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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)

**DISCLOSEABLE TRANSACTION
POSSIBLE APPLICATION FOR
WHITEWASH WAIVER**

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)

**ENTERING INTO THE LOAN AGREEMENT,
THE DEBENTURE, THE SUBSCRIPTION
AGREEMENT, THE LETTER OF
INTENT AND THE UNDERWRITING
LETTER IN RELATION TO
THE PROPOSED OPEN OFFER**

Joint financial advisers to MEK



博大資本國際有限公司

Partners Capital International Limited



KINGSTON CORPORATE FINANCE LTD

**THE LOAN AGREEMENT, THE DEBENTURE AND THE SUBSCRIPTION
AGREEMENT**

The respective boards of directors of MEK and CWA jointly announce that, on 1 December 2010:

- (i) MEK as the borrower and the Investor (being a wholly owned subsidiary of CWA) as the lender entered into the Loan Agreement pursuant to which the Investor agrees to make available to MEK the Loan up to a principal amount of HK\$100,000,000 in cash;
- (ii) MEK as the borrower and the Investor as the lender entered into the Debenture as a security for the repayment of the Loan; and

* For identification purpose only

(iii) MEK as the issuer and the Investor as the subscriber entered into the Subscription Agreement, pursuant to which MEK has agreed to issue and the Investor has agreed to subscribe for 1,000,000,000 Subscription Shares, representing approximately (1) 250%, (2) 71.43%, (3) 34.48% and (4) 86.20% of the total issued share of MEK (1) as at the date of this announcement; (2) immediately following completion of the Subscription (without completion of the Open Offer); and (3) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (4) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively (on enlarged basis), at a subscription price of HK\$0.10 per Subscription Share upon and subject to the terms and conditions set out in the Subscription Agreement. Subject to the fulfillment (or waiver by the Investor) of conditions precedent of the Subscription Agreement on or before 31 March 2011 (which may be extended by the Investor at its own discretion to a date not later than 31 December 2011 or such later date as may be agreed between the Investor and MEK), the Subscription Price is to be satisfied by way of offsetting against the sums owed by MEK to the Investor under the Loan Agreement. Completion of the Subscription Agreement is not conditional on completion of the Open Offer. Completion of the Subscription will take place as soon as possible after the fulfillment of the conditions precedent under the Subscription Agreement.

THE PROPOSED OPEN OFFER

As mentioned in the announcement of MEK dated 24 February 2009, the Stock Exchange has set out the conditions for the Resumption of Trading. MEK intends to prepare the Resumption Proposal, of which the Subscription and the Open Offer will form part, to the Stock Exchange for application of the Resumption of Trading. Subject to the Stock Exchange's review and approval of the Resumption Proposal, MEK intends to raise up to HK\$150,000,000, before expenses, by way of open offer of 1,500,000,000 Offer Shares at an offer price of HK\$0.10 per Offer Share, payable in full on application, on the basis of 15 Offer Shares for every four (4) MEK Shares. On 1 December 2010, MEK and the Possible Underwriters entered into the non-legally binding Letter of Intent pursuant to which the Possible Underwriters have expressed intention to fully underwrite 1,500,000,000 Offer Shares in an aggregate amount of HK\$150 million.

On 1 December 2010, MEK and the Investor entered into a legally binding underwriting letter pursuant to which the Investor unconditionally and irrevocably undertakes to act as the underwriter for the whole amount of the Open Offer in cash in the event that the Possible Underwriters fail to enter into the Underwriting Agreement with MEK in relation to the Open Offer.

As the Open Offer is subject to, inter alia, the signing of the Underwriting Agreement and the Stock Exchange granting an in-principle approval to the Resumption of Trading, the Open Offer may or may not proceed.

Completion of the Open Offer is conditional upon the Subscription Agreement becoming unconditional.

IMPLICATIONS OF THE LISTING RULES AND TAKEOVERS CODE

The Subscription under the Specific Mandate is subject to the reporting, announcement and MEK Independent Shareholders' approval requirements under the Listing Rules.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Loan advancement, the Subscription and the Open Offer (in case the Investor fully underwrites in lieu of the Possible Underwriters) are higher than 5% but lower than 25%, the Loan advancement, the Subscription and the Open Offer together constitute a discloseable transaction of CWA and subject to the reporting and announcement requirements under the Listing Rules.

As the Controlling Shareholder has undertaken to the Investor that it shall not take up any Offer Shares which the Controlling Shareholder are entitled to subscribe in the Open Offer, and as the Investor or CWA will not be a qualifying MEK Shareholder on the record date for the Open Offer and shall not, therefore, be eligible to take up any entitlement under the Open Offer (as completion of the Subscription will take place as soon as possible after the fulfillment of the conditions precedent under the Subscription Agreement), the shareholding interests of the Investor and parties acting in concert with it in MEK are expected to be approximately (1) 71.43%, (2) 62.06%; and (3) 86.20% immediately following completion of (1) the Subscription (without completion of the Open Offer); (2) both the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (3) both the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively. As a result of the Investor becoming the new controlling shareholder of MEK upon completion of the Subscription and/or the Open Offer, the Investor and parties acting in concert with it will be obliged to make an unconditional mandatory general offer for all the MEK Shares not already owned or will be acquired by the Investor and parties acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 has been obtained from the Executive. Subject to the Stock Exchange having approved the Resumption of Trading, the Investor and parties acting in concert with it will make an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which will be subject to the approval of the MEK Independent Shareholders taken by way of a poll at the EGM. In the event that less than 25% of the issued share capital of MEK is held by the public after the Open Offer, appropriate steps will be taken as soon as practicable to place down the then existing MEK Shares held by the Investor and/or parties acting in concert with it to the Independent Third Parties so that the public float of MEK is not less than 25% of the enlarged issued share capital of MEK.

GENERAL

Mr. Zhang and his associates, who are interested in 294,000,000 MEK Shares, representing approximately 73.50% of the total issued share capital of MEK as at the date of this announcement, will be required under the Takeovers Code and the Listing Rules to abstain from voting at the EGM in respect of the Subscription, the Whitewash Waiver, and the Open Offer. A MEK Independent Board Committee will be formed to advise the MEK Independent Shareholders as to the terms of the Subscription, the Whitewash Waiver and the Open Offer. An independent financial adviser will be appointed by the MEK Independent Board Committee to advise the MEK Independent Board Committee and the MEK Independent Shareholders in this regard. An announcement on the appointment of an independent financial adviser will be made in this regard upon the appointment.

Pursuant to Rule 8.2 of the Takeovers Code, a circular from MEK containing, among other matters, further information on (i) the Loan Agreement, (ii) the Debenture, (iii) the Subscription and the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate, the allotment and issue of the Subscription Shares and the application for Whitewash Waiver); (iv) the Open Offer; (v) a letter from the independent financial adviser containing its advice to the MEK Independent Board Committee and the MEK Independent Shareholders in respect of the Subscription, the Open Offer and the Whitewash Waiver; (vi) the recommendation of the MEK Independent Board Committee to the MEK Independent Shareholders in respect of the Subscription, the Open Offer and the Whitewash Waiver, and (vii) a notice of the EGM should be posted to the MEK Shareholders within 21 days from the date of this announcement in accordance with the Listing Rules and the Takeovers Code. Application will be made for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such circular as soon as practicable but in any event on or before 31 March 2011. Further announcement will be made regarding the transactions contained in this announcement and the despatch of circular.

The completion of the transactions as contained in this announcement is conditional upon satisfaction of certain conditions precedent (including the Stock Exchange granting an in-principle approval to the Resumption of Trading) and may or may not proceed. If MEK Shareholders and investors are in any doubt about their position, they should consult their own professional advisers.

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 and that the listing approval for the Subscription Shares and the Offer Shares will be granted.**

THE LOAN AGREEMENT

On 1 December 2010, MEK as the borrower and the Investor (being a wholly owned subsidiary of CWA) as the lender entered into the Loan Agreement pursuant to which the Investor agrees to make available to MEK the Loan up to a principal amount of HK\$100,000,000 in cash.

To the best of the MEK Directors' knowledge, information and belief after making reasonable enquiries, the Investor and its ultimate beneficial owner are Independent Third Parties and have no shareholding in MEK as at the date of this announcement. To the best of the CWA Directors' knowledge, information and belief after making reasonable enquiries, MEK and its ultimate beneficial owners are third parties independent of and neither connected with nor acting in concert with CWA and parties acting in concert with it and its connected persons (as defined under the Listing Rules) and have no shareholding in CWA as at the date of this announcement.

Conditions Precedent

The obligation of the Investor to advance the Loan to the Borrower is conditional upon, inter alia, the following:

- (1) there shall have been delivered to the Investor the relevant documents (inter alia, the Debenture, the assignment over accounts and share charges on Mitsumaru (Holdings) Limited and Dragon Gain Resources Limited, both being the wholly owned subsidiaries of MEK and the guarantee from Mr. Zhang) duly executed by all parties thereto; and
- (2) all such condition precedents for the security documents under the Loan Agreement having been fulfilled.

If the conditions precedent set out above are not fulfilled (or waived by the Investor) on or before 31 December 2010 or such later date as may be agreed between the Investor and MEK, the Loan Agreement will lapse and become null and void and the parties thereunder shall be released from all obligations under the Loan Agreement, save the liabilities for any antecedent breaches thereof.

Principal terms of the Loan Agreement

Interest

Interest on the Loan shall accrue at the rate of 2% per annum from the date of drawdown of the Loan on the outstanding principal amount of the Loan. Interest shall be calculated on the actual number of days elapsed and payable semi-annually in arrears on the last day of each 6-month period from the date of drawdown of the Loan. If MEK defaults in repayment on the due date of any part of the Loan, interest or other amounts payable hereunder, MEK shall pay interest on such overdue sums (including any overdue interests and/or principal loan amount) from the due date until payment in full (before and after judgment) at the rate of 2% per month. Such interest shall be calculated on the basis of the actual number of days elapsed.

Repayment

Subject to the Investor's overriding right of repayment on demand after six months from the date of drawdown, MEK shall repay the Loan in full together with all interest accrued and all other monies payable under the Loan Agreement and security documents on the date falling on the expiry of 12 months and one day from the date of drawdown or the date of termination

of the Subscription Agreement, whichever is later by (i) the issue and allotment of Subscription Shares and (if applicable) cash covering remaining outstanding balance; or (ii) in cash if the Subscription does not become unconditional before due date of the Loan. No amounts repaid may be re-borrowed.

Prepayment

MEK may prepay to the Investor the whole or any part of the Loan provided that: (1) MEK shall have given to the Investor prior notice in writing of its intention to make such prepayment, specifying the amount to be prepaid and the date on which prepayment is to be made; (2) the amount of any partial prepayment shall not be less than HK\$1,000,000 or the entire outstanding amount due to the Investor, whichever is lower; and (3) MEK shall, on the date of prepayment, pay to the Investor all accrued interest or any other sums including expenses or fees due and payable under the Loan Agreement or the security documents and any amount due from MEK to the Investor. A notice of intention to prepay once having been given by MEK shall be irrevocable and shall oblige MEK to make the specified prepayment and failure to make prepayment in accordance with such a notice shall be an event of default. MEK shall have no right to prepay the Loan other than the rights expressly provided herein. No amounts prepaid may be re borrowed.

The Lockup Letter from the Controlling Shareholder

Pursuant to the lockup letter issued by the Controlling Shareholder to the Investor on 1 December 2010, the Controlling Shareholder confirmed that neither the Controlling Shareholder, nor any person acting on their behalf will, at any time during the period commencing on the date of the Loan Agreement and ending on the day after completion or termination of the Subscription Agreement, without the prior written consent of the Investor, directly or indirectly, offer, sell, contract to offer or sell, pledge or otherwise dispose of any of the MEK Shares or any securities convertible or exchangeable into or exercisable for the MEK Shares or other rights to purchase or subscribe or otherwise acquire the MEK Shares. As at the date of this announcement, save for the 249,000,000 MEK Shares, representing 62.25% of the voting rights in the interests of the issued share capital of MEK as at the date of this announcement, beneficially owned by the Controlling Shareholder, the Controlling Shareholder does not own any other securities convertible or exchangeable into or exercisable for the MEK Shares or other rights to purchase or subscribe or otherwise acquire the MEK Shares.

THE DEBENTURE

On 1 December 2010, MEK as the borrower and the Investor as the lender, entered into the Debenture as a security for the repayment of the Loan. Pursuant to the Debenture, MEK, as the legal and beneficial owner, charges to the Investor, as a continuing security for the payment and discharge in full of the Loan, both present and future by way of first fixed charge of all the assets of MEK from time to time and by way of first floating charge, the undertaking and all the property, assets and rights of MEK, whatsoever and wheresoever if and insofar as not otherwise effectively charged by way of first fixed charge as mentioned above.

THE SUBSCRIPTION AGREEMENT DATED 1 DECEMBER 2010

Parties

The Issuer: MEK

The Subscriber: the Investor

To the best of the MEK Directors' knowledge, information and belief after making reasonable enquiries, the Investor and its ultimate beneficial owner are Independent Third Parties and have no shareholding in MEK as at the date of this announcement. To the best of the CWA Directors' knowledge, information and belief after making reasonable enquiries, MEK and its ultimate beneficial owners are third parties independent of and neither connected with nor acting in concert with CWA and parties acting in concert with it and its connected persons (as defined under the Listing Rules) and have no shareholding in CWA as at the date of this announcement.

Subscription Shares

1,000,000,000 new shares of HK\$0.10 each in the share capital of MEK. The Subscription Shares represent approximately (1) 250%, (2) 71.43%, (3) 34.48% and (4) 86.20% of the total issued share of MEK (1) as at the date of this announcement; (2) immediately following completion of the Subscription (without completion of the Open Offer); and (3) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (4) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively (on enlarged basis).

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.10, which was arrived at after arm's length negotiations between MEK and the Investor, represents (i) the par value of the MEK Share; (ii) a discount of approximately 89.36% to the closing price of HK\$0.94 per MEK Share as quoted on the Stock Exchange on 13 February 2008, being the last trading day before suspension of trading of MEK Shares on 14 February 2008; and a discount of approximately 89.36% to the average closing price of approximately HK\$0.94 per MEK Share as quoted on the Stock Exchange for

the last five trading days prior to and including 13 February 2010. Given the Group's current financial position and the long suspension of the MEK Shares, the MEK Directors consider that the Subscription Price is fair and reasonable.

Subject to the fulfillment (or waiver by the Investor) of conditions precedent on or before 31 March 2011 (which may be extended by the Investor at its own discretion to a date not later than 31 December 2011 or such later date as may be agreed between the Investor and MEK), the Subscription Price is to be satisfied by way of offsetting against the sums owed by MEK to the Investor under the Loan Agreement. If the amount owed by MEK to the Investor under the Loan Agreement is less than the Subscription Price, the Investor shall pay for the shortfall by a banker's draft made payable to MEK. Alternatively, if the amount owed by MEK to the Investor under the Loan Agreement exceeds the Subscription Price, the excess amount shall be repaid by MEK to the Investor in accordance with the terms of the Loan Agreement.

Adjustments of Subscription Price

The Subscription Price shall from time to time from the date of signing of the Subscription Agreement up to completion thereof be adjusted in accordance with the following relevant provisions:

- (i) If and whenever the MEK Shares by reason of any consolidation or sub-division become of a different nominal amount, the Subscription Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective; or
- (ii) If and whenever MEK shall issue any new MEK Shares (other than pursuant to the Open Offer) or any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new MEK Shares, the Subscription Price in force immediately prior to such issue shall be adjusted as MEK and the Investor shall agree such that the number of Subscription Shares immediately after such issue shall remain representing not less than (1) 71.43%; (2) 34.48% and (3) 86.20% of the total issued share of MEK (1) immediately following completion of the Subscription (without completion of the Open Offer); and (2) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (3) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively (on enlarged basis).

Mandate to issue the Subscription Shares

MEK will seek the grant of the Specific Mandate from the MEK Independent Shareholders at the EGM.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the MEK Shares in issue at the date of allotment of the Subscription Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon, inter alia:

- A. the Stock Exchange having granted or stated that it will grant (either unconditionally or subject only to conditions to which MEK and the Investor do not reasonably object) approval for (i) the Resumption of Trading; and (ii) the listing of and permission to deal in the Subscription Shares;
- B. the Executive granting the Whitewash Waiver; and
- C. the passing by the MEK Independent Shareholders by way of a poll at the EGM of a resolution approving the issue of the Subscription Shares, the Whitewash Waiver and the increase in authorised share capital of MEK in accordance with the Listing Rules.

Completion of the Subscription Agreement is not conditional on completion of the Open Offer. In other words, upon fulfillment of the conditions precedent of the Subscription Agreement including, inter alia, approval for the Resumption of Trading, the Investor is obliged to complete the Subscription. The Subscription, the Whitewash Waiver and the Open Offer will be put to MEK Independent Shareholders' approval by poll at the same EGM.

MEK undertakes to the Investor to use its reasonable endeavours to ensure that the above conditions precedent are fulfilled as early as practicable. If the above conditions precedent are not fulfilled (or waived by the Investor) on or before 31 March 2011 ("**Long Stop Date**"), the Investor shall have the right at its own discretion to extend the Long Stop Date to a date not later than 31 December 2011. If the conditions precedent above are not fulfilled (or waived by the Investor) on or before such Long Stop Date or such later date as may be agreed between the Investor and MEK, the Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches hereof. Other than conditions B and C relating to the resolution approving the Whitewash Waiver above, none of the above conditions is capable of being waived. In the event the Investor elects to waive the conditions B and C relating to the resolution approving the Whitewash Waiver (such as in case that the resolution on the Whitewash Waiver is not approved by the MEK Independent Shareholders, or in case that the Executive does not grant the Whitewash Waiver), the Investor will comply with all relevant requirements under the Takeovers Code, including but not limited to the making of a general offer and further announcement(s).

After signing of the Subscription Agreement and up to the Completion Date or the Long Stop Date, whichever is earlier, MEK shall not without the prior written consent of the Investor negotiate or agree or sign any document with any third party in relation to any issue of new MEK Shares or any securities by MEK and shall not do anything which will hamper the transactions contemplated under the Subscription Agreement or otherwise inconsistent with the Subscription Agreement, save for the Underwriting Agreement for the Open Offer.

MEK shall on or before 31 December 2010 submit the Resumption Proposal to the Stock Exchange and shall use its best endeavours to obtain the Stock Exchange's approval for Resumption of Trading and listing of and permission to deal in the Subscription Shares and the Offer Shares.

MEK undertakes to steer that the MEK Group shall develop its new line of business in electronic water meters and other ancillary and related products.

Completion of the Subscription

Subject to fulfilment of the above conditions precedent, completion of the Subscription shall take place on the Completion Date (or at such other time to be agreed in writing between MEK and the Investor) and each party shall perform its respective obligations set out in the Subscription Agreement.

THE PROPOSED OPEN OFFER

As mentioned in the announcement of MEK dated 24 February 2009, the Stock Exchange has set out the conditions for the Resumption of Trading. MEK intends to prepare the Resumption Proposal, of which the Subscription (not conditional with the Open Offer) and the Open Offer (conditional with the Subscription, but not inter-conditional with each other) will form part, to the Stock Exchange for application of the Resumption of Trading. Subject to the Stock Exchange's review and approval of the Resumption Proposal, MEK intends to raise up to HK\$150,000,000, before expenses, by way of open offer of 1,500,000,000 Offer Shares at an offer price of HK\$0.10 per Offer Share, payable in full on application, on the basis of 15 Offer Shares for every four (4) MEK Shares.

The Investor or CWA will not be a qualifying MEK Shareholder on the record date for the Open Offer and shall not, therefore, be eligible to take up any entitlement under the Open Offer as completion of the Subscription will take place as soon as possible after the fulfilment of the conditions precedent under the Subscription Agreement.

The Letter of Intent dated 1 December 2010

On 1 December 2010, MEK and the Possible Underwriters entered into the non-legally binding Letter of Intent pursuant to which the Possible Underwriters have expressed intention to fully underwrite 1,500,000,000 Offer Shares in an aggregate amount of HK\$150 million subject to signing of the Underwriting Agreement (superseding another letter of intent dated 28 October 2010 signed by (1) MEK, (2) the Possible Underwriters and (3) Premier One Investments Limited, being a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Tsui Chi Kin, who was the executive director of CWA from 2003 to 2005 and is holding shareholding interests in 24,238,000 CWA Shares (representing approximately 1.8% of the total issued share capital of CWA as at the date of this announcement)). To the best of the MEK Directors' knowledge, information and belief after making reasonable enquiries, the Possible Underwriters and their respective ultimate beneficially owners and their respective associates are Independent Third Parties and have no shareholding in MEK as at the date of this announcement. It is expected that MEK and the Possible Underwriters will enter into the Underwriting Agreement as soon as practicable upon the Stock Exchange granting an in-principle approval to the Resumption of Trading, which is expected to be on or before 31 March 2011 or such other date as may be agreed between MEK and the Possible Underwriters.

The purpose of the Letter of Intent is to set out the basis on which the Underwriter and Kingston Securities intend to commit to underwrite (i) 800,000,000 Offer Shares in an amount of HK\$80 million and (ii) 700,000,000 Offer Shares in an amount of HK\$70 million respectively (each an "**Underwriting Obligation**" and collectively, the "**Underwriting Obligations**"). The first HK\$80 million of the Offer Shares that are not validly applied for shall be taken up by the Underwriter. Only after the Underwriting Obligation of the Underwriter has been fully satisfied shall Kingston Securities be obliged to take up any remaining Offer Shares. Kingston Securities shall not be obliged to perform any of its

Underwriting Obligation unless and until the Underwriter has performed fully its Underwriting Obligation. The Possible Underwriters will receive an underwriting commission of 2% for their respective Underwriting Obligations.

It is expected that, the Underwriting Obligations will be subject to, inter alia, the fulfilment (or waiver in writing by the Possible Underwriters to the extent permitted by all applicable laws or rules) of the following conditions:

- (a) the signing of the Subscription Agreement;
- (b) the signing of the Underwriting Agreement between MEK and the Possible Underwriters;
- (c) the approval by the MEK Independent Shareholders at the EGM of an ordinary resolution to approve the Open Offer;
- (d) the Stock Exchange having granted the Resumption of Trading; and
- (e) the approval by the Stock Exchange for the listing of and permission to deal in the Offer Shares.

The Letter of Intent may be terminated if any of the conditions above are not satisfied or waived (as the case may be) or by mutual written consent of the parties to the Letter of Intent, on or before 31 March 2011.

The Underwriting Letter dated 1 December 2010

Parties

The Issuer: MEK

The underwriter: the Investor

On 1 December 2010, MEK and the Investor entered into a legally binding underwriting letter pursuant to which the Investor unconditionally and irrevocably undertakes to act as the underwriter for the whole amount of the Open Offer in cash in the event that the Possible Underwriters fail to enter into the Underwriting Agreement with MEK in relation to the Open Offer.

The Investor's underwriting obligations under the Underwriting Letter will be subject to, inter alia, the fulfilment (or waiver in writing by the Investor to the extent permitted by all applicable laws or rules) of the following conditions:

- (a) the Possible Underwriters failing to enter into the Underwriting Agreement with MEK in relation to the Open Offer prior to or upon the Subscription Agreement becoming unconditional which is expected to be on or before 31 March 2011 (which may be extended by the Investor at its own discretion to a date not later than 31 December 2011 or such later date as may be agreed between the Investor and MEK); and
- (b) the Subscription Agreement becoming unconditional.

The Investor's underwriting obligations under the Underwriting Letter will lapse as long as the Possible Underwriters succeed to enter into the Underwriting Agreement with MEK in relation to the Open Offer.

Conditions of the Open Offer

The Open Offer is subject to (amongst others) the entering into of the Underwriting Agreement and it is expected that completion of the Open Offer will be subject to (amongst others) the fulfillment of the following conditions:

- (i) the approval by the MEK Independent Shareholders at the EGM of an ordinary resolution to approve the Open Offer;
- (ii) the approval by the Stock Exchange for the listing of and permission of and permission to deal in the Offer Shares; and
- (iii) the Subscription Agreement becoming unconditional.

As the Open Offer is subject to, inter alia, the signing of the Underwriting Agreement and the Stock Exchange granting an in-principal approval to the Resumption of Trading, the Open Offer may or may not proceed.

The undertaking letter from the Controlling Shareholder

Pursuant to the undertaking letter issued by the Controlling Shareholder to the Investor on 1 December 2010, the Controlling Shareholder hereby unconditionally and irrevocably undertakes and confirms as follows:

1. Neither the Controlling Shareholder, nor any person acting on our behalf will, at any time during the period commencing from the date of the undertaking letter on 1 December 2010 and ending on the day after completion or termination of the Subscription Agreement, without the prior written consent of the Investor, directly or indirectly offer, sell, contract to offer or sell, pledge or otherwise dispose of any of the MEK Shares or any securities convertible or exchangeable into or exercisable for the MEK Shares or other rights to purchase or subscribe or otherwise acquire the MEK Shares;
2. the Controlling Shareholder shall not, at any time during the period commencing from the date of the undertaking letter on 1 December 2010 and ending on the day after completion or termination of the Subscription Agreement, do or permit to be done anything, including but not limited to exercising the voting rights over the MEK Shares owned by the Controlling Shareholder, which would adversely affect or delay the completion of or otherwise in any way inconsistent with the Subscription Agreement, the Open Offer, the Resumption Proposal or any of the transactions contemplated thereunder;
3. the Controlling Shareholder shall not take up any Offer Shares which the Controlling Shareholder are entitled to subscribe in the Open Offer;
4. the Controlling Shareholder shall in general exercise the voting rights over the MEK Shares owned by them in such ways consistent with the Subscription Agreement, the Open Offer, the Resumption Proposal and all the transactions contemplated thereunder and to facilitate the completion thereof.

INFORMATION ON THE MEK GROUP

The principal business activity of MEK is investment holding. The principal business activities of its subsidiaries are the design of the chassis of CRT and LCD colour televisions and the trading of related components, and the assembling of colour television sets. Set out below is a

summary of the audited consolidated results and assets and liabilities of the Group for each of the two years ended 31 December 2009 and for the six months ended 30 June 2010 as extracted from the respective published audited/unaudited financial statements:

<i>(HK'000)</i>	For the year ended 31 December		For the six months ended
	2008	2009	30 June 2010
Income statement summary			
Turnover	519,883	167,518	60,328
Gross profit	30,284	4,285	2,598
Profit/(loss) before taxation	(110,135)	(88,681)	(21,975)
Profit/(loss) after taxation	(113,265)	(88,207)	(21,975)
Total comprehensive income for the year	(96,629)	(75,277)	(21,975)
Balance sheet summary			
Total assets	390,545	164,598	141,352
Total liabilities	(385,396)	(234,726)	(233,455)
Net assets/(liabilities)	5,149	(70,128)	(92,103)

INFORMATION ON CWA AND THE INVESTOR

The CWA Group is primarily engaged in the provision of water supply and sewage treatment; development of properties for sale and investment in properties; construction of road and other municipal works; manufacture and sale of concrete products. CWA Group is identifying with effort promising water projects to enlarge its water supply business and enhance its effectiveness.

The Investor is a direct wholly owned subsidiary of CWA, and was incorporated on 13 October 2010 in the BVI with limited liability.

INFORMATION ON THE POSSIBLE UNDERWRITERS

The Underwriter

The Underwriter is an investment holding company incorporated in the BVI with limited liability. As at the date of this announcement, (i) save for the entering into of the Letter of Intent, the Underwriter has not conducted any business since its incorporation; (ii) Mr. Wei Min (“Mr. Wei”) is the sole ultimate beneficial owner and the sole director of the Underwriter; and (iii) the Underwriter and parties acting in concert with it do not own any MEK Shares. The Underwriter and parties acting in concert with it have not dealt in any shares, convertible securities, warrants, options or derivatives of MEK during the six months prior to 28 October 2010 and the date of the Letter of Intent. The biographical details of Mr. Wei are set out below:

Mr. Wei Min, aged 41, is a president of an independent commercial company which major in investment and financial advisory. Mr. Wei has 18 years of investment experience in the oil and financial markets and trading. Mr. Wei is a light oil traders of Singapore PLATTS, which is Asia-Pacific’s oil trading market. Former roles include senior executive of overseas subsidiaries of major oil company. Mr. Wei obtained a Bachelor of Economic Degree from Dongbei University of Finance and Economics in the PRC, a Master of Business Administration Degree from the University of San Francisco in the United States.

Under the Letter of Intent, the Underwriter has a non-legally binding underwriting commitment of 800 million Offer Shares, which are intended for investment purpose. Mr Wei has extensive experience in various investments in China and in the Asia Pacific and considers that the investment opportunity in MEK will provide an appropriate profile for his portfolio.

The Underwriter, Mr Wei and the Investor are presumed to be parties acting in concert under the Takeovers Code.

Kingston Securities

Kingston Securities is a corporation licensed to carry on type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Kingston Securities will procure independent placees to take up the Offer Shares pursuant to its Underwriting Obligation under the Open Offer.

The Letter of Intent entered into between the Possible Underwriters and MEK is non-legally binding. Trading in the MEK Shares has been suspended since 14 February 2008. As part of its resumption plan, MEK entered into Subscription Agreement with the Investor and proposed the Open Offer to raise an aggregate amount of HK\$250 million. Under the Subscription Agreement, the Investor will subscribe for MEK Shares to the extent of the Loan amount of HK\$100 million. MEK Shareholders were availed equal opportunity to participate in the Open Offer. As the resumption proposal is yet to be approved by the Stock Exchange and there is no certainty as to the time span required for processing the resumption, the Possible Underwriters consider that it is appropriate to commit to the underwriting by way of a letter of intent. MEK entered into the Letter of Intent with the Possible Underwriters to underwrite the Open Offer to the extent that MEK Shareholders choose not to participate in the Open Offer. Kingston Securities is an active participant in the capital market which day-to-day business includes that

of share placement and underwriting. Mr Wei, the sole ultimate beneficial owner of the Underwriter, is in the business of investment. The Possible Underwriters were invited to act as the underwriters for the whole amount of the Open Offer of HK\$150 million because the shareholding interests of the Investor and parties acting in concert with it in MEK are otherwise expected to be approximately 86.20% immediately following completion of both the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters), thereby resulting in an insufficient public float for the MEK Shares. The Letter of Intent has the advantage of enlarging the shareholder base of MEK after the Open Offer with sufficient public float of the MEK Shares.

The Underwriting Letter entered into between the Investor and MEK is legally binding. The Investor unconditionally and irrevocably undertakes to act as the underwriter for the whole amount of the Open Offer in cash in the event that the Possible Underwriters fail to enter into the Underwriting Agreement with MEK in relation to the Open Offer prior to or upon the Subscription Agreement becoming unconditional, which is expected to be on or before 31 March 2011 (which may be extended by the Investor at its own discretion to a date not later than 31 December 2011 or such later date as may be agreed between the Investor and MEK).

CWA confirms that CWA was not a party to the Letter of Intent entered into between the Possible Underwriters and MEK on the underwriting of the Open Offer.

REASONS FOR THE LOAN, THE DEBENTURE AND THE SUBSCRIPTION

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. MEK is principally involved in the design of the chassis of CRT and LCD colour televisions and the assembling of colour television sets. CWA believes that the experience and skills of MEK's management team in electrical and electronic products can readily be applied to cover a product range from colour television sets to water meters and ancillary electronic and electrical appliances. MEK Group has the available production capacity in its manufacturing plants in the PRC which can be expanded or utilised to manufacture and assemble electricity metres, water meters and other relevant electrical and electronic equipments at competitive cost levels not otherwise available to CWA Group for use and general application in CWA's existing business activities. Based on the foregoing, CWA Board considers that there is a commercial justification to enter into the Loan Agreement, the Debenture and the Subscription Agreement, and the application of the Whitewash Waiver. As the Subscription Agreement is conditional upon (amongst others) the Underwriting Agreement for the Open Offer becoming unconditional and the Whitewash Waiver being granted by the Executive, CWA considers that it is in the interests of CWA to apply to the Executive for the Whitewash Waiver.

Given the MEK Group's current financial position and the suspension of trading in MEK Shares, the MEK Directors consider that it is beneficial to and in the interest of MEK to enter into the Loan Agreement, 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 MEK Directors believe the terms of the Loan Agreement, 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 MEK and the MEK Shareholders as a whole.

USE OF PROCEEDS

Net proceeds from the Loan and the Subscription of approximately HK\$99.5 million will be used for the expansion of the existing business of MEK Group, inter alia, the development of the new line of business in electronic water meters and other ancillary and related products and making of future investments if appropriate opportunity arises. MEK has not identified any investment opportunity which is suitable to the Group as at the date of this announcement. In the event that there is no appropriate investment opportunity for the Group in the future, the net proceeds will be retained by the Group for general working capital purpose.

FUND RAISING ACTIVITY OF MEK IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

MEK has not carried out any fund raising activity by the issue of equity securities or convertible securities in the 12 months preceding the date of this announcement.

SHAREHOLDINGS STRUCTURE OF MEK

The following table sets out the shareholding structure of MEK (i) as at the date of this announcement; (ii) immediately following completion of the Subscription (without completion of the Open Offer); (iii) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (iv) immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters):

	As at the date of this announcement		Immediately following completion of the Subscription ³ (without completion of the Open Offer)		Immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor)		Immediately following completion of the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters)	
	Number of MEK Shares	%	Number of MEK Shares	%	Number of MEK Shares	%	Number of MEK Shares	%
Substantial MEK Shareholders:								
Z-Idea Company Limited ¹	249,000,000	62.25	249,000,000	17.79	249,000,000	8.59	249,000,000	8.59
Good Day International Limited ¹	45,000,000	11.25	45,000,000	3.21	45,000,000	1.55	45,000,000	1.55
Sub-total	<u>294,000,000</u>	<u>73.50</u>	<u>294,000,000</u>	<u>21.00</u>	<u>294,000,000</u>	<u>10.14</u>	<u>294,000,000</u>	<u>10.14</u>
The Investor	—	—	1,000,000,000	71.43	1,000,000,000	34.48	2,500,000,000	86.20
Underwriter	—	—	—	—	800,000,000	27.58	—	—
Sub-total (Investor and parties acting in concert with it)	<u>—</u>	<u>—</u>	<u>1,000,000,000</u>	<u>71.43</u>	<u>1,800,000,000</u>	<u>62.06</u>	<u>2,500,000,000</u>	<u>86.20</u>
Public MEK Shareholders:								
The independent places to be procured by Kingston Securities ²	—	—	—	—	700,000,000	24.14	—	—
Other public MEK Shareholders	<u>106,000,000</u>	<u>26.50</u>	<u>106,000,000</u>	<u>7.57</u>	<u>106,000,000</u>	<u>3.66</u>	<u>106,000,000</u>	<u>3.66</u>
Total	<u>400,000,000</u>	<u>100.00</u>	<u>1,400,000,000</u>	<u>100.00</u>	<u>2,900,000,000</u>	<u>100.0</u>	<u>2,900,000,000</u>	<u>100.0</u>

Note:

- Mr. Zhang is the beneficial owner of the entire issued share capital of Z-Idea Company Limited, which owns 249,000,000 Shares, representing 62.25% of the issued share capital of MEK. Good Day International Limited, which owns 45,000,000 Shares, representing 11.25% of the issued share capital of MEK, is owned by Ms. Wu Lixia (mother of Mr. Zhang Xuancheng) and Mr. Zhang Xuancheng(the son of Mr. Zhang) as to 95% and 5% respectively.
- In the event that Kingston Securities is being called upon to subscribe for or procure subscribers of any of the Offer Shares under the Open Offer:
 - Kingston Securities shall not subscribe, for its own account, for such number of the Offer Shares which have not taken up by the MEK Shareholders which will result in the shareholding of it and parties acting in concert with it in MEK to exceed 19.9% of the voting rights of the Company upon completion of the Open Offer; and

- (2) Kingston Securities shall ensure that none of the subscribers of the Offer Shares will become a substantial shareholder (as defined in the Listing Rules) of MEK as a result of such subscription under the Open Offer.
3. Completion of the Subscription is expected to take place as soon as possible after the fulfillment of the conditions precedent under the Subscription Agreement.

IMPLICATIONS OF THE LISTING RULES AND TAKEOVERS CODE

The Subscription under the Specific Mandate is subject to the reporting, announcement and MEK Independent Shareholders' approval requirements under the Listing Rules.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Loan advancement, the Subscription and the Open Offer (in case the Investor fully underwrites in lieu of the Possible Underwriters) are higher than 5% but lower than 25%, the Loan advancement, the Subscription and the Open Offer together constitute a discloseable transaction of CWA and subject to the reporting and announcement requirements under the Listing Rules.

As the Controlling Shareholder has undertaken to the Investor that it shall not take up any Offer Shares which the Controlling Shareholder are entitled to subscribe in the Open Offer, and as the Investor or CWA will not be a qualifying MEK Shareholder on the record date for the Open Offer and shall not, therefore, be eligible to take up any entitlement under the Open Offer (as completion of the Subscription will take place as soon as possible after the fulfillment of the conditions precedent under the Subscription Agreement), the shareholding interests of the Investor and parties acting in concert with it in MEK are expected to be approximately (1) 71.43%, (2) 62.06%; and (3) 86.20% immediately following completion of (1) the Subscription (without completion of the Open Offer); (2) both the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Possible Underwriters fully underwrite without any underwriting participation by the Investor); and (3) both the Subscription and the Open Offer (assuming none of the MEK Shareholders takes up their respective entitlement under the Open Offer and in case the Investor fully underwrites in lieu of the Possible Underwriters) respectively. As a result of the Investor becoming the new controlling shareholder of MEK upon completion of the Subscription and/or the Open Offer, the Investor and parties acting in concert with it will be obliged to make an unconditional mandatory general offer for all the MEK Shares not already owned or will be acquired by the Investor and parties acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 has been obtained from the Executive. Subject to the Stock Exchange having approved the Resumption of Trading, the Investor and parties acting in concert with it will make an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which will be subject to the approval of the MEK Independent Shareholders taken by way of a poll at the EGM. In the event that less than 25% of the issued share capital of MEK is held by the public after the Open Offer, appropriate steps will be taken as soon as practicable to place down the then existing MEK Shares held by the Investor and/or parties acting in concert with it to the Independent Third Parties so that the public float of MEK is not less than 25% of the enlarged issued share capital of MEK.

For the six months immediately before the date of this joint announcement, save for the entering into of the Subscription Agreement, the Investor, CWA and any parties acting in concert with any of them have not dealt in nor do they have any shareholding interest, convertible securities, warrants or options in MEK.

As at the date of this joint announcement, none of the Investor nor CWA nor any parties acting in concert with any of them has received any irrevocable commitment to vote for the Whitewash Waiver. Under the Takeovers Code and the Listing Rules, the Controlling Shareholder will be required to abstain from voting at the EGM in respect of the Subscription, the Whitewash Waiver, and the Open Offer.

Neither the Investor, CWA nor any parties acting in concert with any of them has entered into and has any outstanding derivative in respect of any securities in MEK as at the date of this joint announcement.

As at the date of this joint announcement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Investor, CWA or MEK and which might be material to the Whitewash Waiver.

Save for the Subscription Agreement, there is no agreement or arrangement to which the Investor or CWA is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver.

None of the Investor, CWA nor any parties acting in concert with any of them have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in MEK.

GENERAL

Mr. Zhang and his associates, who are interested in 294,000,000 MEK Shares, representing approximately 73.50% of the issued share capital of MEK as at the date of this announcement will be required under the Takeovers Code and the Listing Rules to abstain from voting at the EGM in respect of the Subscription, the Whitewash Waiver, and the Open Offer. A MEK Independent Board Committee will be formed to advise the MEK Independent Shareholders as to the terms of the Subscription, the Whitewash Waiver and the Open Offer. An independent financial adviser will be appointed by the MEK Independent Board Committee to advise the MEK Independent Board Committee and the MEK Independent Shareholders in this regard. An announcement on the appointment of an independent financial adviser will be made in this regard upon the appointment.

Pursuant to Rule 8.2 of the Takeovers Code, a circular from MEK containing, among other matters, further information on (i) the Loan Agreement, (ii) the Debenture, (iii) the Subscription and the transactions contemplated under the Subscription Agreement (including the grant of the Specific Mandate, the allotment and issue of the Subscription Shares and the application for Whitewash Waiver); (iv) the Open Offer; (v) a letter from the independent financial adviser containing its advice to the MEK Independent Board Committee and the MEK Independent Shareholders in respect of the Subscription, the Open Offer and the Whitewash Waiver; (vi) the recommendation of the MEK Independent Board Committee to the MEK Independent Shareholders in respect of the Subscription, the Open Offer and the Whitewash Waiver, and (vii) a notice of the EGM should be posted to the MEK Shareholders within 21 days from the date of this announcement in accordance with the

Listing Rules and the Takeovers Code. Application will be made for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such circular as soon as practicable but in any event on or before 31 March 2011 as soon as practicable after the date of this announcement. Further announcement will be made regarding the transactions contained in this announcement and the despatch of circular.

The completion of the Subscription Agreement is conditional upon satisfaction of certain conditions precedent (including the Stock Exchange granting an in-principle approval to the Resumption of Trading) and may or may not proceed. If MEK Shareholders and investors are in any doubt about their position, they should consult their own professional advisers.

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 and that the listing approval for the Subscription Shares and the Offer Shares will be granted.**

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (within the meaning of the Takeovers Code) including any person who owns or controls 5% or more of any class of relevant securities issued by MEK and CWA are hereby reminded to disclose their dealings in any securities of MEK pursuant to the requirements of the Takeovers Code.

Pursuant to Note 11 to Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to cooperate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

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|---------------------|--|
| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Business Day” | means a day (other than a Saturday, Sunday or public holiday) on which banks are generally open in Hong Kong for normal business |

“BVI”	British Virgin Islands
“Completion Date”	a date as soon as possible after the fulfilment of the conditions precedent under the Subscription Agreement
“Controlling Shareholder”	Mr. Zhang and Z-Idea Company Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Zhang, owns 249,000,000 MEK Shares, representing 62.25% of the issued share capital of MEK as at the date of this announcement
“CWA”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, whose shares are listed on the Stock Exchange (Stock Code: 855)
“CWA Board”	the board of directors of CWA
“CWA Directors”	directors of the CWA Board
“CWA Group”	CWA and its subsidiaries
“Debenture”	the debenture dated 1 December 2010 entered into by MEK and the Investor as a security for the repayment of the Loan
“EGM(s)”	the respective extraordinary general meeting(s) to be convened by MEK for the purpose of considering and, if thought fit, approving, inter alia, the Subscription Agreement and transactions contemplated thereunder and the Whitewash Waiver by the MEK Independent Shareholders and the Open Offer and the increase in authorised share capital of MEK
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its lawful delegate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of and neither connected with nor acting in concert with MEK and its concert parties and its connected persons (as defined under the Listing Rules)
“Investor”	New Prime Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly owned subsidiary of CWA and also being the subscriber under the Subscription Agreement and the lender under the Loan Agreement
“Kingston Securities”	Kingston Securities Limited, a corporation licensed to carry on type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Letter of Intent”	a non-legally binding letter of intent dated 1 December 2010 entered into by MEK and the Possible Underwriters in relation to the underwriting obligations under the Open Offer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan”	the aggregate principal amount of up to HK\$100,000,000 to be advanced by the Investor to MEK subject to and upon the terms and conditions of the Loan Agreement or any part thereof and for the time being outstanding
“Loan Agreement”	the loan agreement dated 1 December 2010 entered into by MEK and the Investor in relation to the Loan
“MEK”	Mitsumaru East Kit (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange (Stock Code: 2358)
“MEK Board”	the board of MEK Directors
“MEK Director(s)”	the director(s) of MEK
“MEK Group”	MEK and its subsidiaries
“MEK Independent Board Committee”	a board committee comprising all the independent non-executive MEK Directors to advise the MEK Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
“MEK Independent Shareholders”	MEK Shareholder(s) other than Mr. Zhang and his associates and MEK Shareholders who are involved in or interested in (other than solely as a MEK Shareholder) the Subscription Agreement, the Open Offer and the Whitewash Waiver or the respective transactions contemplated therein
“MEK Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of MEK
“MEK Shareholder(s)”	holder(s) of MEK Share(s)
“Mr. Zhang”	Mr. Zhang Shuyang, the former executive MEK Director and Chairman of MEK
“Offer Share(s)”	MEK Shares to be allotted and issued under the Open Offer, being 1,500,000,000 MEK Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of 15 Offer Shares for every four (4) MEK Shares held by the qualifying MEK Shareholders
“Possible Underwriters”	the Underwriter and Kingston Securities in respect of the Open Offer
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan

“Resumption of Trading”	resumption of trading of MEK Shares on the Stock Exchange
“Resumption Proposal”	the proposal to be made and submitted by MEK to the Stock Exchange for the Resumption of Trading
“SFC”	the Securities and Futures Commission of Hong Kong
“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional MEK Shares to be sought from the MEK Independent Shareholders to satisfy the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Investor under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 December 2010 entered into by MEK and the Investor setting out the terms and conditions of the Subscription
“Subscription Price”	HK\$0.10 per Subscription Share (subject to adjustments provision under the Subscription Agreement)
“Subscription Share(s)”	1,000,000,000 new MEK Share(s) to be issued to the Investor under the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Wealth Investment Development Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Wei Min and being one of the Possible Underwriters
“Underwriting Agreement”	the underwriting agreement expected to be entered into, as soon as is practicable upon the Listing Division of the Stock Exchange granting an in-principle approval to the Resumption of Trading or such other date as may be agreed between MEK and the Possible Underwriters, between MEK and the Possible Underwriter(s), pursuant to which the Possible Underwriter(s) will fully underwrite the Offer Shares not accepted by the qualifying MEK Shareholders under the Open Offer
“Underwriting Letter”	the legally binding underwriting letter entered into between MEK and the Investor on 1 December 2010 pursuant to which the Investor unconditionally and irrevocably undertakes to act as the underwriter for the whole amount of the Open Offer in cash in the event that the Possible Underwriters fail to enter into the Underwriting Agreement with MEK in relation to the Open Offer prior to or upon the Subscription Agreement becoming unconditional

“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 of the notes on dispensation from Rule 26 of the Takeovers Code from the obligation of the Investor, (together with its concert parties) to make a general offer for all the MEK Shares not already owned or agreed to be acquired by them as a result of subscribing for the Subscription Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

By order of the board of directors of
Mitsumaru East Kit (Holdings) Limited
Leung Koon Sing
Executive Director

Hong Kong, 1 December 2010

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. Leung Koon Sing and Mr. Tang Chin Wan; and three independent non-executive Directors, namely Mr. Kwong Ping Man, Mr. Martin He and Mr. Mu Xiangming.

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