New Open Offer does not proceed, the Subscription will not proceed. Since the Investor and its parties acting in concert will not acquire 30% or more of the voting rights of MEK upon completion of the New Open Offer and the Subscription, no obligation shall arise on the part of the Investor to make a mandatory general offer for the MEK Shares under the Takeovers Code and therefore no application for the Whitewash Waiver will be made by the Investor.

## CONTINUED SUSPENSION OF TRADING IN THE MEK SHARES

At the direction of the Stock Exchange, trading in the MEK Shares was suspended from 9:30 a.m. on 14 February 2008 and will remain suspended until further notice. **Until satisfaction of all the resumption conditions set by the Stock Exchange, trading in the MEK Shares will continue to be suspended. The release of this announcement does not indicate that trading in the MEK Shares will be resumed.**

By order of the board of directors of  
**China Water Affairs Group Limited**  
**Duan Chuan Liang**  
*Chairman*

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

Hong Kong, 30 October 2013

*The MEK Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the CWA Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by CWA Group) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The CWA Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the MEK Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the MEK Group) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, the board of directors of MEK comprises two executive Directors, namely Mr. Siu Chi Ming and Mr. Tang Chin Wan; and two independent non-executive Directors, namely Ms. Au Shui Ming and Mr. Martin He.*

*As at the date of this announcement, the board of directors of CWA comprises two executive Directors, being Mr. Duan Chuan Liang and Ms. Ding Bin, four non-executive Directors, Mr. Chen Guo Ru, Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi and Mr. Makoto Inoue, and four independent non-executive Directors, being Ms. Huang Shao Yun, Ms. Liu Dong, Mr. Chau Kam Wing and Mr. Ong King Keung.*