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 2010

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 2010 (the "Year") together with the comparative figures for the corresponding year of 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Turnover	5	**124,098**	167,518
Cost of sales		**(120,665)**	(167,734)
Gross profit/(loss)		**3,433**	(216)
Other income and gains	6	**6,305**	6,426
Selling and distribution costs		**(4,651)**	(6,561)
Administrative expenses		**(35,231)**	(50,526)
Other operating expenses		**(11,000)**	(28,188)
Share of loss of an associate		**(5,914)**	(7,302)
Finance costs	7	**(3,831)**	(2,314)
Loss before income tax	8	**(50,889)**	(88,681)
Income tax credit	9	**511**	474
Loss for the year		**(50,378)**	(88,207)
Other comprehensive income, after tax			
Reclassification of exchange fluctuation reserve on disposal of subsidiaries		**—**	798
Gain on revaluation of buildings		**367**	1,236
Exchange differences on translating foreign operations		**670**	10,896
Other comprehensive income, net of tax		**1,037**	12,930
Total comprehensive income for the year		**(49,341)**	(75,277)

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Loss attributable to:			
— Owners of the Company		**(49,749)**	(88,564)
— Non-controlling interests		**(629)**	357
		(50,378)	(88,207)
Total comprehensive income attributable to:			
— Owners of the Company		**(48,738)**	(75,638)
— Non-controlling interests		**(603)**	361
		(49,341)	(75,277)
Loss per share	11		
— Basic and diluted		**HK12.4 cents**	HK22.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**71,750**	89,885
Investment properties		**11,786**	—
Prepaid land premiums		**8,133**	8,131
Golf club membership		**360**	360
Interests in associates		**2,772**	8,559
Available-for-sale investments		**226**	340
Total non-current assets		**95,027**	107,275
Current assets			
Inventories		**28,830**	29,652
Trade and notes receivables	12	**16,329**	15,665
Prepayments, deposits and other receivables		**7,090**	5,955
Restricted deposits		—	227
Pledged deposits		—	881
Cash and cash equivalents		**86,250**	4,943
Total current assets		**138,499**	57,323
Current liabilities			
Trade and bills payables	13	**152,876**	161,051
Other payables, accrued expenses and deposits received		**27,082**	20,958
Interest-bearing bank loans		—	22,760
Other loans		**161,205**	23,794
Subscription right derivative		**4,691**	—
Tax payable		**948**	924
Total current liabilities		**346,802**	229,487
Net current liabilities		**(208,303)**	(172,164)
Total assets less current liabilities carried forward		**(113,276)**	(64,889)

	2010	2009
	HK$'000	*HK$'000*
Total assets less current liabilities brought forward	**(113,276)**	(64,889)
Non-current liabilities		
Deferred tax liabilities	**6,193**	4,111
Other loans	**—**	1,128
Total non-current liabilities	**6,193**	5,239
Net liabilities	**(119,469)**	(70,128)
Equity attributable to owners of the Company		
Issued capital	**40,000**	40,000
Reserves	**(160,243)**	(111,505)
	(120,243)	(71,505)
Non-controlling interests	**774**	1,377
Total deficits	**(119,469)**	(70,128)

Notes:

1. BASIS OF PRESENTATION

Going Concern

As at 31 December 2010, the Group had net current liabilities and net liabilities of approximately HK$208,303,000 (2009: HK$172,164,000) and HK$119,469,000 (2009: HK$70,128,000), respectively; and the Company had net current liabilities and net liabilities of approximately HK$85,724,000 (2009: HK$7,795,000) and HK$85,724,000 (2009: HK$8,923,000), respectively. The Group incurred a loss of approximately HK$50,378,000 for the year ended 31 December 2010 (2009: HK$88,207,000). As disclosed in Note 13, certain creditors of two of the Company's subsidiaries have taken legal actions to recover from the Group overdue balances of approximately HK$28,400,000.

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

- On 1 December 2010, the Company and New Prime Holding Limited ("New Prime"), a wholly owned subsidiary of China Water Affairs Group Limited ("CWA"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), entered into a loan agreement (the "Loan Agreement") and pursuant to which New Prime agreed to make available to the Company a loan (the "Loan") up to a principal amount of HK$100,000,000 in cash, in order to finance the operations of the Group. Pursuant to a subscription agreement (the "Subscription Agreement") entered into between the Company and New Prime, the Loan will be applied to settle consideration to be paid by New Prime for subscription of 1,000,000,000 new shares of the Company, upon fulfillment of certain conditions including the resumption of trading of the Company's shares to be mentioned below. As at 31 December 2010, the unutilised proceeds from the Loan was approximately HK$63 million;

- The Directors are currently preparing a Resumption Proposal for submission to the Stock Exchange for application of resumption of trading of the Company's shares. With successful application of trading of the Company's shares, the Group will have additional financing from a proposed issue of the Company's new shares on the basis of 15 shares for every 4 shares held by certain qualifying shareholders of the Company (the "Open Offer") to be conducted by the Company to raise no less than HK$150 million subject to the shareholders' approval as follows:

    (a) The Company and certain underwriters entered into a non-legally binding letter of intent and pursuant to which these underwriters have expressed intention to fully underwrite 1,500,000,000 offer shares under the Open Offer in an aggregate amount of HK$150 million; and

    (b) The Company and New Prime entered into a legally binding underwriting letter and pursuant to which New Prime unconditionally and irrevocably undertook to act as the underwriter for the whole amount of the Open Offer in cash in the event that the above underwriters fail to enter into the underwriting agreement with the Company in relation to the Open Offer;

- The Group is in the process of negotiating with a bank in the People's Republic of China (the "PRC") to obtain a new banking facility of approximately Renminbi ("RMB") 45 million (equivalent to approximately HK$53 million) to finance the Group's working capital requirements;

- 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 two of the Company's subsidiaries. Up to the date of approval of this announcement, the asset-freezing orders on the Group's land and buildings and investment properties with an aggregate carrying amount of HK$61,932,000 were successfully released and trade payables to creditors under litigation amounting to approximately HK$4,400,000 were settled;

- Certain independent third parties advanced to the Group other loans of approximately HK$59,494,000 as at 31 December 2010; and

- The Group has been taking stringent cost controls over general and administrative expenses.

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 2010, on the basis that (a) the above share subscription by New Prime can be completed; (b) the above financing from the Open Offer can be successfully obtained; (c) the above new PRC banking facility can be secured; (d) the Group's future operations can generate sufficient cash flows; and (e) the Group is able to successfully implement the cost control in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2010 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 consolidated 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 requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain buildings and derivative financial instruments, which are measured at revalued amount and fair values respectively.

(c) Functional and presentation currency

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

3. ADOPTION OF HKFRSs

(a) Adoption of new and revised HKFRSs — effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKFRS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new and revised HKFRSs has had no significant impact on the Group's consolidated financial statements.

HKFRS 3(Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statement

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interests in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the consolidated financial statements in the current year as there has been no change in the ownership interest of any subsidiary during the year.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of this Interpretation has had no effect on the Group's financial statements.

(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)	Improvements to HKFRSs 2010 [1&2]
HKAS 24 (Revised)	Related Party Disclosures [2]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of other new and revised HKFRSs and the Director so far concluded that the application of the new and 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) Reportable segments

The Group has three respectable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Design and assembly — the design of the chassis of televisions, assembling of television sets and the trading of related components;
- Assembly — Assembling of CRT colour television sets and trading of related components; and
- Trading — Trading of components related to colour televisions.

(a) Business Segments

	2010			
	Design and assembly *HK$'000*	**Assembly** *HK$'000*	**Trading** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue	**54,096**	**31,820**	**48,200**	**134,116**
Inter-segment revenue	**(1,418)**	**(278)**	**(8,322)**	**(10,018)**
Revenue from external customers	**52,678**	**31,542**	**39,878**	**124,098**
Reportable segment loss	**(32,511)**	**(3,946)**	**(7,483)**	**(43,940)**
Interest expense	**(1,168)**	**—**	**—**	**(1,168)**
Depreciation of property, plant and equipment	**(8,570)**	**(1,458)**	**(378)**	**(10,406)**
Depreciation of investment properties	**(740)**	**—**	**—**	**(740)**
Amortisation of prepaid land premiums	**(156)**	**(52)**	**—**	**(208)**
Impairment loss of property, plant and equipment	**—**	**(158)**	**(727)**	**(885)**
Reversal/(impairment) of trade receivables	**543**	**(555)**	**(915)**	**(927)**
Impairment of available-for-sale investments	**(125)**	**—**	**—**	**(125)**
Share of loss of an associate	**(5,914)**	**—**	**—**	**(5,914)**
Income tax credit	**398**	**113**	**—**	**511**
Reportable segment assets	**110,547**	**34,031**	**33,642**	**178,220**
Additions to property, plant and equipment	**1,350**	**9**	**42**	**1,401**
Reportable segment liabilities	**(124,275)**	**(13,751)**	**(88,926)**	**(226,952)**

	2009			
	Design and assembly *HK$'000*	Assembly *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Reportable segment revenue	85,191	27,120	86,068	198,379
Inter-segment revenue	(7,944)	(5,757)	(17,160)	(30,861)
Revenue from external customers	77,247	21,363	68,908	167,518
Reportable segment profit/(loss)	(49,201)	1,832	(25,617)	(72,986)
Interest expense	(1,495)	(217)	(31)	(1,743)
Depreciation on property, plant and equipment	(10,268)	(1,407)	(1,896)	(13,571)
Amortisation of prepaid land premiums	(154)	(52)	—	(206)
Impairment loss of property, plant and equipment	(6,591)	(190)	(7,873)	(14,654)
Reversal/(impairment) of trade receivables	(2,633)	—	(5,889)	(8,522)
Impairment of available-for-sale investments	—	—	—	—
Share of loss of an associate	(7,302)	—	—	(7,302)
Income tax credit	278	81	115	474
Reportable segment assets	207,337	38,775	23,441	269,553
Additions to property, plant and equipment	296	2	13	311
Reportable segment liabilities	(189,479)	(21,683)	(141,397)	(352,559)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**134,116**	198,379
Elimination of inter-segment revenue	**(10,018)**	(30,861)
Consolidated revenue	**124,098**	167,518
Loss before income tax		
Reportable segment loss	**(43,940)**	(72,986)
Unallocated corporate expenses	**(4,286)**	(15,124)
Finance costs	**(2,663)**	(571)
Consolidated loss before income tax	**(50,889)**	(88,681)
Assets		
Reportable segment assets	**178,220**	269,553
Elimination of inter-segment receivables	**(8,988)**	(107,382)
Cash and cash equivalents	**64,061**	2,204
Unallocated corporate assets	**233**	223
Consolidated total assets	**233,526**	164,598
Liabilities		
Reportable segment liabilities	**(226,952)**	(352,559)
Elimination of inter-segment payables	**25,378**	125,102
Other loans	**(145,904)**	(5,194)
Subscription right derivative	**(4,691)**	—
Unallocated corporate liabilities	**(826)**	(2,075)
Consolidated total liabilities	**(352,995)**	(234,726)

(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	
	2010	2009
	HK$'000	*HK$'000*
PRC	**96,024**	120,411
Asia (other than PRC)	**19,183**	44,511
Europe	**3,219**	1,264
South America	**5,621**	41
Others	**51**	1,291
	124,098	167,518

	Specified non-current assets	
	2010	2009
	HK$'000	*HK$'000*
PRC	**94,170**	95,706
Hong Kong	**964**	1,396
	95,134	97,102

(iii) Major customer

Revenues from a customer of the Group amounted to approximately HK$27,971,000 (2009: HK$14,746,000), which represent 10% or more of the Group's revenue and included under the Assembly reportable segment. No other single customers contributed 10% or more to the Group's revenue for the year.

For the year 2009, there was no 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

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**23**	1,104
Rental income from investment properties	**1,808**	—
Fair value change of subscription right derivative	**1,390**	—
Gain on settlement of trade payables by inventories	**1,876**	—
Write-back on wavier of trade payables	**569**	—
Gain on disposals of subsidiaries, net	**—**	3,734
Gain on disposal of other assets	**—**	363
Others	**639**	1,225
	6,305	6,426

7. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
— bank loans wholly repayable within five years	**1,168**	1,743
— loans from the controlling beneficial shareholder	**415**	326
— loans from third parties	**1,213**	—
— loan from New Prime	**1,035**	—
— overdue trade payables	**—**	245
	3,831	2,314

8. LOSS BEFORE INCOME TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**107,096**	147,179
Write-down of inventories	**1,130**	12,347
Reversal of inventory write-down*	**(1,428)**	(5,999)
Costs of inventories recognised as expense	**106,798**	153,527
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**16,297**	21,818
— Provision for unpaid leave	**63**	—
— Pensions scheme contributions	**4,712**	6,152
	21,072	27,970
Depreciation of property, plant and equipment	**10,146**	13,571
Depreciation of investment properties	**740**	—
Amortisation of prepaid land premiums	**208**	206
Minimum lease payments under operating leases in respect of land and buildings	**3,368**	3,173
Auditor's remuneration		
— current year	**1,000**	1,024
— prior years' underprovision	**29**	400
Research and development costs	**2,830**	—
Impairment of property, plant and equipment	**885**	14,654
Impairment of available-for-sale investment	**125**	632
Loss on disposal of property, plant and equipment	**157**	603
Exchange losses, net	**4,291**	3,017
Impairment of amount due from an associate	**59**	168
Impairment of trade receivables, net	**927**	8,522
Impairment of other receivables	**—**	336
Reversal of impairment of other receivables, net	**(113)**	—

* The reversal of inventory write-down arising from an increase in net realisable values was caused by the increase in estimated scrap value.

9. INCOME TAX CREDIT

No provision of Hong Kong Profits Tax and the PRC Income Tax has been made in the consolidated financial statements as the Group incurred losses for both years in Hong Kong and the PRC.

The tax rate of corporate income tax ("CIT") of subsidiaries operating in PRC is at standard rate of 25% except two subsidiaries, East Kit Electronic (Shanghai) Co., Ltd. ("East Kit (Shanghai)") and East Kit Electronic (China) Co., Ltd. ("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% (2009: 15%). The CIT rate applied to Mitsumaru Electronic (Wuhu) Co., Ltd. for the year was 25% (2009: 25%).

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

	2010 HK$'000	2009 HK$'000
Current tax:		
Under/(over)-provision in respect of prior years		
— HK	—	(116)
— PRC	—	30
	—	(86)
Deferred tax	**(511)**	(388)
Total income tax credit	**(511)**	(474)

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 2010 (2009: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$49,749,000 (2009: HK$88,564,000), and 400,000,000 (2009: 400,000,000) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2010 and 2009 are the 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 both years.

12. TRADE AND NOTES RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade and notes receivables	**166,625**	164,209
Impairment	**(150,296)**	(148,544)
	16,329	15,665

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 been set with a 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:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**10,613**	8,257
91 days to 180 days	**392**	3,786
181 days to 1 year	**1,135**	3,622
Over 1 year	**4,189**	—
	16,329	15,665

The ageing of trade debtors which are past due but not impaired are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Less than 1 month	**5,970**	3,062
1 to 3 months	**4,682**	7,558
More than 3 months but less than 12 months	**4,997**	1,857
More than 12 months	**175**	225
	15,824	12,702

Receivables that were past due but not impaired relate to a number of independent customers that have a good settlement record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 180 days	**26,673**	44,415
181 days to 1 year	**2,227**	20,471
1 to 2 years	**34,875**	81,357
Over 2 years	**89,101**	14,808
	152,876	161,051

As at 31 December 2010, two PRC subsidiaries of the Company, East Kit (China) and East Kit (Shanghai), were sued by suppliers for non-payment of outstanding trade balances. Included in trade and bills payables are trade payable balances of approximately HK$28,400,000 (2009: HK$23,000,000) under litigations as at the end of reporting period.

During the year, the Group settled trade payables of approximately HK$4,400,000 in respect of trade payable balances of approximately HK$32,800,000 under litigations.

Pursuant to various court orders issued, the Group's bank deposits or assets with an aggregate equivalent value equal to the outstanding trade payables were frozen until full repayment were made to suppliers. 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. As at 31 December 2009, the Directors identified certain bank deposit accounts of approximately HK$227,000 were restricted as to use, and were classified under restricted deposits in the consolidated statement of financial position. As at 31 December 2010, the Group's land and buildings, investment properties and motor vehicles with an aggregate carrying amount of HK$63,886,000 were freezing under court-orders; and in February 2011, the asset-freezing orders on these properties of the Group with an aggregate carrying amount of HK$61,932,000 were released and replaced by properties owned by certain staff of the Group and a relative of the controlling beneficial shareholder, Mr Zhang Shuyang.

14. COMPARATIVE FIGURES

In the consolidated statement of comprehensive income, depreciation and rental expenses of approximately HK$4,501,000 included under administrative expenses in 2009 consolidated financial statements have been reclassified to cost of sales in order to achieve a consistent presentation with the current year.

15. 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 2010, 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 Company and of the Group as at 31 December 2010, 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$50,378,000 for the year ended 31 December 2010, as of that date, the Company and the Group had net current liabilities of approximately HK$85,724,000 and HK$208,303,000, respectively and net liabilities of approximately HK$85,724,000 and HK$119,469,000, respectively. In addition, as disclosed in Note 27 to the consolidated financial statements, certain trade creditors of the Group have taken legal actions against two of the Company's subsidiaries in the People's Republic of China in order to recover from the Group overdue balances of approximately HK$28,400,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Results

For the year ended 31 December 2010 (the "Year"), the Group achieved approximately HK$124,100,000 in turnover, representing a decrease of approximately 26% from that of approximately HK$167,500,000 in the previous year. The gross profit was approximately HK$3,400,000 representing an increase of approximately 3,600,000 from that of gross loss approximately HK$200,000 in the previous year. The loss for the Year attributable to owners of the Company was approximately HK$49,700,000 while that for the year ended 31 December 2009 was approximately HK$88,600,000. Basic loss per share attributable to owners of the Company was approximately HK12.4 cents while that for the year ended 31 December 2009 was HK22.1 cents. As at 31 December 2010, balance of cash and cash equivalents were approximately HK$86,300,000.

Turnover

For the Year, the Group recorded approximately HK$124,100,000 in turnover, a decrease of 26% on a year-on-year basis. The decrease was mainly attributable to tight working capital thereby hindering revenue growth.

Gross Profit Margin

Owing to the drop in selling prices of TV products, the gross profit margin of TVs generally declined. In the Year of 2010, the profit margin was very thin. Basically, the Group maintained a gross margin of 2.8%, while the gross margin was -0.13% in 2009. The negative gross margin in 2009 was mainly attributable to write-down of inventory of approximately HK$6,300,000.

Expenses

The Group's selling and distribution costs declined from approximately HK$6,600,000 in 2009 to approximately HK$4,700,000 during the Year, primarily attributable to the stringent cost control measures. Administrative expenses decreased from approximately HK$50,500,000 in 2009 to approximately HK$35,200,000 during the Year, primarily because of staff cost saving. Increase in finance expenses was mainly due to increase in outstanding loan balance. By the end of the Year, the Group had no outstanding bank loan in HK and PRC (2009: HK$22,760,000).

Financial Position and Liquidity

	31 December 2010	31 December 2009
Current ratio	**0.40**	0.25
Quick ratio	**0.32**	0.12
Gearing ratio	**186%**	147%

* Gearing ratio = Net debt divided by the capital plus net debt

For the Year, the Group used approximately HK$37,100,000 (2009: approximately HK$124,000,000) of cash from its operations. As at 31 December 2010, the Group had cash and cash equivalents of approximately HK$86,300,000 (2009: approximately HK$4,900,000). The increase in cash and cash equivalents was mainly due to increase in loans from third parties.

As at 31 December 2010, deficit in shareholders' equity was approximately HK$120,200,000 (2009: HK$71,500,000). Current assets of the Group amounted to approximately HK$138,500,000 (2009: approximately HK$57,300,000). The current ratio and quick ratio were approximately 0.40 and 0.32 (2009: approximately 0.25 and 0.12), respectively.

As at 31 December 2010, the Group's net debts amounted to approximately HK$259,600,000 (2009: HK$224,700,000) and the gearing ratio, representing the ratio of net debt divided by the capital plus net debt, increased to 186% in 2010 from 147% in 2009. In order to ensure sufficient funds available for operation, the Group is in the process of negotiation with a bank in the People's Republic of China to obtain new banking facility of approximately RMB45,000,000.

Trade and notes receivables increased from approximately HK$15,700,000 as at 31 December 2009 to approximately HK$16,300,000 as at 31 December 2010. During the Year, approximately HK$3,200,000 was provided for impairment losses.

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the year amounted to approximately HK$1,400,000 (2009: HK$300,000).

Pledge of Assets

As at 31 December 2010, all assets of the Group with an aggregate carrying value of approximately HK$233,500,000 (2009: certain assets of approximately HK$62,200,000) were pledged to secure borrowings of the Company and of the Group.

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 US$ against RMB and HK$. Considering that the HK$ is pegged to the US$, the Group believes its exposure to exchange risk will be confined to RMB and US$. 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 2010, two PRC subsidiaries of the Company, East Kit (China) and East Kit (Shanghai), were sued by suppliers for non-payment of outstanding trade balances. Included in trade and bills payables are trade payable balances of approximately HK$28,400,000 (2009: HK$23,000,000) under litigation as at the end of reporting period.

The Group had no capital commitment (2009: nil) as at 31 December 2010.

Employees Benefit and Expenses

As at 31 December 2010, there were 442 employees in the Group (2009 : 471). The total amount of employee remuneration incurred during the Year was approximately HK$21,000,000 (2009: approximately HK$28,000,000). 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

The year 2010 was a tough year for the Group. For the whole year, the Group recorded HK$124,100,000 in sales, HK$50,400,000 in operating loss and HK$49,700,000 in loss attributable to owners of the Company. Basic loss per share amounted to HK12.4 cents (2009: HK22.1 cents).

Nonetheless, the Group adopted a proactive approach to respond to the challenges. In order to reduce reliance on LCD panel suppliers and integrate the upstream and down stream production , the Group has setup a "Backlight Technology Research Joint Laboratory" with Shanghai Research Center of Engineering and Technology for Solid-State Lighting and obtained 10 patents relating to LED backlight TV technology . Furthermore, the Group, jointly with the help of a local High-Tech firm, has the capacity to assemble LCD panels which enables the Group to have a better position in contracts and price negotiation. Other components, such as backlight module, light guide plate and optical films were also developed by the Group. All the aforesaid technological developments enhance the Group to launch new products such as the All-in-one TV and iPod TV with a view to regaining our market share and sustaining our operation.

Outlook

2010 was a challenging year for the Group. While running the business operation of the Group, the management has been trying its outmost to address all the conditions imposed by the Stock Exchange for the application of trading resumption. Before the end of 2010, the Group has submitted all the internal control reports to the Stock Exchange.

The management has sourced every possible means to sustain the normal operation; repay the outstanding bank loan in PRC and undergo a drastic product transition from traditional LCD TV to LED backlight LCD TV production. Through the support of the Group's major shareholder, we have raised HK$50 million working capital loan from several independent third parties, in the third quarter of 2010, to meet the aforesaid financial needs.

Furthermore, the Company entered into a loan agreement dated 1 December 2010 with China Water Affairs Group Limited ("CWA"), a company listed on the Stock Exchange, and pursuant to which CWA agrees to make a loan up to HK$100 million in cash for reengineering the Group's operation with a view to complying with the requirements imposed by the Stock Exchange for the trading resumption application.

Subject to the successful application of trading resumption, two possible underwriters signed a non-legally binding Letter of Intent with the Group pursuant to which they have the intention to underwrite 1,500,000,000 Offer Shares in an aggregate amount of HK$150 million. In the event the possible underwriters fail to underwrite the aforesaid amount, CWA signed a legally binding letter to the Group stating that CWA will unconditionally and irrevocably underwrite the whole amount.

During the period under review, the Group, jointly with a local high-tech firm, has made a major step in integrating the upstream and downstream production. Through these efforts, the Group has the capacity to assemble LCD panels; produce CCFL modules and LED backlight modules, which lays a solid foundation for its new products development. On top of that, the Group has invented and patented the technology of producing single layer printed LCD Board for colour TV (單層印製板液晶彩電板卡). We believe this new product — super-slim All-in-One LED backlight LCD TV- can generate significant and sustainable turnover in the second half of 2011. Strategic co-operation agreement has been signed with Haier Group in PRC.

Besides our traditional core business, the Group has leveraged our existing engineering team in venturing into production of electronic- related products such as production and installation of multi-screen display walls and water meters which will enhance our profit margin.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2011 to 7 June 2011, 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 2011, 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 2011.

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

For the Period, the Company complied with all the code provisions in the Corporate Governance Code except for the requirement that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (code provision A.2.1 of the Corporate Governance Code). On 2 March 2010, Mr. Zhang Shuyang resigned as Chairman and Chief Executive Officer of the Company and the Company currently has no Chairman and Chief Executive Officer. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

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 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 December 2010 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 2010 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, trading in the MEK Shares was suspended from 9:30 a.m. on 14 February 2008 and will remain suspended until further notice. Until satisfaction of all the resumption conditions set by the Stock Exchange, trading in the MEK Shares will continue to be suspended. The release of this announcement does not indicate that trading in the MEK Shares will be resumed.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Leung Koon Sing and Mr. Tang Chin Wan 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, 25 March 2011