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 2011

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 2011 (the "Year") together with the comparative figures for the corresponding year of 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
CONTINUING OPERATIONS			
Turnover	5	**316,184**	92,555
Cost of sales		**(305,181)**	(91,093)
Gross profit		**11,003**	1,462
Other income and gains	6	**21,272**	6,208
Selling and distribution costs		**(4,933)**	(4,450)
Administrative expenses		**(38,223)**	(32,777)
Other operating expenses		**(10,821)**	(10,287)
Share of loss of an associate		**(29)**	(5,914)
Gain recognised on disposal of an associate		**796**	—
Finance costs	7	**(11,337)**	(3,831)
Loss before income tax	8	**(32,272)**	(49,589)
Income tax credit	9	**324**	398
Loss for the year from continuing operations		**(31,948)**	(49,191)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation		**4,687**	(1,187)
Loss for the year		**(27,261)**	(50,378)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Other comprehensive income, after tax			
Release of exchange fluctuation reserve on disposal of subsidiaries		**(3,713)**	—
Gain on revaluation of buildings		**2,812**	367
Exchange differences on translating foreign operations		**397**	670
Other comprehensive income, net of tax		**(504)**	1,037
Total comprehensive income for the year		**(27,765)**	(49,341)
Loss attributable to:			
— Owners of the Company		**(27,175)**	(49,749)
— Non-controlling interests		**(86)**	(629)
		(27,261)	(50,378)
Total comprehensive income attributable to:			
— Owners of the Company		**(27,713)**	(48,738)
— Non-controlling interests		**(52)**	(603)
		(27,765)	(49,341)
Loss per share	11		
From continuing and discontinued operations			
— Basic and diluted		**HK6.8 cents**	HK12.4 cents
From continuing operations			
— Basic and diluted		**HK8.0 cents**	HK12.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**58,270**	71,750
Investment property		**12,118**	11,786
Prepaid land premiums		**5,994**	8,133
Golf club membership		**360**	360
Interests in associates		**—**	2,772
Available-for-sale investments		**236**	226
Total non-current assets		**76,978**	95,027
Current assets			
Inventories		**16,373**	28,830
Trade and notes receivables	12	**45,333**	16,329
Prepayments, deposits and other receivables		**40,612**	7,090
Cash and cash equivalents		**12,662**	86,250
Total current assets		**114,980**	138,499
Current liabilities			
Trade and bills payables	13	**122,135**	152,876
Other payables, accrued expenses and deposits received		**31,370**	27,082
Bank loan		**30,545**	—
Other loans		**143,928**	161,205
Derivative financial instrument		**4,861**	4,691
Tax payable		**1,682**	948
Total current liabilities		**334,521**	346,802
Net current liabilities		**(219,541)**	(208,303)
Total assets less current liabilities carried forward		**(142,563)**	(113,276)

	Notes	2011 HK$'000	2010 HK$'000
Total assets less current liabilities brought forward		**(142,563)**	(113,276)
Non-current liabilities			
Deferred tax liabilities		**4,646**	6,193
Total non-current liabilities		**4,646**	6,193
Net liabilities		**(147,209)**	(119,469)
Equity attributable to owners of the Company			
Issued capital		**40,000**	40,000
Reserves		**(187,956)**	(160,243)
		(147,956)	(120,243)
Non-controlling interests		**747**	774
Total deficits		**(147,209)**	(119,469)

NOTES:

1. 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 as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

2. ADOPTION OF HKFRSs

(a) Adoption of new and revised HKFRSs — effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new and revised standards and interpretations has no material impact on the Group's financial statements.

HKFRS 3 — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HK FRS 7 (Amendments)—Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HK FRS 24 (Revised)—Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the adoption of HKAS 24 (Revised) has no impact on the Group's disclosures of related party transactions and reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New and revised HKFRSs that have been issued but not yet effective

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7	Disclosures — Transition Disclosure[6]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or 1 July 2011
2 Effective for annual periods beginning on or 1 January 2012
3 Effective for annual periods beginning on or 1 July 2012
4 Effective for annual periods beginning on or 1 January 2013
5 Effective for annual periods beginning on or 1 January 2014
6 Effective for annual periods beginning on or 1 January 2015

Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

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, classification 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.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the Directors are not yet in a position to quantify the effects on the Group's financial statements.

3. GOING CONCERN BASIS

As at 31 December 2011, the Group had net current liabilities and net liabilities of approximately HK$219,541,000 (2010: HK$208,303,000) and HK$147,209,000 (2010: HK$119,469,000), respectively. The Group incurred a loss of approximately HK$27,261,000 for the year ended 31 December 2011 (2010: HK$50,378,000). 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$13,879,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and financial positions of the Group in view of the conditions described in the preceding paragraph. The Directors are taking active measures to improve the working capital of the Group 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") of up to a principal amount of HK$100,000,000 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 as consideration to be paid by New Prime for the subscription of 1,000,000,000 new shares of the Company, upon fulfillment of certain conditions including, inter alia, the resumption of trading of the Company's shares to be mentioned below.

- 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 resumption of trading of the Company's shares, the Group will carry out an additional fund raising activity by way of 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 raise gross proceeds of HK$150,000,000 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 the underwriters have expressed intention to fully underwrite 1,500,000,000 offer shares under the Open Offer in an aggregate amount of HK$150,000,000; 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 had obtained a three-year loan facility of Renminbi ("RMB") 60,000,000 (equivalent to approximately HK$73,308,000) from a commercial bank in the People's Republic of China (the "PRC") and a wholly-owned subsidiary of CWA to finance the Group's working capital requirements. As at 31 December 2011, the unutilised balance of the bank loan was approximately RMB35,000,000 (equivalent to approximately HK$42,763,000).

- The Group has been taking stringent cost control over general and administrative expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

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 2011, on the basis that (a) the above share subscription by New Prime can be completed; (b) the above fund raising from the Open Offer can be completed; (c) the Group's future operations can generate sufficient cash flows; and (d) the Group is able to successfully implement the cost control and to seek new investment and business opportunities in the foreseeable future. Moreover, the major lenders of the Group have confirmed to provide continuing financial support to the Group so as to ensure the Group to meet its liabilities as and when they fall due for the twelve months from 31 December 2011 and to enable the Group to continue business for 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 2011 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.

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 determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has three reportable 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 colour televisions, assembling of colour televisions and the trading of related components;

- Assembly — Assembling of CRT colour televisions and the trading of related components; and

- Trading — Trading of components related to colour televisions.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business Segments

	2011				
	Continuing Operations			Discontinued Operation	
	Design and assembly *HK$'000*	Trading *HK$'000*	Total *HK$'000*	Assembly *HK$'000*	Total *HK$'000*
Reportable segment revenue	**244,582**	**116,718**	**361,300**	**7,778**	**369,078**
Inter-segment revenue	**(125)**	**(44,991)**	**(45,116)**	**(14)**	**(45,130)**
Revenue from external customers	**244,457**	**71,727**	**316,184**	**7,764**	**323,948**
Reportable segment (loss)/profit	**(15,157)**	**2,447**	**(12,710)**	**(3,835)**	**(16,545)**
Interest expense	**(1,764)**	**(78)**	**(1,842)**	**(1)**	**(1,843)**
Depreciation of property, plant and equipment	**(5,461)**	**(178)**	**(5,639)**	**(728)**	**(6,367)**
Depreciation of investment property	**(874)**	**—**	**(874)**	**—**	**(874)**
Amortisation of prepaid land premiums	**(164)**	**—**	**(164)**	**(55)**	**(219)**
Write-down of inventories	**(6,286)**	**—**	**(6,286)**	**(667)**	**(6,953)**
Write-back on waiver of trade payable	**4,940**	**—**	**4,940**	**—**	**4,940**
Impairment of trade receivables	**(5,027)**	**—**	**(5,027)**	**—**	**(5,027)**
Share of loss of an associate	**(29)**	**—**	**(29)**	**—**	**(29)**
Reportable segment assets	**176,931**	**31,890**	**208,821**	**—**	**208,821**
Additions to property, plant and equipment	**2,273**	**64**	**2,337**	**—**	**2,337**
Reportable segment liabilities	**(196,775)**	**(36,950)**	**(233,725)**	**—**	**233,725**

	2010				
	Continuing Operations			Discontinued Operation	
	Design and assembly	Trading	Total	Assembly	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue	54,096	48,200	102,296	31,820	134,116
Inter-segment revenue	(1,418)	(8,322)	(9,740)	(278)	(10,018)
Revenue from external customers	52,678	39,878	92,556	31,542	124,098
Reportable segment loss	(32,511)	(7,483)	(39,994)	(3,946)	(43,940)
Interest expense	(1,168)	—	(1,168)	—	(1,168)
Depreciation of property, plant and equipment	(8,570)	(378)	(8,948)	(1,458)	(10,406)
Depreciation of investment property	(740)	—	(740)	—	(740)
Amortisation of prepaid land premiums	(156)	—	(156)	(52)	(208)
Impairment of property, plant and equipment	—	(727)	(727)	(158)	(885)
Impairment of trade receivables	543	(915)	(372)	(555)	(927)
Impairment of available-for-sale investments	(125)	—	(125)	—	(125)
(Write-down)/reversal of write-down of inventories	1,343	(577)	766	(468)	298
Write-back on waiver of trade payables	569	—	569	—	569
Share of loss of an associate	(5,914)	—	(5,914)	—	(5,914)
Reportable segment assets	110,547	33,642	144,189	34,031	178,220
Additions to property, plant and equipment	1,350	42	1,392	9	1,401
Reportable segment liabilities	(124,275)	(88,926)	(213,201)	(13,751)	(226,952)

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

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**369,078**	134,116
Elimination of inter-segment revenue	**(45,130)**	(10,018)
Consolidated revenue	**323,948**	124,098

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax and a discontinued operation		
Reportable segment loss	**(16,545)**	(43,940)
Segment loss from a discontinued operation	**3,835**	3,946
Unallocated corporate expenses	**(9,980)**	(7,098)
Unallocated finance costs	**(9,582)**	(2,497)
Consolidated loss before income tax from continuing operations	**(32,272)**	(49,589)

	2011	2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**208,821**	178,220
Elimination of inter-segment receivables	**(28,432)**	(8,988)
Unallocated cash and cash equivalents	**9,703**	64,061
Other unallocated corporate assets	**1,866**	233
Consolidated total assets	**191,958**	233,526

	2011	2010
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(233,725)**	(226,952)
Elimination of inter-segment payables	**50,054**	25,378
Other loans	**(140,263)**	(145,904)
Derivative financial instrument	**(4,861)**	(4,691)
Unallocated corporate liabilities	**(10,372)**	(826)
Consolidated total liabilities	**(339,167)**	(352,995)

(ii) Geographical information

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

	Revenue from external customers	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Algeria	**7,258**	—
Australia	**4,000**	5,660
Brazil	**45,524**	5,621
France	**—**	3,219
Hong Kong	**10,994**	992
India	**2,264**	—
Japan	**556**	1,219
PRC	**211,938**	64,482
Russia	**712**	11,311
Taiwan	**32,938**	—
Others	**—**	51
	316,184	92,555
Discontinued operation		
PRC	**7,764**	31,543
Total	**323,948**	124,098

	Specified non-current assets	
	2011	2010
	HK$'000	*HK$'000*
PRC	**76,710**	93,837
Hong Kong	**32**	964
	76,742	94,801

(iii) Major customer

Revenue from a customer under the design and assembly reportable segment of the Group amounted to approximately HK$66,998,000 for the year ended 31 December 2011 and another customer under assembly reportable segment of the Group amounted to approximately HK$27,971,000 for the year ended 31 December 2010, which represent 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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**21**	17
Rental income from investment property	**2,130**	1,808
Fair value change of a derivative financial instrument	**(170)**	1,390
Gain on settlement of trade payables by inventories	**8,165**	1,785
Write-back on wavier of trade payables	**4,940**	569
Handling commission	**2,959**	—
Management fee income	**540**	—
Waiver of interest expenses to the controlling beneficial shareholder	**741**	—
Others	**1,946**	639
	21,272	6,208

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
— bank loan wholly repayable within five years	**771**	1,168
— loans from the controlling beneficial shareholder	**—**	415
— loans from third parties	**3,329**	1,213
— loan from New Prime	**7,237**	1,035
	11,337	3,831

8. LOSS BEFORE INCOME TAX

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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories sold	**289,027**	77,572
Write-down of inventories	**6,286**	662
Reversal of inventory write-down (Note (a))	**—**	(1,428)
Costs of inventories recognised as expense	**295,313**	76,806
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**14,431**	15,815
— Pension scheme contributions	**2,275**	2,672
	16,706	18,487
Depreciation of property, plant and equipment	**5,837**	8,947
Depreciation of investment property	**874**	740
Amortisation of prepaid land premiums	**164**	156
Minimum lease payments under operating leases in respect of		
— land and buildings	**4,784**	3,368
— plant and machinery	**178**	—
Auditor's remuneration	**1,343**	1,057
Research and development costs	**2,582**	2,830
Impairment of property, plant and equipment	**741**	727
Impairment of an available-for-sale investment	**—**	125
Loss on disposal of property, plant and equipment	**62**	157
Exchange losses, net	**1,279**	4,291
Impairment of amount due from an associate	**—**	59
Impairment of trade receivables, net	**5,809**	371
Reversal of impairment of other receivables, net	**—**	(113)

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

No provision of Hong Kong Profits Tax and the PRC Income Tax has been made for the year as the Group incurred losses for the current and prior years in both Hong Kong and the PRC.

The tax rate of corporate income tax ("CIT") of subsidiaries operating in the PRC is at a standard rate of 25%. In 2010, East Kit Electronic (Shanghai) Co., Ltd. ("East Kit (Shanghai)") and East Kit Electronic (China) Co., Ltd. ("East Kit (China)") were granted a partial exemption from the national and local portions of CIT for a period of three years from 2008, as they qualified as an "Advanced Technology Enterprise" pursuant to the tax regulation in the PRC with applicable CIT rate of 25%.

The amount of income tax includes in profit or loss represents:

	2011	2010
	HK$'000	*HK$'000*
Deferred tax credit	**(324)**	(398)

The income tax credit for the year can be reconciled to the loss before income tax multiplied by applicable tax rate as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Loss before income tax credit	**(32,272)**	(49,589)
Tax calculated at the domestic tax rate of 16.5% (2010: 16.5%)	**(5,325)**	(8,182)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(590)**	327
Tax effect of share of loss of an associate	**7**	887
Tax effect of revenue not taxable for tax purposes	**(222)**	(266)
Tax effect of expenses not deductible for tax purposes	**1,621**	1,929
Tax effect of tax losses not recognised	**9,374**	3,697
Tax effect of temporary differences not recognised	**(4,284)**	1,210
Utilisation of tax losses not recognised previously	**(905)**	—
Income tax credit	**(324)**	(398)

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's 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 2011 (2010: Nil).

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$27,175,000 (2010: HK$49,749,000), and 400,000,000 (2010: 400,000,000) ordinary shares in issue during the year.

From continuing operations

The calculation of the basic loss per share for the year from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(27,175)**	(49,749)
Profit/(loss) for the year from a discontinued operation	**4,687**	(1,187)
Loss for the purposes of basic loss per share from continuing operations	**(31,862)**	(48,562)

The denominators used are same as those detailed above for basic loss per share.

From a discontinued operation

Basic earnings per share for the discontinued operation is 1.2 cents per share (2010: 0.3 cents loss per share), based on the profit for the year from the discontinued operation of HK$4,687,000 (2010: loss HK$1,187,000) and the denominators detailed above for basic loss per share.

The diluted loss per share for the years ended 31 December 2011 and 2010 is the same as the respective 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

	2011	2010
	HK$'000	*HK$'000*
Trade and notes receivables	**204,899**	166,625
Impairment	**(159,566)**	(150,296)
	45,333	16,329

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 dates, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**45,213**	10,613
91 days to 180 days	**74**	392
181 days to 1 year	**46**	1,135
Over 1 year	**—**	4,189
	45,333	16,329

Movements in provision for impairment of trade receivables are as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**150,296**	148,544
Impairment losses recognised	**5,896**	3,230
Reversal of impairment losses previously recognised	**(87)**	(2,303)
Eliminated on disposal of subsidiaries	**(843)**	—
Bad debts written off	**—**	(1,519)
Exchange realignments	**4,304**	2,344
At 31 December	**159,566**	150,296

The above provision for impairment of trade receivables of HK$159,566,000 (2010: HK$150,296,000) was made for individually impaired trade receivables with an aggregate carrying amount of HK$159,630,000 (2010: HK$160,408,000). These individually impaired trade receivables include (i) customers that were in financial difficulties and only a portion of the receivables is expected to be recovered and; (ii) certain amounts of the receivables that were in dispute.

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

	2011	2010
	HK$'000	HK$'000
Less than 1 month past due	**11,360**	5,970
1 to 3 months past due	**355**	4,682
More than 3 months but less than 12 months past due	**46**	4,997
More than 12 months	**—**	175
	11,761	15,824

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good settlement records 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. The Group does not hold any collateral on other credit enhancement over the receivables.

13. TRADE AND BILLS PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**118,469**	152,876
Bill payables	**3,666**	—
	122,135	152,876

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

	2011	2010
	HK$'000	*HK$'000*
Within 180 days	**38,119**	26,673
181 days to 1 year	**11,443**	2,227
1 to 2 years	**3,128**	34,875
Over 2 years	**69,445**	89,101
	122,135	152,876

As at 31 December 2011, two PRC subsidiaries of the Company, East Kit (China) and East Kit (Shanghai), were sued by certain suppliers for non-payment of outstanding trade balances. Included in trade and bills payables as at the end of reporting period are trade payable balances of approximately HK$13,879,000 (2010: HK$28,400,000) under litigations.

During the year, the Group settled trade payables of approximately HK$18,765,000 in respect of trade payable balances of approximately HK$32,644,000 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 the 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 2010, the Group's buildings, prepaid land premiums, investment property 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 buildings, prepaid land premiums and investment property 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 Mr. Zhang Shuyang ("Mr. Zhang"), the controlling beneficial shareholder and a former executive director of the Company.

As at 31 December 2011, certain of the Group's motor vehicles with carrying amount of HK$1,535,000 were freezing under count-orders. Subsequent to the end of the reporting period, a bank deposit account of East Kit (China) of approximately HK$322,000 was freezing under court order.

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 2011, 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 2011, 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$27,261,000 for the year ended 31 December 2011, as of that date, the Company and the Group had net current liabilities of approximately HK$132,478,000 and HK$219,541,000, respectively and the Group had net liabilities of approximately HK$147,209,000. 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$13,879,000. 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 2011 (the "Year"), the Group achieved approximately HK$316,184,000 in turnover in continuing operation which, representing an increase of approximately 242% from HK$92,555,000 in the previous year. The gross profit under continuing operation was approximately HK$11,003,000 representing an increase of approximately HK$9,541,000 from that of gross profit approximately HK$1,462,000 in the previous year. The loss for the Year attributable to owners of the Company was approximately HK$27,175,000 while that for the year ended 31 December 2010 was approximately HK$49,749,000. Basic loss per share attributable to owners of the Company was approximately HK6.8 cents while that for the year ended 31 December 2010 was HK12.4 cents. As at 31 December 2011, balance of cash and cash equivalents were approximately HK$12,662,000.

Turnover

For the year under review, the Group recorded approximately HK$316,184,000 in turnover, an increase of 242% as comparing to last year. The increase in the Group's turnover was mainly due to the management's success on business and product-mix transformations so as to improve operation.

Gross Profit Margin

During the year under review, the increase in gross profit was mainly due to the improvement in Group's turnover and the launch of new products which enhanced and expanded the Group's product mix.

The Group remains confidence to bring improvement to the gross profit margin in the future due to the increase in sales of LED TV and 3D TV products as well as the improvement of our product quality and procurement costs.

Expenses

During the year, the Group had adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

The Group's selling and distribution costs under continuing operation increased slightly from approximately HK$4,450,000 in 2010 to approximately HK$4,933,000 during the year, primarily attributable to the increase in turnover and the successful implementation of cost controls in 2011.

The administrative expenses under continuing operation increased slightly from approximately HK$32,777,000 in 2010 to approximately HK$38,223,000 during the year, again it was mainly due to the implementation of cost controls in 2011.

The increase in its finance expenses was mainly due to the increase in a loan balance from New Prime Holdings Limited in December 2010.

Financial Position and Liquidity

	31 December 2011	31 December 2010
Current ratio	**0.34**	0.40
Quick ratio	**0.29**	0.32
Gearing ratio	**186%**	186%

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

For the Year, the Group used approximately HK$91,003,000 (2010: approximately HK$38,453,000) of cash from its operations. As at 31 December 2011, the Group had cash and cash equivalents of approximately HK$12,662,000 (2010: approximately HK$86,250,000). The decrease in cash and cash equivalents was mainly due to repayment of other loans from third parties plus cash used in operation offset by the proceeds from an entrusted loan.

As at 31 December 2011, deficit in shareholders' equity was approximately HK$147,956,000 (2010: HK$120,243,000). Current assets of the Group amounted to approximately HK$114,980,000 (2010: approximately HK$138,499,000). The current ratio and quick ratio were approximately 0.34 and 0.29 (2010: approximately 0.40 and 0.32), respectively.

As at 31 December 2011, the Group's net debts amounted to approximately HK$320,177,000 (2010: HK$259,604,000) and the gearing ratio, representing the ratio of net debts divided by the capital plus net debts, remained at 186% in 2011 and 2010. In order to ensure sufficient funds available for operation, the Group had obtained a three year loan facility of approximately Renminbi ("RMB") 60,000,000 (equivalent to approximately HK$73,308,000) from a commercial bank in the People's Republic of China (the "PRC"). As at 31 December 2011, the unutilised balance of the entrusted loan was approximately RMB35,000,000 (equivalent to approximately HK$42,763,000).

Trade and notes receivables increased from approximately HK$16,329,000 as at 31 December 2010 to approximately HK$45,333,000 as at 31 December 2011 which was in line with the increase in turnover. During the Year, approximately HK9,270,000 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$2,353,000 (2010: HK$1,401,000).

Pledge of Assets

As at 31 December 2011, all assets of the Group with an aggregate carrying value of approximately HK$191,958,000 (2010: certain assets of approximately HK$233,526,000) were pledged to secure borrowings of the Company and of the Group.

Capital Structure and 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$, the Group believes its exposure to exchange risk will be confined to RMB against US$. 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 and feasible.

Contingent Liabilities and Capital Commitments

As at 31 December 2011, two PRC subsidiaries of the Company, East Kit (China) and East Kit (Shanghai), were sued by certain suppliers for non-payment of outstanding trade balances. Included in trade and bills payables as at the end of reporting period are trade payable balances of approximately HK$13,879,000 (2010: HK$28,400,000) under litigations.

The Group had capital commitments of HK$8,080,000 (2010: nil) as at 31 December 2011.

Employees Benefit and Expenses

As at 31 December 2011, there were 296 employees in the Group (2010: 442). The total amount of employee remuneration incurred during the Year was approximately HK$16,706,000 (2010: approximately HK$18,487,000). 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

During the year under review, the Group achieved a turnaround in the Group's turnover. In the face of multiple challenges, most notably rising raw material costs and wages, the Group embarked on strategies which proved effective in tapping the opportunities presented by the recovering global economy. Thus the Group has significant improvement in overall performance during the year.

Subsequent to the granting of the HK$100,000,000 loan from New Prime Holdings Limited (a wholly owned subsidiary of China Water Affairs Group Limited) in December 2010, the working capital position of the Group has been substantially improved. The injection of new cash is very imperative in growing the Group's business and expediting the business transformation. As at 31 December 2011, the Group recorded sales of about HK$316,184,000 soaring 242% based on a year on year basis. The management anticipate this continuing trend will persist in 2012 on onward and that the Group's level of operations will soon be satisfactory.

OUTLOOK

Despite 2011 worldwide economic was unstable and depressed, the Group has successfully improved its financial position by increasing its turnover of approximately 242% as compared to last year.

To enhance the profit margin and cash position of the Group, the Group has disposed of its unpromising and loss making assembly of CRT TV business in December 2011 to pave the way for the rationalizing of the Group's strategic business focus on LCD TV production and trading business and re-secured an entrusted loan from a commercial bank in the PRC of RMB60,000,000 respectively.

The management has been trying its best endeavors in 2011 to address all the conditions imposed by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the application of resumption of trading of the Company's shares. Even though the Company could not resume trading of its shares in 2011, taken into account that the Group's resumption application process and the significant improvement in the Group's financial position, China Water Affairs Group Limited

("CWA") has agreed to extend the loan of HK$100,000,000 (will be capitalized once the Stock Exchange granted the resumption approval) to 31 December 2012 to comply with one of the requirements imposed by the Stock Exchange for the resumption of trading.

To further enrich the financial resources of the Group after resumption of trading, the Group will carry out a fund raising activity by way of open offer and in order to facilitate the open offer, the Group has secured two possible underwriters to fully underwrite 1,500,000,000 offer shares of approximately HK$150,000,000. In the event the two possible underwriters are unable to perform their underwriting obligation, the open offer will continue to proceed given that CWA has signed a legally binding letter to the Group stating that CWA will unconditionally and irrevocably underwrite the whole amount.

Once the above mentioned capitalization of CWA's loan and open offer completed, the Group's asset and cash position will be significantly improved and hence the Group can not only deploy its resources on the LCD TV production and trading business, but also will able to explore more investment opportunities in production of electronic-related products which the Group believes will have promising future and generate significant profitability in medium to long term which will benefit the Group and the Shareholders as a whole.

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 arrangement.

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 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 December 2011 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 2011 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.

During the year, the Company submitted two Resumption Proposals to The Stock Exchange on 31 March, 2011 and 28 December 2011 respectively. The Resumption Proposals comprises a fund raising exercise of HK$150,000,000 by way of an open offer to be underwritten by independent underwriters under which, all Shareholders are to take up the offer shares according to their respective shareholding interest in the Company. The entitled offer price is HK$0.10 per share which is equivalent to the subscription price of the Investor under the Subscription. The Resumption Proposals, if successfully implemented, will demonstrate to the Listing Division that the Company is and will be able to comply with, among others, Rule 13.24 of the Listing Rules. In addition, the Resumption Proposals, also sets out the action and expected timeframe for addressing all the issues raised by the Stock Exchange.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Siu Chi Ming, 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
Siu Chi Ming
Director

Hong Kong, 30 March 2012