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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)

**PROPOSED ACQUISITIONS OF A
MAJORITY INTEREST IN A WATER METER BUSINESS
BEING A DISCLOSEABLE TRANSACTION FOR THE COMPANY**

THE ACQUISITIONS

On 15 December 2011, the Company's indirect wholly-owned subsidiary, China Mutual, entered into the Share Transfer Agreements under which it has conditionally agreed to acquire an aggregate of 72.5% equity interest in the registered capital of Sunbow from the Vendors, at an aggregate consideration of RMB5,002,500 (equivalent to approximately HK\$6,003,000). The principal business activity of Sunbow is assembling and installation of water meters in the PRC.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE LISTING RULES

Reference is made to the Announcement. The Acquisitions are frustrating action under Rule 4 of the Takeovers Code and are subject to Shareholders' approval.

As certain applicable percentage ratio for the Acquisitions under the Listing Rules is more than 5% but less than 25%, the Acquisitions are together discloseable transaction for the Company under Chapter 14 of the Listing Rules. Although it is not a requirement under the Listing Rules for the Acquisitions to be made subject to Shareholders' approval, the EGM will be held for the purpose of considering and if thought fit, approve the Acquisitions in light of the implications under Rule 4 of the Takeovers Code.

A circular containing further details of the Acquisitions and a notice of the EGM will be despatched by the Company to the Shareholders as soon as possible, but not later than 9 January 2012.

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.

SHARE TRANSFER AGREEMENTS

The three Share Transfer Agreements are on substantially the same terms except for the identity of the vendor, the amount of consideration and the percentage holding of equity interest in the registered capital of Sunbow which is the subject of the Acquisition. Set out below is a summary of the principal terms of the Share Transfer Agreements.

	Xu Share Transfer Agreement	Liu Share Transfer Agreement	Jia Share Transfer Agreement
Date	15 December 2011	15 December 2011	15 December 2011
Vendor	Mr. Xu	Ms. Liu	Mr. Jia
Purchaser	China Mutual	China Mutual	China Mutual
Percentage holding of equity interest in the registered capital of Sunbow which is the subject of the Acquisition	22.5%	45%	5%
Amount of consideration (<i>RMB</i>)	1,552,500 (equivalent to approximately HK\$1,863,000)	3,105,000 (equivalent to approximately HK\$3,726,000)	345,000 (equivalent to approximately HK\$414,000)

To the best of the Directors's knowledge, information and belief, after having made all reasonable enquiry, each Vendor is third party independent of the Company and its connected persons.

Consideration

The respective consideration under the Share Transfer Agreements is payable by China Mutual to each Vendor (or as he may direct) in cash in Hong Kong dollar equivalent upon the satisfaction of all conditions to the Share Transfer Agreement.

The consideration under the Share Transfer Agreements were arrived at after arm's length negotiations between the Company and the Vendors by reference to the value of 100% equity interest of Sunbow (taking into account the trademark and a patent held by Sunbow) in the amount of RMB5,440,708.49 (equivalent to approximately HK\$6,528,850) as at 30 September 2011 as appraised by an independent valuer. The consideration represents a premium of approximately RMB1,507,986 (equivalent to approximately HK\$1,809,583) over the net asset value in respect of 72.5% equity interest of Sunbow as at 30 September 2011. The Company considers that in light of the expertise of Sunbow in the business of assembling and installation of water meters in the PRC and its ability to secure potential orders, such premium is justified.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreements 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

Each of the Share Transfer Agreements is subject to the fulfillment of the following conditions:

- (i) the representations, warranties and undertakings under the Share Transfer Agreement are and will remain true, accurate and not misleading on and before Completion;
- (ii) there does not exist any material adverse effect or any matter which will be reasonably be considered to have a material adverse effect on the operations and trading status of China Mutual or its related party, from the date of signing of the Share Transfer Agreement;
- (iii) the Vendor complying and fulfilling each of its obligations, undertakings or commitments under the Share Transfer Agreement on or before Completion;
- (iv) Sunbow having proposed shareholders' resolutions approving the transactions under the Share Transfer Agreement;
- (v) Sunbow having obtained the following permit and consent:
 - (a) approval by the PRC governmental authorities of the Share Transfer Agreement and the revised joint venture agreement and articles of association of Sunbow;
 - (b) issue of certificate of approval for establishment of enterprises with foreign investment by the PRC governmental authorities;
 - (c) the issue of new business licence by the industry and commerce department of the PRC without changing the provisions under the Share Transfer Agreement and the completion of all applicable registration procedures;
- (vi) the Vendor having obtained from the foreign exchange administration department approval to open a foreign currency account for the purpose of accepting consideration under the Share Transfer Agreement; and
- (vii) the obtaining of approval by Shareholders at the EGM of the Share Transfer Agreement and the transactions contemplated thereunder.

Completion is expected to take place after the satisfaction of all of the above conditions.

JOINT VENTURE AGREEMENT AND ARTICLES OF ASSOCIATION OF SUNBOW

China Mutual will enter into a joint venture agreement with Mr. Xu and Mr. Jia in relation to the operations of Sunbow. Under the joint venture agreement and revised articles of association of Sunbow, the total investment amount of Sunbow will be RMB4,200,000 and profits of Sunbow will be shared in proportion to the respective holding of equity interest in Sunbow by its equity holders after deducting all required funds under applicable laws. The board of Sunbow will comprise three directors, one of whom will be nominated by Mr. Xu and two will be nominated by China Mutual.

INFORMATION ON SUNBOW

Sunbow is a company established under the laws of the PRC on 9 April 2004 with a registered capital of RMB3,000,000. Immediately before the Acquisitions, the registered capital of Sunbow is held as to 45% by Mr. Xu, 45% by Ms. Liu and 10% by Mr. Jia. Immediately after

the Acquisitions, the registered capital of Sunbow will be held as to 72.5% by China Mutual, 22.5% by Mr. Xu and 5% by Mr. Jia. The principal business activity of Sunbow is the assembling and installation of water meters in the PRC.

Set out below is the summary of the audited financial information of Sunbow for the two years ended 31 December 2010 and the unaudited financial information of Sunbow for the ten months ended 31 October 2011.

<i>(RMB'000)</i>	For the year ended 31 December 2009	For the year ended 31 December 2010	For the ten months ended 31 October 2011
Turnover	1,816	2,451	2,115
Profit/(Loss) before tax	(540)	(83)	80
Profit/(Loss) after tax	(540)	(83)	80
Net asset value as at the end of the stated period	1,569	1,486	1,566

REASONS FOR THE ACQUISITIONS

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 stated in the Company's annual report for the financial year ended 31 December 2010, the Company is also looking into expanding its business into the manufacturing and installation of water meters in the PRC. The Company is streamlining its business with a view to focusing its resources on more businesses which the management expects to have a better prospect. The Acquisitions are the Group's steps to explore into the installation of water meters business in the PRC. Leveraging on the relevant experiences of Mr. Xu and Mr. Jia in the water meters business by acquiring a majority stake in Sunbow, the management hopes to be able to expand the Group's revenue base thereby improving the Group's overall results. Sunbow, through its long years of research and development, has registered one patent and one trademark and has been using two patents which are registered under the name of Mr. Xu and one software copyright which is registered under the name of Mr. Jia. Each of the Vendors has undertaken to transfer the patents and software copyright registered under his/her name to Sunbow at nil consideration under the Share Transfer Agreement. The Company considers that the right to use the above patents and software copyright and the valuable qualifications of Sunbow will assist in its bidding of sizable contracts in water meters business.

Set out below are the biographies of Mr. Jia and Mr. Xu, who are the management of Sunbow:

Mr. Jia is the deputy general manager of Sunbow and has been working in the water meter business for some years. He is one of the founders of Sunbow and is the holder of the software copyright in respect of data management system V1.0 on utilities payment.

Mr. Xu is the general manager of Sunbow and has been working in the water meter business for some years. He is the registered owner of two patents in respect of control system on utilities payment and electric meter.

Ms. Liu, who will dispose of her entire 45% equity interest in the registered capital of Sunbow pursuant to the Share Transfer Agreement, is a passive investor of Sunbow.

The consideration under the Share Transfer Agreements are to be satisfied partly from internal resources of the Group and partly from the consideration to be received under the disposal by the Company of Dragon Gain Resources Limited and Mitsumaru Electrical (Wuhu) Co., Ltd., which is the subject of the Company's announcement dated 17 November 2011 and the Company's circular dated 8 December 2011.

Upon Completion, Sunbow will become a non-wholly owned subsidiary of the Company. Its financial results will be consolidated into the Group's consolidated financial statements.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE LISTING RULES

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As certain applicable percentage ratio for the Acquisitions under the Listing Rules is more than 5% but less than 25%, the Acquisitions are together discloseable transaction for the Company under Chapter 14 of the Listing Rules. Although it is not a requirement under the Listing Rules for the Acquisitions to be made subject to Shareholders' approval, the EGM will be held for the purpose of considering and if thought fit, approve the Acquisitions in light of the implications under Rule 4 of the Takeovers Code.

A circular containing further details of the Acquisition and a notice of the EGM will be despatched by the Company to the Shareholders as soon as possible, but not later than 9 January 2012.

GENERAL

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Acquisitions”	the proposed acquisitions of an aggregate of 72.5% equity interest in the registered capital of Sunbow by China Mutual under each of the Share Transfer Agreements
“Announcement”	the joint announcement of the Company and China Water Affairs Group Limited dated 1 December 2010
“Board”	board of Directors
“China Mutual”	China Mutual Investment Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“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 Acquisitions
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company to consider and approve the Acquisitions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jia Share Transfer Agreement”	the share transfer agreement dated 15 December 2011 entered into between China Mutual and Mr. Jia in relation to proposed acquisition by China Mutual of 5% equity interest in the registered capital of Sunbow from Mr. Jia
“Liu Share Transfer Agreement”	the share transfer agreement dated 15 December 2011 entered into between China Mutual and Ms. Liu in relation to proposed acquisition by China Mutual of 45% equity interest in the registered capital of Sunbow from Ms. Liu
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jia”	賈俊寧 (Jia Junning), the Vendor under the Jia Share Transfer Agreement
“Ms. Liu”	劉輔軍 (Liu Fujun), the Vendor under the Liu Share Transfer Agreement
“Mr. Xu”	徐國耀 (Xu Guoyiu), the Vendor under the Xu Share Transfer Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“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
“Share Transfer Agreement(s)”	the Xu Share Transfer Agreement, the Liu Share Transfer Agreement and the Jia Share Transfer Agreement, and where the context requires, each of them
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sunbow”	武漢盛博科技有限公司 (WUHAN SUNBOW SCIENCE & TECHNOLOGY CO., LTD), a company established under the laws of the PRC with limited liability
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Vendor(s)”	Mr. Xu, Ms. Liu and Mr. Jia under each of the Xu Share Transfer Agreement, Liu Share Transfer Agreement and Jia Share Transfer Agreement, and where the context requires, each of them
“Xu Share Transfer Agreement”	the share transfer agreement dated 15 December 2011 entered into between China Mutual and Mr. Xu in relation to proposed acquisition by China Mutual of 22.5% equity interest in the registered capital of Sunbow from Mr. Xu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Reminbi, the lawful currency of the PRC
“%”	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.

All English translations of Chinese names of persons and companies in this announcement are for references only.

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

Hong Kong, 15 December 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