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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)

CONTINUING CONNECTED TRANSACTION

The Board announces that on 12 December 2013, the Company entered into the Master Agreement with CWA in respect of the provision of water meters and the related products by the Group to the CWA Group for the period from the Effective Date to 31 December 2016.

Given that New Prime, upon completion of the CWA Subscription, will become a substantial shareholder of the Company, CWA, being the sole shareholder of New Prime, will be a connected person of the Company by virtue of being an associate of New Prime and the transactions contemplated under the Master Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the Proposed Annual Caps are more than 5% and the annual consideration is more than HK\$10,000,000, the Master Agreement and the transactions contemplated thereunder constitute a non-exempt continuing connected transaction for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The approval of the Independent Shareholders will be sought at the EGM by way of poll in respect of the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps. New Prime and its associates will be required to abstain from voting at the EGM.

The Independent Board Committee will be established to advise the Independent Shareholders on the Master Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendation on the same to be given by an independent financial adviser. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual caps.

A circular containing, among other things, (i) details of the Master Agreement and the Proposed Annual Caps; (ii) recommendation of the Independent Board Committee; (iii) advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the Proposed Annual Caps; and (iv) a notice of EGM, will be despatched to the Shareholders on or before 7 January 2014.

References are made to the announcement and circular of the Company dated 28 August 2013 and 12 November 2013 respectively in relation to, among other things, the CWA Subscription.

It is expected that the CWA Subscription will be completed on 27 December 2013. Upon completion of the CWA Subscription, New Prime will become a substantial shareholder of the Company. CWA, being the sole shareholder of New Prime, will hence be treated as a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an associate of New Prime.

On 12 December 2013, the Company entered into the Master Agreement with CWA in respect of the provision of water meters and the related products by the Group to the CWA Group for the period from the Effective Date to 31 December 2016.

THE MASTER AGREEMENT

The principal terms of the Master Agreement and the Proposed Annual Caps are as follows:

Date:	12 December 2013
Parties:	CWA (as the purchaser) and the Company (as the vendor)
Term:	From the Effective Date to 31 December 2016 (both days inclusive)

Subject matter: The Group will provide certain types of water meters (including electronic water meters and mechanical water meters) and the related products to the CWA Group.

Condition precedent: The Master Agreement shall become effective 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 Master Agreement and the transactions contemplated thereunder.

Proposed annual caps: The Proposed Annual Caps for the transactions under the Master Agreement for the period commencing from the Effective Date to 31 December 2014 and the two years ended 31 December 2016 will be as follows:

For the period commencing from the Effective Date to 31 December 2014:	RMB60,000,000 (equivalent to approximately HK\$76,200,000)
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For the year ending 31 December 2015:	RMB70,000,000 (equivalent to approximately HK\$88,900,000)
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For the year ending 31 December 2016:	RMB80,000,000 (equivalent to approximately HK\$101,600,000)
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The Proposed Annual Caps were arrived at after arm's length negotiations between the Company and CWA, taking into account (i) the historical transaction amounts of the relevant products; (ii) the expected price of the relevant products with the effect of inflation; and (iii) the expected demand for the relevant products by the CWA Group.

Pricing basis: The price of the water meters and the related products shall be determined with reference to their respective costs and the prevailing market price for similar products.

Other major terms: The Group and the CWA Group shall enter into individual agreements to govern the exact terms and conditions of each transaction under the Master Agreement. Detailed payment terms will be specified in the individual contract governing the particular transaction. Nevertheless, the Company and CWA agree that the terms and conditions (including the price) under those separate agreements shall be no less favourable than those offered by the Group to other independent third parties for similar products.

The Company and CWA are entitled to extend the Master Agreement on or before 31 December 2016 and to take such action as may be appropriate to comply with the Listing Rules. Without prejudice to the right of any party to terminate the Master Agreement, the Master Agreement shall automatically terminate if (i) the Company considers that it is not feasible to comply with the Listing Rules at the relevant time; or (ii) compliance with the Listing Rules would require changes to the Master Agreement which are not acceptable to any of the parties thereto.

REASONS FOR THE ENTERING INTO OF THE MASTER AGREEMENT

Since the listing of the Shares on the Stock Exchange on 15 July 2004, and immediately before and during the suspension of trading in the Shares since 14 February 2008 at the direction of the Stock Exchange, the Group has all along been engaging in the television (TV) 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 (the “**Acquisition**”). 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. Upon completion of the sale and purchase agreement entered into between the Group and 數源科技股份有限公司 (SOYEA Technology Co., Ltd) (Stock code: SZ000909) on 20 August 2013 regarding the proposed acquisition of 數源久融技術有限公司 (Soyea Jiu Rong Technology Co., Ltd.*) (the “**VSA**”), the Group will also engage in the TV business. For details of the VSA, please refer to the circular of the Company dated 12 November 2013.

* *For identification purposes only*

In the ordinary and usual course of business, the Group from time to time after the Acquisition enters into transactions with the CWA Group in relation to the provision of water meters and the related products. For the period commencing from 1 March 2012 to 31 December 2012 and the nine months ended 30 September 2013, the historical transaction amounts of the relevant products were approximately RMB7,060,000 and RMB14,817,000 respectively. Through the entering into of the Master Agreement, the Directors expect that the transactions contemplated under the Master Agreement will continue to strengthen the Group's ability to carry out a stable and sustainable business operation, which shall be beneficial to the Company and the Shareholders as a whole.

The transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group. Having considered above, the Directors (excluding the independent non-executive Directors who will express their opinion after receiving the advice of the independent financial adviser to be appointed) are of the view that the terms of the Master Agreement, including the Proposed Annual Caps, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Master Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE CWA GROUP

The CWA Group is 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.

LISTING RULES IMPLICATION

Given that New Prime, upon completion of the CWA Subscription, will become a substantial shareholder of the Company, CWA, being the sole shareholder of New Prime, will be a connected person of the Company by virtue of being an associate of New Prime, and the transactions contemplated under the Master Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Master Agreement are more than 5% and the annual consideration is more than HK\$10,000,000, the Master Agreement and the transactions contemplated thereunder constitute a non-exempt continuing connected transaction for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The approval of the Independent Shareholders will be sought at the EGM by way of poll in respect of the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps. New Prime and its associates will be required to abstain from voting at the EGM.

The Independent Board Committee will be established to advise the Independent Shareholders on the Master Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendation on the same to be given by an independent financial adviser.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps.

A circular containing, among other things, (i) details of the Master Agreement and the Proposed Annual Caps; (ii) recommendation of the Independent Board Committee; (iii) advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the Proposed Annual Caps; and (iv) a notice of EGM, will be despatched to the Shareholders on or before 7 January 2014.

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.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 thereto under the Listing Rules and the word “connected” shall be construed accordingly
“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 Group”	CWA and its subsidiaries
“CWA Subscription”	the subscription of 1,000,000,000 new Shares by New Prime under the subscription agreement dated 1 December 2010, details of which were set out in the circular of the Company dated 12 November 2013
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Master Agreement takes effect
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of considering and, if thought fit, approving the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors to be established to provide recommendation to the Independent Shareholders in relation to the Master Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than New Prime and its associates and those who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement entered into between the Company and CWA on 12 December 2013 in respect of the sale and purchase of the water meters and the related products
“New Prime”	New Prime Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of CWA
“Proposed Annual Caps”	the annual caps in respect of the transactions contemplated under the Master Agreement for the period commencing from the Effective Date to 31 December 2014 and the two years ended 31 December 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Hong Kong, 12 December 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.

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

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

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.