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 31 DECEMBER 2009

The directors (the "Directors") of Mitsumaru East Kit (Holdings) Limited (the "Company") are pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 (the "Year") together with the comparative figures of 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**167,518**	519,883
Cost of sales		**(163,233)**	(489,599)
Gross profit		**4,285**	30,284
Other income and gains	6	**6,426**	15,331
Selling and distribution costs		**(6,561)**	(21,264)
Administrative expenses		**(55,027)**	(64,944)
Other operating expenses		**(28,188)**	(60,696)
Share of loss of an associate		**(7,302)**	(2,407)
Finance costs	7	**(2,314)**	(6,439)
Loss before income tax expense	8	**(88,681)**	(110,135)
Income tax credit/(expense)	9	**474**	(3,130)
Loss for the year		**(88,207)**	(113,265)
Other comprehensive income, after tax			
Release of exchange reserve on disposal of subsidiaries		**798**	—
Gain on revaluation of buildings		**1,236**	19,541
Exchange differences on translating foreign operations		**10,896**	(2,905)
Other comprehensive income, net of tax		**12,930**	16,636
Total comprehensive income for the year		**(75,277)**	(96,629)

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Loss attributable to:			
— Owners of the Company	11	**(88,564)**	(112,483)
— Minority interests		**357**	(782)
		(88,207)	(113,265)
Total comprehensive income attributable to:			
— Owners of the Company		**(75,638)**	(95,926)
— Minority interests		**361**	(703)
		(75,277)	(96,629)
Loss per share	11		
— Basic and diluted		**(HK22.1 cents)**	(HK28.1 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Property, plant and equipment		**89,885**	116,119
Investment properties		**—**	—
Prepaid land premiums		**8,131**	8,297
Other asset		**—**	4,437
Golf club membership		**360**	360
Interests in associates		**8,559**	15,818
Available-for-sale investments		**340**	232
Total non-current assets		**107,275**	145,263
Current assets			
Inventories		**29,652**	48,512
Trade and notes receivables	12	**15,665**	74,342
Prepayments, deposits and other receivables		**5,955**	21,875
Pledged deposits		**881**	57,700
Restricted deposits		**227**	—
Cash and cash equivalents		**4,943**	42,853
Total current assets		**57,323**	245,282
Current liabilities			
Trade and bills payables	13	**161,051**	321,958
Other payables, accrued expenses and deposits received		**20,958**	31,585
Other loans		**23,794**	3,996
Interest-bearing bank loans		**22,760**	24,671
Tax payable		**924**	850
Total current liabilities		**229,487**	383,060
Net current liabilities		**(172,164)**	(137,778)
Total assets less current liabilities carried forward		**(64,889)**	7,485

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Total assets less current liabilities brought forward		**(64,889)**	7,485
Non-current liabilities			
Deferred tax liabilities		**(4,111)**	(2,336)
Other loans		**(1,128)**	—
Total non-current liabilities		**(5,239)**	(2,336)
Net (liabilities)/assets		**(70,128)**	5,149
Capital and reserves attributable to owners of the Company			
Issued capital		**40,000**	40,000
Reserves		**(111,505)**	(35,867)
Capital and reserves attributable to owners of the Company		**(71,505)**	4,133
Minority interests		**1,377**	1,016
(Deficit)/surplus in equity		**(70,128)**	5,149

Notes:

1 BASIS OF PRESENTATION

As at 31 December 2009, the Group had net current liabilities and deficit in equity of approximately HK$172,164,000 (2008: HK$137,778,000) and HK$70,128,000 (2008: net assets of HK$5,149,000) respectively; and the Company had net current liabilities and deficit in equity of approximately HK$7,795,000 (2008: HK$6,435,000) and HK$8,923,000 (2008: HK$57,774,000) respectively. The Group incurred a loss of approximately HK$88,207,000 for the year ended 31 December 2009 (2008: HK$113,265,000). As stated in note 13, certain creditors of the Group's two subsidiaries have taken legal actions to recover overdue balances of approximately HK$23,000,000. In accordance with certain court orders, certain subsidiaries' assets in the People's Republic of China ("PRC") of approximately HK$16,200,000 have been frozen.

In preparing the financial statements, the Directors have given careful consideration to the future liquidity and financial positions of the Group and the Company in light of the financial positions as described in the preceding paragraph. The Directors are taking active measures to improve the working capital position of Group and the Company as described below.

- The Group has been taking stringent cost controls in general and administrative expenses;
- In April 2010, the Group is in the process of negotiating with a bank in the PRC to obtain new banking facility of approximately Renminbi ("RMB") 54,600,000 (approximately HK$62 million) to finance the Group's working capital requirements. Such facility will be secured by certain of the Group's land and buildings in the PRC with an aggregate carrying value of HK$62,162,000 which are currently secured for bank loans amounting to HK$22,760,000 from another PRC bank as at 31 December 2009. Directors intend to use the new bank loan to repay the existing bank loans with the excess of approximately HK$39 million for financing working capital;
- The Group is in the process of reaching an agreement for debts restructuring with certain trade creditors who had applied to the courts to freeze the assets of certain Group's subsidiaries;
- Certain independent third parties provided financial support to the Group in the form of other loans amounting to approximately HK$20,293,000 as at 31 December 2009 which are detailed in note 28 of the financial statements. Subsequent to the end of the reporting period, further loans amounting to approximately HK$21 million have been provided by these third parties; and
- A major shareholder and potential investor of the Company have agreed to provide unsecured loan facilities of RMB80,000,000 (approximately HK$91 million) and RMB25,000,000 (approximately HK$28 million) respectively to the Group and the Company.

On the basis that (a) the above new financial support will be available from the major shareholder, potential investor and creditors (b) the new PRC bank loans can be secured; (c) the Group's future's operations can generate sufficient cash flows, and (d) the Group is able to successfully implement the cost control in the foreseeable future, the Directors are confident that both the Group and the Company will be able to meet their financial obligations as they fall due for twelve months from 31 December 2009. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2009 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") and the disclosure requirement of the Hong Kong Companies Ordinance. 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.

(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 as explained in the accounting policies stated in note 2.4 of the financial statements.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollar ("HK$"), which is the functional currency of the Company. The functional currencies of its principal subsidiaries are RMB and HK$.

3. ADOPTION OF HKFRSs

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes concerning presentation of financial statements. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation.

HKAS 1 (Revised), Presentation of Financial Statements

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transactions with non-owners are presented under the "Statement of Comprehensive Income"; while the owners' changes in equity are presented in the "Statement of Changes in Equity".

HKFRS 8 Operating Segments

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments), Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in accumulated losses.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the Director so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of Directors. The board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

(i) Operating/Reportable segments

The Group has two operating segments, namely, (i) the design of the chassis of colour televisions and the trading of related components segment, and (ii) the assembling of colour television set segment. The design of the classis of colour televisions and the trading of related components segment is the Group's sole reportable segment as it constitutes more than 90% of the Group's revenue, results and assets for the years of 2009 and 2008.

(ii) Geographical information

The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers	
	2009	2008
	HK$'000	*HK$'000*
PRC	**120,411**	198,128
Asia (other than PRC)	**44,511**	134,480
Europe	**1,264**	155,667
South America	**41**	26,073
Others	**1,291**	5,535
	167,518	519,883

	Specified non-current assets	
	2009	2008
	HK$'000	*HK$'000*
PRC	**95,706**	128,004
Hong Kong	**9,269**	16,478
Europe	**—**	141
Japan	**—**	50
	104,975	144,673

(iii) Major customer

For the year of 2009 and 2008, none of a single external customer with transactions amounted to 10% or more of the Group's revenue.

5. TURNOVER

Turnover, which is also the Group's revenue, 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.

6. OTHER INCOME AND GAINS

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**1,104**	3,284
Gain on disposals of subsidiaries, net	**3,734**	115
Rental income from investment properties	**—**	76
Gain on disposal of property, plant and equipment, net	**—**	1,157
Gain on transfer of prepaid land premiums	**—**	9,121
Gain on disposal of other asset	**363**	—
Reversal of impairment of other receivables	**—**	236
Others	**1,225**	1,342
	6,426	15,331

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
— bank loans wholly repayable within five years	**1,743**	5,935
— other loans	**326**	458
— overdue trade payables	**245**	—
— finance lease payables	**—**	46
	2,314	6,439

8. LOSS BEFORE INCOME TAX EXPENSES

Loss before income tax expenses is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**147,179**	476,281
Write-down of inventories	**12,347**	10,854
Reversal of inventory write-down *(Note (a))*	**(5,999)**	(5,191)
Costs of inventories recognised as expense	**153,527**	481,944
Employee benefit expenses (including directors' remunerations)		
— Wages and salaries	**21,818**	47,549
— Equity-settled share option expense	**—**	276
— Pensions scheme contributions	**6,152**	7,673
	27,970	55,498
Depreciation of property, plant and equipment	**13,571**	12,628
Depreciation of investment properties	**—**	40
Amortisation of prepaid land premiums	**206**	275
Minimum lease payments under operating leases in respect of:		
— land and buildings	**3,173**	950
— plant and machinery	**—**	288
Auditors' remuneration		
— current year	**1,024**	1,450
— prior year	**400**	1,520
Direct operating expenses from investment properties that generated rental income during the year	**—**	22
Impairment of property, plant and equipment	**14,654**	—
Impairment of available-for-sale investment	**632**	—
Loss on disposal of property, plant and equipment	**603**	—
Loss on disposal of investment properties	**—**	112
Loss on disposal of equity investments at fair value through profit or loss	**—**	1,068
Exchange losses, net	**3,017**	8,658
Impairment of amount due from associate	**168**	—
Impairment of trade receivables	**8,522**	49,328
Impairment of other receivables	**336**	—

Note (a): The reversal of inventory write-down arising from an increase in net realisable value was caused by the increase in estimated scrap value.

9. INCOME TAX (CREDIT)/EXPENSE

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 tax rate of corporate income tax ("CIT") of subsidiaries operating in PRC is at standard rate of 25% except two subsidiaries, East Kit (Shanghai) and East Kit (China), which 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% (2008: 15%). The CIT rate applied to Mitsumaru (Wuhu) for the year was 25% (2008: 12.5%).

The amount of income tax in the consolidated statement of comprehensive income represents:

	2009 *HK$'000*	2008 *HK$'000*
Current tax:		
Provision for the year		
— PRC	**—**	937
— Overseas	**—**	14
	—	951
Under/(over)-provision in respect of prior years		
— HK	**(116)**	—
— PRC	**30**	(333)
	(86)	618
Deferred tax		
— Origination and reversal of temporary differences	**(388)**	2,512
Total income tax (credit)/expense	**(474)**	3,130

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's certain leasehold buildings during the year has been charged to other comprehensive income.

10. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2009 (2008: 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$88,564,000 (2008: HK$112,483,000), and 400,000,000 (2008: 400,000,000) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2009 and 2008 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

	2009 *HK$'000*	2008 *HK$'000*
Trade and notes receivables	**164,209**	218,241
Impairment	**(148,544)**	(143,899)
	15,665	74,342

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 to 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 ageing analysis of the trade receivables (net of impairment loss) as of the end of reporting period, based on the invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**8,257**	36,523
91 days to 180 days	**3,786**	12,042
181 days to 1 year	**3,622**	7,745
Over 1 year	**—**	18,032
	15,665	74,342

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of reporting period, based on the invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 180 days	**44,415**	217,010
181 days to 1 year	**20,471**	57,196
1 to 2 years	**81,357**	32,814
Over 2 years	**14,808**	14,938
	161,051	321,958

As at 31 December 2009, two PRC subsidiaries, East Kit (China) and East Kit (Shanghai), have been sued by trade creditor for non-payment of outstanding trade balances. Included in trade and bills payables are trade payable balances of approximately HK$23,000,000 under litigation as at the end of reporting period and an additional amount of HK$3,000,000 subsequent to the end of reporting period.

Pursuant to court orders issued as at 31 December 2009, the Group's bank deposits or assets with equivalent values amounted to approximately HK$16.2 million have been frozen until full repayment to trade creditors. However, there are no specifications of the kinds of frozen assets under the court orders and the Directors are unaware of any assets that cannot be freely used except for certain bank deposit accounts amounting to approximately HK$227,000 at 31 December 2009, which is reclassified under restricted deposits in note 25 of the financial statements.

Included in the trade and bills payables are balances of HK$24,284,000 (2008: HK$107,193,000) which were secured by a time deposit of HK$881,000 (2008: HK$57,700,000) in note 26 of the financial statements.

14. EXTRACT OF THE AUDITOR'S REPORT

The Company's auditor has modified their report on the Group's consolidated financial statements for the year ended 31 December 2009, an extract of which is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009 and of the Group's loss and 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention in Note 2.1 to the consolidated financial statements, which indicates the Group incurred a loss of approximately HK$88,207,000 for the year ended 31 December 2009, as of that date, the Group and the Company had net current liabilities of approximately HK$172,164,000 and HK$7,795,000 respectively and net liabilities of approximately HK$70,128,000 and HK$8,923,000 respectively. In addition, certain trade creditors have taken legal actions against the Group's subsidiaries in the People's Republic of China ("PRC") in order to recover overdue balances amounting to approximately HK$23,000,000. These trade creditors have also applied to the court in the PRC to freeze certain assets of the subsidiaries amounting to approximately HK$16,200,000. These situations indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company'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

For the Year, the Group achieved approximately HK$167,500,000 in turnover, representing a decrease of approximately 68% from that of approximately HK$519,900,000 in the previous year. The gross profit was approximately HK$4,300,000, representing a decline of approximately 86% from that of approximately HK$30,300,000 in the previous year. The loss for the Year attributable to equity holders of the Company was approximately HK$88,600,000 while that for the year ended 31 December 2008 was approximately HK$112,500,000. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK22.1 cents while that for the year ended 31 December 2008 was HK28.1 cents. As at 31 December 2009, balance of cash and cash equivalents and pledged deposits were approximately HK$4,900,000 and approximately HK$900,000, respectively.

Turnover

For the Year, the Group's turnover was approximately HK$167,500,000, representing a decrease of approximately 68% as compared with the previous year. The decrease was mainly attributable to overall shrinking global demand in CTV products.

Geographically, the PRC and other Asian countries are the major markets of the Group. The Group's turnover generated from Asian markets (including the PRC) decreased from approximately HK$332,600,000 for the year ended 31 December 2008 to approximately HK$164,900,000 for the Year, representing a decrease of approximately 50%. Among others, the performance of sales of CTVs in South America is the most disappointing. The turnover generated from South America dropped from approximately HK$26,100,000 for the year ended 31 December 2008 to approximately HK$40,000 for the Year.

Gross Profit Margin

Owing to the drop in selling prices of CTV products, the gross profit margin of CTVs generally declined. Our gross profit margin decreased from approximately 5.8% in 2008 to approximately 2.6% during the year, mainly because further provision for impairment of inventory was made in 2009.

Expenses

The Group's selling and distribution costs declined from approximately HK$21,300,000 in 2008 to approximately HK$6,600,000 during the Year, primarily attributable to the decrease in turnover and sales team redundancy.

The administrative expenses decreased from approximately HK$64,900,000 in 2008 to approximately HK$55,000,000 during the Year, primarily because of the decrease in salary expenses.

The decrease in its finance expenses was mainly due to the reduction of loan balance interest expenses. The decrease in interest expenses was mainly caused by the reduction of banking facilities.

Financial Position and Liquidity

	31 December 2009	31 December 2008
Current ratio	**0.25**	0.64
Quick ratio	**0.12**	0.51
Gearing ratio	**29%**	7%

* *Gearing ratio = Total interest-bearing borrowings and other loans over total assets*

For the Year, the Group used (2008: generated) approximately HK$124,000,000 (2008: approximately HK$25,400,000) of cash from its operations. As at 31 December 2009, the Group had cash and cash equivalents of approximately HK$4,900,000 (31 December 2008: approximately HK$42,900,000). The decrease in cash and cash equivalents was mainly due to increase in net payment to trade payables.

As at 31 December 2009, deficit in shareholders' equity was approximately HK$71,500,000 (31 December 2008: surplus in shareholders' equity approximately HK$4,100,000). Current assets of the Group amounted to approximately HK$57,300,000 (31 December 2008: approximately HK$245,300,000). The current ratio and quick ratio were approximately 0.25 and 0.12 respectively (31 December 2008: approximately 0.64 and 0.51).

As at 31 December 2009, the Group's bank borrowings and other loans amounted to approximately HK$47,700,000 (31 December 2008: approximately HK$28,700,000) and the gearing ratio, representing the ratio of total borrowings to total assets, increased to approximately 29% in 2009 from approximately 7% in 2008. Over 95% (approximately HK$46,600,000) of the bank borrowings and other loans are repayable within one year. In order to ensure sufficient funds available for operation, the Group is in the process of negotiation with a bank in the PRC to obtain new banking facility of approximately RMB54,600,000. A major shareholder and potential investor have agreed to provide an unsecured loan facility of RMB80,000,000 (approximately HK$91 million) and RMB25,000,000 (approximately HK$28 million) respectively to the Group.

Trade and notes receivables decreased from approximately HK$74,300,000 as at 31 December 2008 to approximately HK$15,700,000 as at 31 December 2009. During the Year, approximately HK$12,500,000 was provided for impairment losses.

Capital Expenditure

During the Year, the Group had no significant capital expenditures on property, plant and equipment and investment properties (2008: approximately HK$1,400,000).

Pledge of Assets

As at 31 December 2009, certain assets of the Group with an aggregate carrying value of approximately HK$75,800,000 (31 December 2008: approximately HK$82,000,000) 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 31 December 2008 of approximately HK$5,300,000, which was released on full repayment of the corresponding secured bank loan during the year; and

(b) pledge over the Group's leasehold land and buildings situated in the PRC, which had an aggregate carrying value at 31 December 2009 of approximately HK$67,500,000 (31 December 2008: approximately HK$68,200,000). The related leasehold land element of approximately HK$8,300,000 (31 December 2008: approximately HK$8,500,000) is included in the "prepaid land premiums".

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$, the Group believes its exposure to exchange risk will be confined to RMB and HK$. 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

As at 31 December 2009, the Group had no capital commitments (31 December 2008: approximately HK$810,000). As at 31 December 2009, two PRC subsidiaries have been sued by trade creditors for non-payment of outstanding trade balances of approximately HK$23,000,000. Details of the trade payables are set out in note 27 of the financial statements.

Employees Benefit and Expenses

As at 31 December 2009, there were 471 employees in the Group (31 December 2008: 708). The total amount of employee wages incurred during the Year was approximately HK$28,000,000 (2008: approximately HK$55,500,000). 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 the knowledge, skills and overall caliber of its employees. In addition, the Group granted employees option scheme as an encouragement.

Business Review

In the Year, in spite of the challenging condition for CTV exports in the PRC, the domestic demand for flat panel CTVs started to turn positive. In particular, LCD CTVs is now the mainstream in the market. Driven by a series of control measures on stimulating domestic demand, the growth momentum of flat panel CTVs remained steady in the PRC. The Group, as an export-oriented enterprise, was materially affected by the financial turmoil in 2009, which resulted in a shrinkage of global demand for consumer electronic products and thereby a rapid drop in both orders and sales of the Group. In light of the unfavorable condition of the export market, the Group made a prompt adjustment to its strategies and commenced its domestic sales business under the brand alliance with its customers. In addition, the Group launched video peripheral products such as projector TVs, iPod TVs, USB Micro Video Cameras.

During the Year, the Group was engaged in selling primarily CRT CTVs and LCD CTVs. The Group sold approximately 460,000 CRT CTVs, representing a decrease of approximately 69.33% from that of approximately 1,500,000 in year 2008, and approximately 44,000 LCD CTVs, representing a decrease of approximately 75.6% from that of approximately 180,000 in year 2008. The Group's CRT CTVs were mainly sold to PRC customers for export purpose. Its LCD CTVs were primarily sold to Europe, Japan and other regions.

The board of Directors (the "Board") believes that the Group's poor financial performance has been materially affected by the global financial turmoil, the resulted decrease in the international market demand and impairment of assets.

Because of operating losses and the Group's overall strategic adjustment, the Group disposed 100% share equity in a wholly owned subsidiary, namely, Crown Joint Investment Limited, to a third party and reduced shareholding percentage in a non-wholly owned subsidiary, namely, Mitsumaru Japan Limited.

OUTLOOK

The Group will continue to focus on its principal business of the sale of flat panel CTVs and adopt the "No Brand" strategy. The falling prices of LCD CTVs leads to the growing popularity in the country. On the other hand, with the implementation of the 'Home Appliances to the Countryside' and 'Home Appliances Replacement' policies, the distribution network of LCD CTVs is rapidly expanding into third- and fourth-tier cities. The Group will develop the sale of LCD CTVs in the PRC market under the brand alliance with its customers. For overseas markets, the Group will place a great deal of importance on emerging markets such as India, Brazil and Africa, and will actively develop core overseas markets in Europe and the U.S. by means of trade fairs, with an aim to expand our distribution channels through dealers and, hence, secure a stable number and size of orders in the long run. The Group will optimize its product mix by developing products that cater for local lifestyle to offer better value for money, and will be dedicated to improve the authorization and certification system for patent usage as well as to enhance the after-sale services and order financing.

There has been a trend of technical upgrade and function integration in the CTV production industry for development of energy saving CTVs which are ultra thin with LED backlight, multi-media and stereoscopic. The Group will speed up the cooperation with network content providers and launch LED CTVs that incorporate self-developed intellectual properties and offer superior features such as high durability, low energy consumption, environmental friendliness, better colour performance and an ultra-thin panel. It is believed that the prospects of developing and launching such products will be promising. As products with LED backlight features an appealing exterior and size as well as excellent contrast and colour recovery, they take up a substantial portion of the backlight product market. As the range of home electrical appliances is expanding, the application of and demand for such products will continue to grow. In view of this, the Group will make strong efforts in exploring new products sectors and developing them into our new profit streams.

Despite the shrinkage of the CRT CTVs market, the replacement of CRT technology is a gradual progress. In developing countries and regions such as the PRC, India, Africa, Latin America and Middle East, CRT CTVs still occupy a certain market share to sustain market demands. This can be seen from the prominent position of CRT CTVs in the middle- and small-sized CTV markets. The more mature development, higher durability, easier and economical maintenance as well as affordable price of CRT CTVs as compared to flat panel CTVs give CRT CTVs an edge in attracting consumers. Meanwhile, the Chinese government continues to protect the existence and development of the CRT CTV industry in the PRC by classifying display technologies, namely high-definition CRT, LCD, plasma, OLED, as the key technologies of the information technology industry in the PRC for the next 5 to 15 years. Due to the low labour costs, the duty-free export of parts and components (such as CPT) and the low price of domestic raw materials, the PRC has the most comprehensive and economical ancillary system in the world with 60% to 70% of CRT CTVs worldwide are made in the PRC. Despite the low profit margin for the production of CRT CTVs, the profit for mass production can be considerable with regard to economies of scale. Therefore, the Group shall maintain its business of the sale of CRT CTVs, expand its market share and maximize its profit through mass production.

With the gradual revival of the global economy, the demand for consumer electronic products started to pick up and the sales of the Group was also under restoration. In the new year, the Group will continue to concentrate on the sale of LCD CTVs with the sale of CRT CTVs as the secondary focus and will put LED CTVs on sale. Based on such a foundation, the Group will further the combination of CTV products with multi-media functions and pursue the advancement of CTVs towards 3D CTVs. The Group will also promote the technical upgrade and integration of functions of CTVs, and will speed up the cooperation with network contents providers.

The Group will strengthen its competitiveness by leveraging on its established business platform and expanding its product mix, in order to maximize its profit and, hence, provide the best returns to its shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2010 to 7 June 2010, 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 2010, 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 31 May 2010.

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 had complied with the required standard set out in the Model Code throughout the Year 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 deviations of code provision A.2.1 which 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.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the Year 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 will be despatched to the shareholders and available on the above websites in due course.

SUSPENSION OF TRADING IN THE SHARES

At the direction of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), trading in the shares of the Company was suspended from 9: 30 a.m. on 14 February 2008 and will remain suspended until further notice.

Reference is made to the announcement of the Company dated 24 February 2009 (the "Announcement") in respect of the investigation (the "Investigation") by the Independent Commission Against Corruption (the "ICAC") initiated on or about 13 February 2008 against Mr. Zhang Shuyang ("Mr. Zhang"), a former Executive Director, and Mr. Tung Chi Wai, Terrence ("Mr. Tung"), a former Executive Director.

On 25 September 2008, the Board set up an Independent Committee (the "Independent Committee"), comprising Mr. Leung Koon Sing, an Executive Director, and all the Independent Non-executive Directors, to find out the subject matter of the Investigation (the "Subject Matter") and to ascertain whether the Investigation has any impacts on the Company's operations, assets, and financial positions through the seizure lists.

As mentioned in the Announcement, the Board has obtained confirmations from Mr. Zhang and Mr. Tung that the Investigation (i) was initiated against themselves personally in relation to the Cases (as defined in the Announcement); (ii) did not relate to the affairs of the Company; and (iii) has no material implications on the Company's operations, assets and financial position. Based on present information as disclosed in the Press Release (as defined in the Announcement), the Board was not aware of any direct relation and implications between the Cases under the Investigation and the Company's operations, assets and financial position and confirms that the Company has been carrying on its ordinary course of business.

Having identified the Subject Matter, the Company engaged an independent professional advisor on 12 June 2009 to conduct review on the Subject Matter and the sales to two groups of customers located in Russia and Argentina at the request of the Stock Exchange. The report in relation to the sales to two groups of customers located in Russia and Argentina has been finalized in March 2010. The independent professional advisor is of the opinion that nothing has come to its attention that causes it to believe that there are improper records in the sales transactions between the Group with the Argentinean customer and the Russian customer during the relevant period, in all material respects.

The Company, through its legal advisors, requested ICAC and the relevant Hong Kong judiciary for copies of the search warrant, court transcript, and fact sheet of the Cases, which are evidence to corroborate the confirmation from Mr. Zhang. In March 2010, ICAC returned all seized documents and materials to the Company. On 14 April 2010 and 24 March 2010, ICAC issued letters to Mr. Zhang and Mr. Tung, respectively, and advised that the Cases were closed. The Company expects that the report in relation to the Subject Matter will be finalized by the end of May 2010.

The Company engaged the independent professional advisor on 20 July 2009 to complete the internal control review on the operations of the Company. It is expected that the report of the internal control review will be finalized in middle of 2010.

As mentioned in the announcement of the Company dated 2 November 2009, the Board announced that the controlling Shareholder has granted the options over 300,000,000 Shares, representing 75% of the existing issued share capital of the Company, to an independent third party. Exercise of the options may lead to a change in control of the Company.

The Stock Exchange has imposed conditions to resumption of trading of Shares, details of which are set out in the Announcement. The Company will make application to the Stock Exchange for resumption of trading when all conditions to resumption of trading are fulfilled to the satisfaction of the Stock Exchange and further announcement in respect of the resumption of trading will be made by the Company as and when appropriate.

BOARD OF DIRECTOR

As at the date of this announcement, the executive Director is 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
Leung Koon Sing
Director

Hong Kong, 26 April 2010