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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)

MAJOR DISPOSAL

THE DISPOSAL

The Board announces that on 17 November 2011, the Company as vendor and the Purchaser entered into the S&P Agreement, pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Share, being the entire issued share capital of Dragon Gain (a wholly-owned subsidiary of the Company and the main asset of which is the entire interest in Wuhu (an indirect wholly-owned subsidiary of the Company)), for a cash consideration of HK\$17,000,000.

Pursuant to the S&P Agreement, the Company, the Purchaser, Dragon Gain, Wuhu, EKC (an indirect wholly-owned subsidiary of the Company), EKS (an indirect wholly-owned subsidiary of the Company), MHDL (an indirect wholly-owned subsidiary of the Company) and MHKL (an indirect wholly-owned subsidiary of the Company) shall upon Completion enter into the Deed of Assignment and Waiver for the assignment and waiver of debts among the parties thereto.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE LISTING RULES

Reference is made to the Announcement. In light of the Subscription, the Disposal is considered a frustrating action under Rule 4 of the Takeovers Code and is subject to Shareholders' approval.

As certain applicable percentage ratio for the Disposal under the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules and is subject to announcement, reporting and Shareholders' approval requirements under the Listing Rules.

A circular containing further details of the Disposal and a notice of the EGM will be despatched by the Company to the Shareholders as soon as possible, but not later than 8 December 2011.

GENERAL

At the direction of the Stock Exchange, trading in the 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 Shares will continue to be suspended. The release of this announcement does not indicate that trading in the Shares will be resumed.

THE S&P AGREEMENT DATED 17 NOVEMBER 2011

Parties

Vendor: the Company

Purchaser: the Purchaser, an investment holding company

To the best of the Directors's knowledge, information and belief, after having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

Assets to be disposed

Sale Share: 1 share of HK\$0.01 each of Dragon Gain, being the entire issued share capital of Dragon Gain

The consideration for the Sale Share

The consideration for the Sale Share of HK\$17,000,000 shall be payable by the Purchaser to the Company (or as it may direct) in cash in the following manner:

- (i) HK\$500,000 as refundable deposit to be paid upon signing of the S&P Agreement; and
- (ii) the balance of HK\$16,500,000 to be paid upon Completion.

The HK\$500,000 deposit shall be refunded to the Purchaser if the conditions to Completion have not been fulfilled on or before 31 December 2011 or such other date as the parties to the S&P Agreement may agree.

The consideration for the Sale Share was arrived at after arm's length negotiations between the Company and the Purchaser and represents a premium of approximately 19.3 times over the unaudited consolidated net asset value of the Disposal Group of approximately HK\$881,000 as at 30 September 2011.

The Directors (including the independent non-executive Directors) consider that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Condition and Completion

Completion shall be conditional upon and is subject to:

- (i) the Shareholders approving the S&P Agreement and the transactions contemplated thereunder in compliance with the Listing Rules; and
- (ii) all necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the SFC, the Stock Exchange, other regulatory authorities or other third parties which are necessary in connection with the S&P Agreement and the transactions contemplated thereunder.

In respect of condition (ii) above, other than clearance by the SFC of this announcement and clearance by the Stock Exchange of a circular to be issued in connection with the Disposal, the Company does not consider there to be any other consent or approval required from the SFC, the Stock Exchange or other regulatory authorities. Neither party may waive the above conditions. If any of the above conditions has not been fulfilled on or before 31 December 2011 (or such later date as the Vendor and the Purchaser may agree), the S&P Agreement shall terminate and the Vendor shall return all deposits paid thereunder and neither party shall have any further claim against the other save for any antecedent breach.

Subject to fulfillment of all conditions, Completion shall take place on 31 December 2011 (or such other date the parties to the S&P Agreement may agree).

THE DEED OF ASSIGNMENT AND WAIVER

Pursuant to the S&P Agreement, the Company, the Purchaser, Dragon Gain, Wuhu, EKC, EKS, MHDL and MHKL shall upon Completion enter into the Deed of Assignment and Waiver for the assignment and waiver of debts among the parties thereto and the details of which are set out below:

As at the date of the S&P Agreement,

- (i) EKC is indebted to Wuhu in the amount of RMB6,017,514.51 (the “Wuhu AR”);
- (ii) EKS is indebted to Wuhu in the amount of RMB424,639 (the “EKS AP”);
- (iii) Wuhu is indebted to MHKL in the amount of RMB2,716,874.35 (the “MHKL AR”);
- (iv) Wuhu is indebted to the Company in the amount of RMB5,300,000 (the “Company AR”);
- (v) Dragon Gain is indebted to MHDL and MHKL in the aggregate amount of HK\$10,254,000 (the “Dragon Gain AP”).

Assignments

Subject to Completion, pursuant to the Deed of Assignment and Waiver:

- (a) In consideration of the sum equivalent to the MHKL AR paid by MHKL by way of full set off against the MHKL AR, Wuhu as legal and beneficial owner shall agree to assign absolutely to MHKL from the date of the Deed of Assignment and Waiver all its rights, title and interest in part of the Wuhu AR to the extent equivalent to the MHKL AR only free from encumbrances. As a result, the balance of the Wuhu AR will be reduced to RMB 3,300,640.16 (“Wuhu AR Balance”) immediately after the assignment,
- (b) In consideration of the sum of the EKS AP and the Wuhu AR Balance paid by the Company by way of partial set off against the Company AR, Wuhu as legal and beneficial owner shall assign absolutely to the Company from the date of the Deed of Assignment and Waiver all its rights, title and interest in the EKS AP and the Wuhu AR Balance free from encumbrances. As a result, the balance of the Company AR will be reduced to RMB1,574,720.84 (approximately HK\$1,890,000) (“Company AR Balance”).
- (c) In consideration of the sum of HK\$1.00, the Company, as legal and beneficial owner shall assign absolutely to the Purchaser from the date of the Deed of Assignment and Waiver all its rights, title and interest in the Company AR Balance free from encumbrances. As a result, Wuhu will be indebted to the Purchaser in the amount of the Company AR Balance and the Purchaser will be entitled at any time and from time to time to require repayment of all or part of the same.

As a result of the above assignments, Wuhu will be indebted to the Purchaser in the amount of the Company AR Balance and the Purchaser will be entitled at any time and from time to time to require repayment of all or part of the same.

Waiver

Subject to Completion, MHDL and MHKL shall irrevocably and unconditionally waive the Dragon Gain AP of HK\$10,254,000 and MHDL and MHKL shall have no claim whatsoever against Dragon Gain for the Dragon Gain AP waived under the Deed of Assignment and Waiver.

INFORMATION ON THE DISPOSAL GROUP

Dragon Gain is a company incorporated in the British Virgin Islands on 10 February 2004 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, of which 1 ordinary share has been issued. As at the date of this announcement, the one share issued by Dragon Gain has been charged in favour of New Prime as security for the Loan as disclosed in the Announcement. New Prime has conditionally agreed (subject to conditions to the S&P Agreement being fulfilled) to release such charge immediately before Completion. As at the date of this announcement, Dragon Gain is wholly owned by the Company. Dragon Gain is an investment holding company and the main asset of which is the entire interest in Wuhu.

Wuhu is a company incorporated in the PRC on 20 October 1998 with registered capital of US\$1.3 million. Wuhu is principally engaged in the manufacturing and sale of self-produced television sets, screen and other electronic and electric parts. In particular, the business of assembling of CRT TV sets is carried out under Wuhu. Wuhu also owns the land and buildings

of an industrial compound situated at No. 48 Yijiang Road Central, Wuhu city, Anhui Province, the PRC (the “Property”). The market value of the Property was RMB14,000,000 (approximately HK\$16,800,000) as at 30 September 2011 valued by an independent valuer.

Set out below is the summary of unaudited consolidated financial information of the Disposal Group for the two years ended 31 December 2010 and the nine months ended 30 September 2011:

| <i>(HK\$'000)</i> | For the year ended 31 December 2009 | For the year ended 31 December 2010 | For the nine months ended 30 September 2011 |
|---|--|--|--|
| Turnover | 21,363,000 | 31,542,000 | 13,066,000 |
| Profit/(Loss) before tax | 1,813,000 | (3,966,000) | (3,665,000) |
| Profit/(Loss) after tax | 1,893,000 | (3,852,000) | (3,665,000) |
| Net asset attributable to it shareholders | 6,877,000 | 3,856,000 | 881,000 |

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the calculation of the consideration of HK\$17,000,000 for the Disposal less (i) the unaudited net asset value of the Disposal Group as at 30 September 2011 of approximately HK\$881,000; (ii) the assignment of the Company AR Balance of approximately HK\$1,890,000 by the Company to the Purchaser; (iii) the waiver of the Dragon Gain AP of approximately HK\$10,254,000 by MHDL and MHKL; and (iv) the related expenses of approximately HK\$980,000 and the addition of the write back of the exchange reserve of approximately HK\$3,793,000, it is expected that, upon Completion, an unaudited gain before taxation of approximately HK\$6,787,000 will be recognised from the Disposal.

Upon Completion, Dragon Gain and Wuhu will cease to be subsidiaries of the Company. Their profit and loss and the assets and liabilities will no longer be consolidated into the Group’s consolidated financial statements.

REASON FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in the design of the chassis of TVs and assembling of TV sets, assembling of CRT TV sets and trading of related components. The business of the design and assembly of the chassis of TVs and TV sets and the trading of related components are carried out in the PRC and Hong Kong.

As mentioned in the interim report of the Company for the six months ended 30 June 2011, on 30 August 2011, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 38.5% equity interest in Cyber Opto-Electronical Technology Co., Ltd. for a cash consideration of approximately RMB3,000,000 with an estimated gain before expenses of approximately HK\$1,670,000 and the Group was in process of negotiation with an independent third party to make the Disposal as the Disposal Group has been incurring significant losses in the past years. The management therefore believes that the Disposal will enable the Group to deploy resources in other business with better prospects.

In order to expand the Group's trading business, the Group has set up a joint venture company, namely China Mega Development Limited ("China Mega"), in Hong Kong with registered and paid up capital of HK\$100,000 and capital commitment of HK\$12,000,000. China Mega is currently owned as to 75% by the Group and 25% by Unique Mark Holdings Limited. To the best of the Directors's knowledge, information and belief, after having made all reasonable enquiry, Unique Mark Holdings Limited and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons. China Mega is proposed to be principally engaged in trading; OEM and ODM business of various kinds of TV CKD (Complete Knocked Down) and SKD (Semi-knocked Down) products. In addition, the Group is in negotiations with an independent third party to acquire a controlling interest in a PRC company which is principally engaged in manufacturing of electrical water meters. It is expected that the proposed acquisition if and when it proceeds may constitute a discloseable transaction of the Company under the Listing Rules.

In view of an unaudited gain before taxation of approximately HK\$6,787,000 arising from the Disposal, the Directors consider that the Disposal represents a good opportunity for the Company to strengthen its cash position. The Directors (including the independent non-executive Directors) consider that the S&P Agreement are on normal commercial terms and the terms of the S&P Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Upon completion of the Disposal, the net proceeds amounting to approximately HK\$16,020,000 will be applied towards the China Mega's general working capital requirements, the possible equity investment in water-meter manufacturing plan and the Group's general working capital requirements. The Directors consider that the Group's cash resources after Completion will enable it to capture suitable investment opportunities should they arise.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE LISTING RULES

Reference is made to the Announcement. In light of the Subscription, the Disposal is considered a frustrating action under Rule 4 of the Takeovers Code and is subject to Shareholders' approval.

As certain applicable percentage ratio for the Disposal under the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules and is subject to announcement, reporting and Shareholders' approval requirements under the Listing Rules.

A circular containing further details of the Disposal and a notice of the EGM will be despatched by the Company to the Shareholders as soon as possible, but not later than 8 December 2011.

GENERAL

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DEFINITIONS

| | |
|---------------------------------|---|
| “Announcement” | the joint announcement of the Company and China Water Affairs Group Limited dated 1 December 2010 |
| “Board” | board of Directors |
| “Company” | Mitsumaru East Kit (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Disposal |
| “connected person” | has the meaning ascribed to it in the Listing Rules |
| “Deed of Assignment and Waiver” | the deed of assignment and waiver to be entered into among (i) the Company; (ii) the Purchaser; (iii) Dragon Gain; (iv) Wuhu; (v) EKC; (vi) EKS; (vii) MHDL and (viii) MHKL upon Completion |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the entire issued share capital of Dragon Gain as stipulated in the S&P Agreement |
| “Disposal Group” | Dragon Gain and Wuhu |
| “Dragon Gain” | Dragon Gain Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| “EGM” | an extraordinary general meeting to be convened by the Company to consider and approve the S&P Agreement and the transactions contemplated thereunder |
| “EKC” | East Kit Electronic (China) Co., Ltd., a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “EKS” | East Kit Electronic (Shanghai) Co., Ltd., a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | a loan in the aggregate principal amount of up to HK\$100,000,000 advanced by New Prime under a loan agreement dated 1 December 2010 (as supplemented by a supplemental loan agreement dated 7 March 2011) entered into between the Company and New Prime |

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| “MHDL” | Mitsumaru (Holdings) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “MHKL” | Mitsumaru (H.K.) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “New Prime” | New Prime Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of China Water Affairs Group Limited |
| “PRC” | the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC |
| “Purchaser” | Shinning Jade Limited, a company incorporated in the British Virgin Islands with limited liability |
| “S&P Agreement” | the conditional sale and purchase agreement dated 17 November 2011 between the Company and the Purchaser in relation to the sale and purchase of the Sale Share |
| “Sale Share” | one share of HK\$0.01 of Dragon Gain, being the entire issued share capital of Dragon Gain |
| “SFC” | The Securities and Futures Commission of Hong Kong |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription of the 1,000,000,000 new Shares by New Prime under the subscription agreement dated 1 December 2010 (as supplemented by a supplemental subscription agreement dated 7 March 2011) |
| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Repurchases |
| “Wuhu” | Mitsumaru Electrical (Wuhu) Co., Ltd., a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Reminbi, the lawful currency of the PRC |
| “US\$” | United States dollars, the lawful currency of the United States |
| “%” | per cent. |

For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1: HK\$1.2.

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

Hong Kong, 17 November 2011

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Leung Koon Sing

Mr. Tang Chin Wan

Independent Non-executive Directors:

Mr. Kwong Ping Man

Mr. Martin He

Mr. Mu Xiangming