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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

The directors (the "Directors") of Mitsumaru East Kit (Holdings) Limited (the "Company" or the "Parent") are pleased to announce the annual results of the Company and its subsidiaries (the 'Group") for the year ended 31 December 2008 (the "Year") together with the comparative figures of 2007.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	5,6	**519,883**	1,065,938
Cost of sales		**(489,599)**	(1,007,366)
Gross profit		**30,284**	58,572
Other income and gains	6	**15,331**	10,048
Selling and distribution costs		**(21,264)**	(15,850)
Administrative expenses		**(64,944)**	(56,923)
Other operating expenses		**(11,368)**	(11,672)
Impairment of trade receivables		**(49,328)**	(60,783)
Impairment of interest in an associate		**—**	(8,659)
Share of loss of an associate		**(2,407)**	(4,094)
Finance costs	7	**(6,439)**	(12,543)
Loss before tax	8	**(110,135)**	(101,904)
Tax	9	**(3,130)**	(13,460)
Loss for the year		**(113,265)**	(115,364)
Attributable to:			
Equity holders of the Company	11	**(112,483)**	(115,094)
Minority interests		**(782)**	(270)
		(113,265)	(115,364)
Loss per share attributable to equity holders of the Company	11		
Basic and diluted		**(HK28.1 cents)**	(HK28.8 cents)

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**116,119**	138,365
Investment properties		—	1,874
Prepaid land premiums		**8,297**	11,465
Other asset		**4,437**	4,437
Golf club membership		**360**	360
Interest in an associate		**15,818**	17,657
Available-for-sale investment		**232**	232
Deferred tax assets		—	4,060
Total non-current assets		**145,263**	178,450
Current assets			
Inventories		**48,512**	124,625
Trade and notes receivables	12	**74,342**	255,443
Prepayments, deposits and other receivables		**21,875**	25,700
Equity investments at fair value through profit or loss		—	2,655
Restricted time deposits		—	7,609
Pledged deposits		**57,700**	75,953
Cash and cash equivalents		**42,853**	71,483
Total current assets		**245,282**	563,468
Current liabilities			
Trade and bills payables	13	**321,958**	464,980
Other payables, accrued expenses and deposits received		**35,581**	25,468
Interest-bearing bank loans		**24,671**	131,048
Tax payable		**850**	117
Finance lease payables		—	635
Total current liabilities		**383,060**	622,248
Net current liabilities		**(137,778)**	(58,780)
Total assets less current liabilities carried forward		**7,485**	119,670

	Notes	2008 HK$'000	2007 HK$'000
Total assets less current liabilities brought forward		**7,485**	119,670
Non-current liabilities			
Finance lease payables		—	(620)
Interest-bearing bank loans		—	(15,886)
Deferred tax liabilities		**(2,336)**	(1,662)
Total non-current liabilities		**(2,336)**	(18,168)
Net assets		**5,149**	101,502
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**40,000**	40,000
Reserves		**(35,867)**	59,783
		4,133	99,783
Minority interests		**1,016**	1,719
Total equity		**5,149**	101,502

Notes:

1. BASIS OF PRESENTATION

In preparing the financial statement, the Directors have given careful consideration to the future liquidity of the Group in light of the Group sustained a loss of approximately HK$113,300,000 for the year ended 31 December 2008 (2007: HK$115,400,000). As at 31 December 2008, the Group's current liabilities exceeded its current assets by approximately HK$137,800,000 (2007: HK$58,800,000). In order to improve the Group's working capital position, certain measures are being implemented by the Group. The Directors are also considering various alternatives for the future direction and financing of the Group:

- Internally, the Group has further strengthened the streamline of production logistics by scaling down the production of non-profitable products and tightening cost controls over various general and administrative expenses. The Group is in the process of forming an equity-joint venture with the engineering team of the design of the chassis of CRT and LCD. This measure would result in staff cost saving;

- The Group is in the midst of expanding its domestic sales market in the People's Republic of China ("PRC") by the increase of distribution channels of direct sales to domestic customers. To achieve this, the Group has obtained 2 certificates of two products with relevant PRC authorities for approving local sales to domestic customers and is in the process of applying 4 certificates of another two types of products, which are expected to be obtained in late April or May 2009. Directors believe such change in business mode will help to achieve a higher gross profit margin than the existing wholesales market;

- In April 2009, the Group has successfully secured an interest-free short-term loan of RMB 6 million (approximately HK$6.8 million) from a potential trading partner for general working capital purpose. A major shareholder of the Company has agreed to provide an unsecured loan facility of RMB20,000,000 (approximately HK$22.7 million) to the Group. In addition the Group is in negotiation with a bank in the PRC to increase existing facility by RMB30 million (approximately HK$34 million). The Directors have also taken active step to discuss with suppliers for mutually acceptable repayment terms in order to improve the Group's liquidity; and

- The Directors are considering to realise the surplus assets at their market values to provide for additional funding to meet its financial obligations.

Taking into account of the above measures, the Directors are of opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future, accordingly the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated. The functional currencies of its principal subsidiaries are Renminbi ("RMB") and HK$.

3. ADOPTION OF AMENDMENTS AND NEW HKFRSs

(a) Impact of New HKFRSs which are effective during the year

In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the HKICPA, that are effective for the current accounting period of the Group and the Company.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
Amendments to HKAS 32 and HKAS1	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
Amendment to HKAS 39	Eligible Hedged Items[3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
Amendments to HKAS 7	Improving Disclosure about Financial Instruments[2]
Amendment to HK(IFRIC) — Interpretation 9 and HKAS 39	Embedded Derivatives[4]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKFRS 2 Amendment	Share-based Payment — Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending on or after 30 June 2009

5 Effective for annual periods beginning on or after 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. CHANGE IN AN ACCOUNTING POLICY

Prior to 31 December 2008, the buildings of the Group were stated at cost less accumulated depreciation and accumulated impairment losses. With effect from 31 December 2008, in order to reflect the market value of the buildings, which the Directors believe would provide more relevant information to the users of the financial statements, the Group has elected to use revaluation model to account for its buildings in accordance with HKAS 16 "Property, plant and equipment". In previous years, depreciation was provided to write off the cost of the buildings over the expected useful lives using straight-line method. Upon adoption of the revaluation model, the accumulated depreciation charged on buildings have been written back on revaluation and deferred tax liabilities arising from the increase in value of the buildings have been recognised. This change in accounting policy has been applied prospectively and resulted in an increase in net assets by approximately HK$19,500,000 with no effect on the Group's current year financial performance.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(i) Business segments

The Group has two business segments, namely, (i) the design of the chassis of the CRT and LCD colour televisions, and the trading of related components segment, and (ii) the assembling of colour television sets segment. The design of the chassis of colour televisions, and the trading of related components segment constitutes more than 90% of the Group's revenue. Moreover, the segment results and segment assets for the assembling of colour television sets segment are less than 10% of the Group's results and total assets, respectively. Therefore, no business segment analysis is presented.

(ii) Geographical segments

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following tables present revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Segment revenue — sales to external customers	
	2008	2007
	HK$'000	*HK$'000*
PRC	**198,128**	450,748
Asia (other than PRC)	**134,480**	216,169
Europe	**155,667**	235,791
South America	**26,073**	160,646
Australia	**—**	29
Others	**5,535**	2,555
	519,883	1,065,938

	Segment assets	
	2008	2007
	HK$'000	*HK$'000*
PRC	**321,358**	451,528
Hong Kong	**58,754**	271,301
Europe	**4,202**	16,392
Japan	**6,231**	2,697
	390,545	741,918

	Segment capital expenditure	
	2008	2007
	HK$'000	*HK$'000*
PRC	**1,366**	11,575
Hong Kong	**52**	120
Europe	**6**	352
Japan	**—**	17
	1,424	12,064

6. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold upon delivery of goods, after allowances for returns and trade discounts and business/sales tax where applicable.

An analysis of the Group's revenue and other income and gains is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**519,883**	1,065,938
Other income and gains		
Bank interest income	**3,284**	2,287
Other interest income	**—**	142
Rental income from investment properties	**76**	189
Fair value gain on equity investments at fair value through profit or loss	**—**	6,094
Gain on disposal of property, plant and equipment	**1,157**	581
Gain on transfer of prepaid land premiums	**9,121**	—
Reversal of impairment on other receivables	**236**	—
Gain on disposal of a subsidiary	**115**	—
Others	**1,342**	755
	15,331	10,048

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**5,935**	11,567
Interest on bank loans not wholly repayable within five years	**—**	863
Interest on finance lease payables	**46**	113
Other interest expense	**458**	—
Total interest expenses	**6,439**	12,543

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**481,944**	992,082
Depreciation for property, plant and equipment	**12,628**	11,967
Depreciation for investment properties	**40**	194
Amortisation of prepaid land premiums	**275**	380
Research and development costs*	**780**	2,037
Minimum lease payments under operating leases in respect of:		
— land and buildings	**950**	929
— plant and machinery	**288**	—
Auditors' remuneration		
— current year	**1,450**	1,900
— prior year	**1,520**	—
Employee benefit expenses (including directors' remuneration):		
— Wages and salaries	**47,549**	50,258
— Equity-settled share option expense	**276**	985
— Pension scheme contributions	**7,673**	7,707
	55,498	58,950
Direct operating expenses arising on rental-earning investment properties	**22**	105
Impairment of other receivables*	**—**	3,294
Loss on disposal of investment properties	**112**	—
Loss on disposal of equity investments at fair value through profit or loss	**1,068**	—
Foreign exchange difference, net*	**8,658**	2,107
Write-down of inventories**	**10,854**	12,624
Reversal of write-down of inventories** *(Note)*	**(5,191)**	—

* These items are included in "Other operating expenses" on the face of the consolidated income statement.

** This item is included in "Cost of sales" on the face of the consolidated income statement.

Note: The reversal of write-down of inventories arising from an increase in net realisable values in subsequent sales.

9. TAX

No provision of Hong Kong Profits Tax has been provided in the financial statements as the Group has sustained tax losses for the year in Hong Kong. Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries operating in PRC were granted a tax concession whereby they enjoyed exemption from corporate income tax ("CIT") for two years starting from the first year in which they record assessable profits, after deducting tax losses brought forward, and are entitled to a 50% exemption from CIT for the following three years.

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which set out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised the five-year tax holiday will be allowed to continue to enjoy a full exemption for a reduction in the prevailing income tax rate until the expiry of the tax holiday, after which, the 25% standard rate will apply.

The tax concession granted to East Kit (Shanghai) and East Kit (China) expired prior to December 2007. Upon obtaining an approval for additional concession with effect on 1 January 2008, East Kit (Shanghai) and East Kit (China) were granted a partial exemption from the national and local portion of CIT for three years as they qualified as an "Advanced Technology Enterprise" pursuant to the tax regulation in PRC. The CIT rate applied to East Kit (Shanghai) and East Kit (China) for the year was 15% (2007: 13.5%).

The tax concession granted to Mitsumaru (Wuhu) commenced on 1 January 2004, and Mitsumaru (Wuhu) was exempted from CIT for 2004 and 2005. Pursuant to the tax regulation in PRC, a 50% tax reduction is granted to Mitsumaru (Wuhu) for the succeeding three years. The CIT rate applied to Mitsumaru (Wuhu) for the year was 12.5% (2007: 12%).

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Provision for the year		
— PRC	**937**	705
— Overseas	**14**	—
	951	705
Over-provision in respect of prior years		
— PRC	**(333)**	—
	618	705
Deferred tax		
— Reversal of temporary differences	**2,512**	12,755
Total tax charge for the year	**3,130**	13,460

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's certain building during the year has been charged directly to equity.

10. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2008 (2007: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the year is based on the loss for the year attributable to ordinary equity holders of the Company of HK$112,483,000 (2007: HK$115,094,000), and 400,000,000 (2007: 400,000,000) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2008 and 2007 is same as the basic loss per share as the outstanding options during both years have an anti-dilutive effect on the basic loss per share for these years.

12. TRADE AND NOTES RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and notes receivables	**218,241**	344,913
Impairment	**(143,899)**	(89,470)
	74,342	255,443

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 120 days, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables (net of impairment loss) as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**36,523**	148,107
91 days to 180 days	**12,042**	49,840
181 days to 1 year	**7,745**	53,805
Over 1 year	**18,032**	3,691
	74,342	255,443

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 180 days	**217,010**	407,285
181 days to 1 year	**57,196**	41,979
1 to 2 years	**32,814**	7,506
Over 2 years	**14,938**	8,210
	321,958	464,980

Included in the balance are bills payables of HK$107,193,000 (2007: HK$122,315,000) which were secured by a time deposit of HK$57,700,000 (2007: HK$75,953,000).

14. EVENT AFTER BALANCE SHEET DATE

In February 2009, the Board resolved to dispose of two subsidiaries, Crown Joint Investment Limited and Kaern GmbH at a total consideration of HK$1. These subsidiaries continue to incur loss in the past years and it is believed considerable cost savings could be achieved if they are disposed of. The Group estimates a loss on disposal of these subsidiaries based on the management accounts as at 31 December 2008 as follows:

	HK$'000
Property, plant and equipment	141
Inventories	903
Trade and other receivables	3,864
Cash and cash equivalents	2,308
Trade and other payables	(4,140)
Estimated net assets	3,076
Less: consideration	—
Estimated loss on disposal	3,076

The disposal does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation of the Group.

15. EXTRACT OF THE AUDITORS' REPORT

Basis for qualified opinion

In last year, the predecessor auditor was not able to obtain sufficient evidence to assess the recoverability of the remaining balance of certain trade receivables located in Russia and Argentina totaling HK$50 million out of their carrying amounts at 31 December 2007 of HK$111 million and had issued a disclaimer of opinion accordingly. Details of the qualifications were more fully explained in the 2007 audit report.

At 31 December 2008, the amounts due from these customers amounted to HK$27 million, which were arrived at after a provision for impairment loss of HK$47 million principally based on subsequent cash receipts and their latest financial position. However, we were unable to satisfy ourselves as to the fairness of the beginning balance of these receivables at 1 January 2008 by any other alternative procedures. Any adjustments to the carrying value of these receivables as at 1 January 2008 would have a consequential compensating effect on the Group's loss for the year ended 31 December 2008, and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the beginning balance of trade receivables as at 1 January 2008, the financial statements give a true and fair view of the Group's loss for the year ended 31 December 2008. In all other respects, in our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and of the Group's cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without further qualifying our opinion, we draw attention in Note 2.1 to the financial statements, which indicates the Group incurred a loss of HK$113,265,000 for the year ended 31 December 2008 and as at that date, the Group's current liabilities exceeded its current assets by HK$137,778,000. These conditions, along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are of the opinion that the Group will have sufficient working capital to finance its normal operations and to meet its financial obligations; accordingly the financial statements have been prepared on the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Results

This year, the Group achieved approximately HK$519,900,000 in turnover, representing a decrease of approximately 51% from that of approximately HK$1,065,900,000 in the previous year. The gross profit was approximately HK$30,300,000 representing a decrease of approximately 48% from that of approximately HK$58,600,000 in the previous year. The loss for the year attributable to equity holders of the Parent was approximately HK$112,500,000. Last year, the loss for the year attributable to equity holders of the Parent was approximately HK$115,100,000. Basic loss per share attributable to ordinary equity holders of the Parent was approximately HK28.1 cents. Last year, the basic loss per share attributable to ordinary equity holders of the Parent was HK28.8 cents. As at the balance sheet date, balance of cash and cash equivalents and pledged deposits were approximately HK$42,900,000 and HK$57,700,000, respectively.

Turnover

For the year ended 31 December 2008, the Group's turnover was approximately HK$519,900,000, a decrease of approximately 51% as compared with the previous year. The decrease was mainly attributable to overall shrinking global demand in CTV products.

Geographically, Mainland China and Asian countries are the major markets of the Group. The Group's turnover generated from Asian markets (including Mainland China) decreased from approximately HK$666,900,000 for the year ended 31 December 2007 to approximately HK$332,600,000 for the year ended 31 December 2008, representing a decrease of approximately 50%. Among others, the performance of South America is the most disappointing market. The turnover was dropped by approximately 84% from approximately HK$160,600,000 for the year ended 31 December 2007 to approximately HK$26,100,000 for the year ended 31 December 2008.

Gross Profit Margin

Owing to the drop in selling prices of CTV products, combined with increases in the cost of some raw material and components, the gross profit margin of CTVs are generally declined. Our gross profit margin still maintained at 5.8% which is similar to the margin of 5.5% in last year, mainly because the reversal of written-down of inventory provided in 2007.

Expenses

The Group's selling and distribution costs raised from approximately HK$15,900,000 in 2007 to approximately HK$21,300,000 during the Year. The increases of its selling and distribution costs was primarily attributable to unexpected issues in delivery of goods, which resulted higher flight charges in 2008.

During 2008, the administrative expenses increased from approximately HK$56,900,000 in 2007 to approximately HK$64,900,000 during the Year, primarily because of the increase in the legal and professional charges, losses in equity investments and the taken up of underprovision for last year auditors remuneration.

The decrease in its financial expenses was mainly due to decrease in interest expenses. The decrease in interest expenses was mainly caused by reduction of loan balance.

Financial Condition and Liquidity

The Group's operations are mainly financed by internally generated cash flows and banking facilities provided by the bank. For the year ended 31 December 2008, the Group generated approximately HK$25,400,000 (2007 (restated): approximately HK$4,400,000) of cash from its operations. As at 31 December 2008, the Group had cash and cash equivalents of approximately HK$42,900,000, which is less than approximately HK$71,500,000 as at 31 December 2007.

As at 31 December 2008, the shareholders' equity was approximately HK$4,100,000 (2007: HK$99,800,000). The current assets of the Group amounted to approximately HK$245,300,000 (2007: HK$563,500,000). The current ratio was approximately 0.64 (2007: 0.91).

As at 31 December 2008, the Group's bank and other borrowings amounted to approximately HK$24,700,000 (2007: HK$148,200,000) and the gearing ratio, representing the ratio of total borrowings to total assets, decreased to approximately 6% in 2008 from approximately 20% in 2007. Approximately HK$17,000,000 (less than 69% of the borrowing) borne fixed interest rate and the effective interest rate was 6.7%. Those bank borrowings were denominated in Renminbi (approximately RMB15,000,000).

Trade receivables decreased from approximately HK$255,400,000 in 2007 to approximately HK$74,300,000 in 2008. During the Year, approximately HK$49,300,000 was provided as provision for bad and doubtful debts.

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment and investment properties during the Year amounted to approximately HK$1,400,000 (2007: HK$12,100,000).

Pledge of Assets

At 31 December 2008, certain assets of the Group with an aggregate carrying value of approximately HK$82,000,000 (2007: HK$98,300,000) were pledged to secure banking facilities of the Group. Details of the pledge of the Group's assets are set out as follows:

(a) pledge over the Group's plant and machinery, which had an aggregate carrying value at the balance sheet date of approximately HK$5,300,000 (2007: HK$6,900,000);

(b) all leasehold land and buildings situated in Hong Kong with aggregate carrying value of approximately HK$27,500,000 as at 31 December 2007, being pledged to secure mortgage loan, were fully disposed of during the year;

(c) pledge over the Group's leasehold land and buildings situated in PRC, which has an aggregate carrying value at the balance sheet date of approximately HK$68,200,000 (2007: HK$53,800,000). The related leasehold land element of HK$8,500,000 (2007: HK$8,200,000) is included in the "prepaid land premiums";

(d) mortgage over the Group's investment properties situated in Hong Kong with aggregate carrying value of approximately HK$1,900,000 as at 31 December 2007. The investment properties were disposed of during the year.

Foreign Exchange Risk

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong Dollars ("HK$"), Renminbi ("RMB") and United States Dollars ("US$"). The Group is exposed to foreign exchange risk arising from the exposure of HK$ against RMB and US$. Considering that the HK$ is pegged to the US$, the Group believes its exposure to exchange risk will be confined to RMB and HK$ and that will be minimal. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly monitor the economic situation and its foreign exchange risk position, and will consider appropriate hedging measures in future as may be necessary.

Capital Commitments and Contingent Liabilities

During the Year, the Group's capital commitments amounted to approximately HK$810,000 which is the same as last year. As at 31 December 2008, the Group had no material contingent liabilities.

Employees Benefit and Expenses

As at 31 December 2008, the total number of employees in the Group was approximately 708 (31 December 2007: approximately 995). The total amount of employee wages incurred during the Year was approximately HK$55,500,000 (2007: approximately HK$58,900,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade their knowledge, skills and overall caliber of its employees. In addition, the Group granted employees option scheme as an encouragement.

Business Review

In 2008, the Group was engaged in selling primarily CRT CTVs and LCD CTVs, in three categories, namely, complete knocked down ("CKD"), semi-knocked down ("SKD") and completely built unit ("CBU"). During the Year, the Group sold more than 1,500,000 CRT CTVs, representing a decrease of approximately 50% from that of year 2007, and sold more than 180,000 LCD CTVs, almost no change from year 2007. The proportion of LCD CTVs sales of the Group increased. The Group's CRT CTVs were mainly sold to newly emerging markets such as India, Russia, the Middle East, Asia and South America. Its LCD CTVs were primarily sold in developed countries and regions including Europe, North America and Asia.

The Board believes that the Group's financial performance of year 2008 was poor and materially affected by: (1) the increasing pressure on profit margins due to a reduction in the selling price of CTV products and an escalating cost of certain raw materials and components, wage overheads as well as logistics and transportation costs; (2) the decrease in the international market demand; (3) the loss on foreign exchange; and (4) the macro-economic downturn and the global financial turmoil in the latter half of 2008.

Because of operating losses and the Group's overall strategic adjustment, the Group closed a wholly owned subsidiary, namely, Shanghai Mitsumaru Automotive Electronics Company Limited during the Year. In 2009, the Group further transferred 100% share equity in a wholly owned subsidiary, namely, Crown Joint Investment Limited to a third party. The Group also disposed certain properties situated in Hong Kong and Shanghai in order to supplement working capital needed for the Group's operation by disposal of non-core assets.

OUTLOOK

According to DisplaySearch, as impacted by the financial turmoil, in 2009, the growth in output of LCD CTVs is estimated to be a mere 2% in some developed countries or regions such as Japan, North America and Western Europe. On the other hand, despite the impact of the financial turmoil, the growth in output of LCD CTVs for developing countries or regions is expected to reach 45% due to the falling prices of LCD CTVs. However, such estimated growth is lower than that of 68% in 2008.

As a company focusing on export business, the Group recorded a tumbling sales amid global financial turmoil in late 2008. In such unfavourable condition in exports, the Group managed to took timely actions to adjust its corporate strategies and begin its focus on the domestic market to pursue sales development. In the PRC, the flat panel CTVs have gained wide acceptance in first- and second-tier markets, and the major growth is seen in third- and fourth-tier markets. The Group co-operates with customers' brands with a focus on second-tier brands as well as customers in both second-tier cities and suburbs. While dedicating to develop the domestic market, the Group also actively prepares its export products. With such preparation, the Group will be able to benefit from the recovery of export markets in the future and make a significant breakthrough in the sales of LCD CTVs.

With the falling prices of steel and nonferrous metals, the cost of household appliances with major materials of such metals could be lowered. Under the uncertainties of the global economy, the Group adopts policies of controlling production based on sales performance and stringent inventory control measures, so as to minimize the impact of the fluctuations in material prices. In view of the fact that the cost of panels is the largest portion of the price composition of flat panel CTVs and that the decision of flat panel CTV manufacturers on price adjustment to flat panel CTVs is substantially based on the price trend of panels, the Group closely monitors the price trend of panels and is dedicated to maintain a solid strategic relationship with panel suppliers.

Sales of the Group's LCD CTVs are oriented on small to medium size products, with innovative technology as the selling point. Competitive price strategy is adopted to maximize market share. The Group has implemented the integration in purchases and sales of key components of LCD CTVs so as to achieve lower cost and faster response to the changing market.

In addition, the Group will consistently focus on the integration of video products and roll out new fashion products with better cost-efficiency in order to cater for various customers' needs.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2009 to 7 June 2009, both days inclusive, during which no share transfer will be effected. In order to determine entitlement to attend and vote at the forthcoming annual general meeting of the Company on 8 June 2009, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4: 00 p.m. on 29 May 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. The Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2008 in relation to securities transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with the code provisions contained in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

1. Code provision A.2.1 of the Corporate Governance Code requires the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company deviated from the provision, as the Chairman and the Chief Executive Officer of the Company are performed by the same individual, Mr. Zhang Shuyang.

2. The number of the Independent Non-executive Directors and the Audit Committee member fell below the minimum number and/or appropriate accounting expertise requirement as required by Rule 3.10 and 3.21 of the Listing Rules during the courses of 12 June 2008 to 22 June 2008, 7 July 2008 to 26 August 2008 and 23 December 2008 to 5 March 2009. The Company actively identified suitable candidates for appointment as Independent Non-executive Directors and Audit Committee members so as to meet requirements under Rule 3.10 and 3.21 of the Listing Rules within three months from the dates on which the number of Independent Non-executive Directors fell below the minimum number and/or appropriate accounting expertise requirement under Rule 3.10 and 3.21 of the Listing Rules as required under Rule 3.11 and 3.23 of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three Independent Non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 December 2008 is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and on the website of the Company at http://www.mitsumaru-ek.com. An annual report for the year ended 31 December 2008 will be despatched to the shareholders and available on the above websites in due course.

BOARD OF DIRECTOR

As at the date of this announcement, the executive Directors are Mr. Zhang Shuyang and Mr. Leung Koon Sing and the independent non-executive Directors are Mr. Kwong Ping Man, Mr. Martin He and Mr. Mu Xiangming.

On Behalf of the Board
Mitsumaru East Kit (Holdings) Limited
Zhang Shuyang
Chairman

Hong Kong, 20 April 2009