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Mitsumaru East Kit (Holdings) Limited
三丸東傑（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 (the "Year") together with the comparative figures for the corresponding year of 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012 HK$'000**	2011 HK$'000
CONTINUING OPERATIONS			
Turnover	5	**17,854**	–
Cost of sales		**(11,899)**	–
Gross profit		**5,955**	–
Other income and gains	6	**934**	1,200
Selling and distribution costs		**(1,100)**	–
Administrative expenses		**(13,102)**	(11,818)
Other operating expenses		**(10,644)**	(959)
Gain recognised on disposal of an associate		**257**	–
Gain recognised on disposal of subsidiaries, net		**3,224**	–
Finance costs	7	**(4,312)**	(9,582)
Loss before income tax	8	**(18,788)**	(21,159)
Income tax expenses	9	**(563)**	–
Loss for the year from continuing operations		**(19,351)**	(21,159)
DISCONTINUED OPERATIONS			
Profit /(loss) for the year from discontinued operations		**32,129**	(6,102)
Profit/(loss) for the year		**12,778**	(27,261)
Other comprehensive income, after tax			
Release of exchange fluctuation reserve on disposal of subsidiaries		**(8,346)**	(3,713)
Gain on revaluation of buildings		**2,281**	2,812
Exchange differences on translating foreign operations		**(80)**	397
Other comprehensive income, net of tax		**(6,145)**	(504)
Profit/(loss) and total comprehensive income for the year		**6,633**	(27,765)

	Notes	2012 HK$'000	2011 HK$'000
Profit/(loss) attributable to:			
– Owners of the Company		**12,816**	(27,175)
– Non-controlling interests		**(38)**	(86)
		12,778	(27,261)
Total comprehensive income attributable to:			
– Owners of the Company		**6,672**	(27,713)
– Non-controlling interests		**(39)**	(52)
		6,633	(27,765)
Earnings/(loss) per share			
From continuing and discontinued operations			
– Basic and diluted	11	**HK3.2 cents**	(HK6.8 cents)
From continuing operations			
– Basic and diluted	11	**(HK4.9 cents)**	(HK5.3 cents)
From discontinued operations			
– Basic and diluted	11	**HK8.1 cents**	(HK1.5 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**750**	58,270
Investment property		**–**	12,118
Prepaid land premiums		**–**	5,994
Golf club membership		**–**	360
Interests in associates		**–**	–
Available-for-sale investment		**–**	236
Goodwill		**4,617**	–
Total non-current assets		**5,367**	76,978
Current assets			
Inventories		**2,615**	16,373
Trade and notes receivables	12	**7,111**	45,333
Prepayments, deposits and other receivables		**2,361**	40,612
Cash and cash equivalents		**2,171**	12,662
Total current assets		**14,258**	114,980
Current liabilities			
Trade and bills payables	13	**1,305**	122,135
Other payables, accrued expenses and deposits received		**13,040**	31,370
Amounts due to non-controlling interests		**543**	–
Bank loan		**–**	30,545
Other loans		**138,930**	143,928
Derivative financial instrument		**5,006**	4,861
Tax payable		**1,253**	1,682
Total current liabilities		**160,077**	334,521
Net current liabilities		**(145,819)**	(219,541)
Total assets less current liabilities		**(140,452)**	(142,563)
Non-current liabilities			
Deferred tax liabilities		**–**	4,646
Total non-current liabilities		**–**	4,646
Net liabilities		**(140,452)**	(147,209)
Equity attributable to owners of the Company			
Issued capital		**40,000**	40,000
Reserves		**(181,284)**	(187,956)
		(141,284)	(147,956)
Non-controlling interests		**832**	747
Total deficits		**(140,452)**	(147,209)

NOTES:

1. BASIS OF PREPARATION

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").

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.

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

2. ADOPTION OF HKFRSs

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2014

[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors so far have concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to four standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 Financial Instruments

Under the standard, 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.

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 implantation 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.

3. GOING CONCERN BASIS

Going Concern

As at 31 December 2012, the Group had net current liabilities and net liabilities of approximately HK$145,819,000 (2011: HK$219,541,000) and HK$140,452,000 (2011: HK$147,209,000), respectively. 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 position 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.

– The Directors have submitted a resumption proposal on 31 October 2012 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 certain debt restructuring involving the issue of convertible bonds of the Company.

– The Directors are seeking investment and business opportunities with an aim to attain profitable and positive cashflows.

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 2012, on the basis that (a) the Group's future operations can generate sufficient cash flows; (b) 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, has confirmed not to exercise its overriding right of repayment on demand of the loan year ending 31 December 2013; (c) New Prime and CWA have confirmed to provide certain continuing financial support to the Company, so as to meet its financial obligations as they fall due year ending 31 December 2013; and (d) the Group's present available facilities. The Directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date and it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2012 on a going concern basis notwithstanding the net current liabilities and net liabilities position of the Group and the Company.

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.

The Group has four (2011: 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;
- Trading – Trading of components related to colour televisions;
- Assembly – Assembling of CRT colour televisions and the trading of related components; and
- Water Meter – Design, assembling and installation of water meter.

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 or loss that is used by the chief operating decision-maker for assessment of segment performance.

(i) Reportable segments

(a) Business Segments

	2012				
	Continuing Operation	Discontinued Operations			
	Water meter HK$'000	Design and assembly HK$'000	Trading HK$'000	Total HK$'000	Total HK$'000
Year ended 31 December					
Reportable segment revenue	**17,854**	**86,728**	**20,379**	**107,107**	**124,961**
Inter-segment revenue	**–**	**(26,450)**	**(551)**	**(27,001)**	**(27,001)**
Revenue from external customers	**17,854**	**60,278**	**19,828**	**80,106**	**97,960**
Reportable segment profit/(loss)	**1,476**	**(29,721)**	**(1,316)**	**(31,037)**	**(29,561)**
Interest expense	**(85)**	**(1,424)**	**(135)**	**(1,559)**	**(1,644)**
Depreciation of property, plant and equipment	**(297)**	**(3,370)**	**(58)**	**(3,428)**	**(3,725)**
Depreciation of investment property	**–**	**(556)**	**–**	**(556)**	**(556)**
Amortisation of prepaid land premiums	**–**	**(97)**	**–**	**(97)**	**(97)**
Impairment of property, plant and equipment	**–**	**(4,525)**	**–**	**(4,525)**	**(4,525)**
Write-down of inventories	**–**	**(5,070)**	**–**	**(5,070)**	**(5,070)**
Impairment of trade receivables	**–**	**(6,900)**	**–**	**(6,900)**	**(6,900)**
Impairment of other receivables	**(1,596)**	**(2,770)**	**(56)**	**(2,826)**	**(4,422)**
Property, plant and equipment from acquisition of a subsidiary	**414**	**–**	**–**	**–**	**414**
Additions to property, plant and equipment	**570**	**1,679**	**–**	**1,679**	**2,249**
At 31 December					
Reportable segment assets	**17,332**	**–**	**–**	**–**	**17,332**
Reportable segment liabilities	**(9,689)**	**–**	**–**	**–**	**(9,689)**

	2011			
	Discontinued Operations			
	Design and assembly HK$'000	Trading HK$'000	Assembly HK$'000	Total HK$'000
Year ended 31 December				
Reportable segment revenue	244,582	116,718	7,778	369,078
Inter-segment revenue	(125)	(44,991)	(14)	(45,130)
Revenue from external customers	244,457	71,727	7,764	323,948
Reportable segment (loss)/profit	(15,157)	2,447	(3,835)	(16,545)
Interest expense	(1,755)	–	(1)	(1,756)
Depreciation of property, plant and equipment	(5,461)	(178)	(728)	(6,367)
Depreciation of investment property	(874)	–	–	(874)
Amortisation of prepaid land premiums	(164)	–	(55)	(219)
Write-down of inventories	(6,286)	–	(667)	(6,953)
Write-back on waiver on trade payable	4,940	–	–	4,940
Impairment of trade receivables	(5,027)	–	–	(5,027)
Share of loss of an associate	(29)	–	–	(29)
Additions to property, plant and equipment	2,273	64	–	2,337
At 31 December				
Reportable segment assets	176,931	31,890	–	208,821
Reportable segment liabilities	(196,775)	(36,950)	–	(233,725)

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

	2012 HK$'000	2011 HK$'000
Year ended 31 December		
Revenue		
Reportable segment revenue	**124,961**	369,078
Revenue from discontinued operations	**(80,106)**	(323,948)
Elimination of inter-segment revenue	**(27,001)**	(45,130)
Consolidated revenue	**17,854**	–
Loss before income tax and discontinued operations		
Reportable segment loss	**(29,561)**	(16,545)
Segment loss from discontinued operations	**31,037**	16,545
Unallocated corporate expenses	**(16,037)**	(11,578)
Unallocated finance costs	**(4,227)**	(9,581)
Consolidated loss before income tax from continuing operation	**(18,788)**	(21,159)

	2012	2011
	HK$'000	HK$'000
As at 31 December		
Assets		
Reportable segment assets	**17,332**	208,821
Elimination of inter-segment receivables	**–**	(28,432)
Unallocated cash and cash equivalents	**1,010**	9,703
Other unallocated corporate assets	**1,283**	1,866
Consolidated total assets	**19,625**	191,958
Liabilities		
Reportable segment liabilities	**(9,689)**	(233,725)
Elimination of inter-segment payables	**–**	50,054
Other loans	**(138,194)**	(140,263)
Derivative financial instrument	**(5,006)**	(4,861)
Unallocated tax payable	**(690)**	(690)
Unallocated corporate liabilities	**(6,498)**	(9,682)
Consolidated total liabilities	**(160,077)**	(339,167)

(ii) Geographical information

The Group is domiciled in the People's Republic of China ("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	
	2012	2011
Continuing operation	**HK$'000**	HK$'000
PRC	**17,854**	–
Discontinued operations		
Algeria	**–**	7,258
Australia	**–**	4,000
Brazil	**4,243**	45,524
Hong Kong	**6,281**	10,994
India	**–**	2,264
Japan	**–**	556
PRC	**57,370**	219,702
Russia	**12,212**	712
Taiwan	**–**	32,938
	80,106	323,948
Total	**97,960**	323,948

	Specified non-current assets	
	2012	2011
	HK$'000	HK$'000
PRC	**5,303**	76,710
Hong Kong	**64**	32
	5,367	76,742

(iii) Major customer

There was no revenue from a customer under water meter segment for the year ended 31 December 2012, which represent 10% or more of the Group's revenue.

Revenue from two customers under the design and assembly reportable segment of the Group amounted to approximately HK$35,535,000 for the year ended 31 December 2012 and another 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, 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

	2012	2011
	HK$'000	HK$'000
Bank interest income	**14**	–
Fair value change of a derivative financial instrument	**(145)**	(170)
Management fee	**900**	540
Waiver of interest payable to the controlling beneficial shareholder	**–**	741
Others	**165**	89
	934	1,200

7. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on:		
– loans from third parties	**2,316**	2,345
Imputed interest on:		
– loan from New Prime	**1,996**	7,237
	4,312	9,582

8. LOSS BEFORE INCOME TAX

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

	2012	2011
	HK$'000	HK$'000
Costs of inventories recognised as expense	**11,742**	–
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	**3,669**	2,794
– Pension scheme contributions	**262**	17
	3,931	2,811
Depreciation of property, plant and equipment	**322**	197
Minimum lease payments under operating leases in respect of		
– land and buildings	**1,445**	1,325
Auditor's remuneration	**569**	1,282
Impairment of property, plant and equipment	**–**	741
Exchange losses, net	**1**	(642)
Impairment of trade receivables, net	**–**	782
Impairment of other receivables	**10,611**	–

9. INCOME TAX EXPENSES

No provision of Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group incurred losses for the current and prior years in Hong Kong.

PRC corporate income tax is calculated at a standard rate of 25% (2011: 25%) on the estimated assessable profits arising from its operation in PRC.

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

	2012	2011
	HK$'000	HK$'000
Current tax for the year – PRC	**563**	–

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 2012 (2011: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of HK$12,816,000 (2011: loss HK$27,175,000), and 400,000,000 (2011: 400,000,000) ordinary shares in issue during the year.

The diluted earnings/(loss) per share for the years ended 31 December 2012 and 2011 is same as the respective basic earnings/(loss) per share as the outstanding options during both years have an anti-dilutive effect on the basic earnings/(loss) per share for these years.

From continuing operations

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

Loss figures are calculated as follows:

	2012 HK$'000	2011 HK$'000
Profit/(loss) for the year attributable to owners of the Company	**12,816**	(27,175)
Less:		
Profit/(loss) for the year attributable to owners of the Company from discontinued operations	**32,401**	(6,017)
Loss for the purposes of basic loss per share from continuing operations	**(19,585)**	(21,158)

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

From discontinued operations

The calculation of the basic earnings per share for the year from the discontinued operations attributable to owners of the Company is based on the profit for the year from the discontinued operations of HK$32,401,000 (2011: loss HK$6,017,000) and the denominators details above for basic earnings per share.

12. TRADE AND NOTES RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade and notes receivables	**7,111**	204,899
Impairment	**–**	(159,566)
	7,111	45,333

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 60 to 90 days (2011: 30 to 120 days), extending to up to six months for major customers. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and notes receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	2012	2011
	HK$'000	HK$'000
Within 90 days	**5,418**	45,213
91 days to 180 days	**957**	74
181 days to 1 year	**487**	46
Over 1 year	**249**	–
	7,111	45,333

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

	2012	2011
	HK$'000	HK$'000
At 1 January	**159,566**	150,296
Impairment losses recognised	**6,900**	5,896
Reversal of impairment losses previously recognised	**–**	(87)
Derecognised on disposal of subsidiaries	**(166,466)**	(843)
Exchange realignments	**–**	4,304
At 31 December	**–**	159,566

The above provision for impairment of trade receivables of HK$159,566,000 was made for individually impaired trade receivables with an aggregate carrying amount of HK$159,630,000 as at 31 December 2011. These individually impaired trade receivables include (i) customers that were in financial difficulties and only a portion of the receivables are expected to be recovered and; (ii) certain amounts of the receivables that were in dispute.

The ageing of trade and notes receivables which are past due but not impaired are as follows:

	2012	2011
	HK$'000	HK$'000
Less than 1 month past due	**159**	11,360
1 to 3 months past due	**398**	355
More than 3 months but less than 12 months past due	**229**	46
Over 1 year past due	**103**	–
	889	11,761

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 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 or other credit enhancement over these receivables.

13. TRADE AND BILLS PAYABLES

	2012 **HK$'000**	2011 HK$'000
Trade payables	**1,305**	118,469
Bills payable	**–**	3,666
	1,305	122,135

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

	2012 **HK$'000**	2011 HK$'000
Within 180 days	**1,067**	38,119
181 days to 1 year	**72**	11,443
1 to 2 years	**166**	3,128
Over 2 years	**–**	69,445
	1,305	122,135

As at 31 December 2011, two PRC subsidiaries of the Company, East Kit Electronic (China) Co., Limited ("East Kit (China)") and East Kit Electronic (Shanghai) Co., Limited ("East Kit (Shanghai)"), were sued by certain suppliers for non-payment of outstanding trade balances. Included in trade and bills payables as at 31 December 2011 were trade payable balances of approximately HK$13,879,000 under litigations.

Pursuant to various court orders issued to East Kit (China) and East Kit (Shanghai), these two companies 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 were no specifications of the kinds of frozen assets under the court orders and the Directors were unaware of any assets that cannot be freely used. As at 31 December 2011, certain of these two companies motor vehicles with a carrying amount of HK$1,535,000 were frozen under court-orders.

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 2012, 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 2012, 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, as at 31 December 2012, the Company and the Group had net current liabilities of approximately HK$145,720,000 and HK$145,819,000, respectively and net liabilities of approximately HK$145,656,000 and HK$140,452,000, respectively. 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

The board of directors (the "Directors" & the "Board") of Mitsumaru East Kit (Holdings) Limited (the "Company") are pleased to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Year") to the shareholders of the Company.

For the year ended 31 December 2012, the Group achieved turnover of approximately HK$17,854,000 from continuing operations with a gross profit of approximately HK$5,955,000. The profit for the Year attributable to owners of the Company was approximately HK$12,816,000 while that a loss attributable to owners of the Company for the year ended 31 December 2011 was approximately HK$27,175,000. Basic earnings per share attributable to owners of the Company was approximately HK3.2 cents while basic loss per share for the year ended 31 December 2011 was HK6.8 cents. As at 31 December 2012, balance of cash and cash equivalents of the Group were approximately HK$2,171,000.

Turnover

For the Year under review, the Group recorded a turnover of approximately HK$17,854,000 under continuing operation which is contributed by the water meter business acquired by the Group on 29 February 2012.

Gross Profit Margin

During the Year under review, the gross profit was credited to the high gross profit margin from the electronic water meters business.

Expenses

During the Year, the Group 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.

Financial Position and Liquidity

	31 December 2012	31 December 2011
Current ratio	**0.09**	0.34
Quick ratio	**0.07**	0.29
Gearing ratio	**1,019%**	186%

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

For the Year under review, the Group used approximately HK$3,244,000 (2011: approximately HK$91,003,000) of cash from its operations. As at 31 December 2012, the Group had cash and cash equivalents of approximately HK$2,171,000 (2011: approximately HK$12,662,000). The substantial decrease in cash and cash equivalents was mainly due to repayment of other loans from third parties, the cash outflows from the acquisition of a new subsidiary in the PRC and the disposals of subsidiaries during the Year.

As at 31 December 2012, deficit in shareholders' equity was approximately HK$141,284,000 (2011: approximately HK$147,956,000). Current assets of the Group amounted to approximately HK$14,258,000 (2011: approximately HK$114,980,000). The current ratio and quick ratio were approximately 0.09 and 0.07 (2011: approximately 0.34 and 0.29), respectively.

As at 31 December 2012, the Group's net debts amounted to approximately HK$156,653,000 (2011: approximately HK$320,177,000) and the gearing ratio, representing the ratio of net debts divided by the capital plus net debts remained at approximately 1,019% in 2012 (2011: approximately 186%).

Trade and notes receivables decreased from approximately HK$45,333,000 as at 31 December 2011 to approximately HK$7,111,000 as at 31 December 2012. During the year, the Group provided impairment loss of approximately HK$6,900,000 on trade and notes receivables (2011: approximately HK$5,809,000).

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the year amounted to approximately HK$2,375,000 (2011: approximately HK$2,353,000).

Pledge of Assets

As at 31 December 2012, all assets of the Group with an aggregate carrying value of approximately HK$19,625,000 (2011: certain assets of approximately HK$191,958,000) were pledged to secure borrowings of the Company and of the Group.

Capital Structure and Foreign Exchange Risk

During the Year under review, there was no change in the Company's capital structure. The Group generally finances its operations and investing activities with fund from the other loans.

The Group's monetary assets, loans and transactions are principally denominated in RMB and HK$ (2011: RMB, HK$ and United States Dollar ("US$")). For the year ending 2011, the Group was exposed to foreign exchange risk arising from the exposure of US$ 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, but 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

The Group does not have any contingent liability in the year under review.

The Group does not have any capital commitments in the year under review (2011: HK$8,080,000).

Employees Benefit and Expenses

As at 31 December 2012, there were 44 employees in the Group. The total amount of employee remuneration incurred for the Year was approximately HK$3,931,000 (2011: continuing operations of approximately HK$2,811,000). 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

2012 was a tough and challenging year to the Group. In order to enhance the profit margin and cash position of the Group, the Group disposed of its loss making LCD TV production and trading business on 31 July 2012 to pave the way for the rationalizing of the Group's strategic business. On 29 February 2012, the Group acquired a 72.5% equity interest of a PRC company which engaged in the sale, design, assembly and installation of electronic water meters and provision of after sales and related services in the PRC.

With the adoption of these group restructuring during 2012, the Group recorded approximately HK$17,854,000 in turnover under continuing operations, approximately HK$19,351,000 in operating loss from continuing operations, and approximately HK$12,816,000 in profit attributable to owners of the Company.

OUTLOOK

Following the disposal of the television and its related business on 31 July 2012, the Group continues to carry out its existing business of sale, design, assembly and installation of electronic water meters and provision of after sales and related services. The Directors acknowledge that the current electronic water meters business may not be able to meet the resumption conditions set by the Stock Exchange. In conjunction with formulating the new resumption proposal, the Directors are actively pursuing potential acquisition targets for the Group which would have a sufficient level of operations and tangible assets of sufficient value to meet the resumption conditions set by the Stock Exchange.

In order to enhance the performance of the Group, creating value for the shareholders and apply for resumption of trading of the Company's shares, the Directors have identified certain potential acquisition targets with stable profit and promising future, preliminary discussions have taken place but no terms and conditions have been agreed and such acquisition may or may not materialise, the Directors will review possible acquisition opportunities continuously and will update the shareholders and investors once such acquisition materialises and the progress of the resumption proposal as and when appropriate.

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 2012.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's result for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results of the Group for the year ended 31 December 2012 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.irasia.com/listco/hk/2358. An annual report for the year ended 31 December 2012 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.

On 23 November 2012, the Listing Division of the Stock Exchange issued a letter to the Company, stating that the resumption proposal submitted by the Company on 31 October 2012 at the second stage of delisting will involve transactions that would constitute a reverse takeover under the Listing Rules, and accordingly will be subject to the Stock Exchange's new listing requirements. However, the Company has not submitted a new listing application. Therefore, the Stock Exchange has decided to place the Company in the third stage of delisting on 5 December 2012 under Practice Note 17 to the Listing Rules. The third stage of delisting will expire on 4 June 2013.

According to the letter, the Stock Exchange requested the Company to submit a viable resumption proposal to address the following issues at least ten business days before the aforesaid expiry date of the third stage of delisting:

(i) comply with all applicable Listing Rules' requirements, in particular Rule 13.24 of the Listing Rules on sufficiency of operations or assets;

(ii) address the issue on material dilution to existing shareholders of the Company's interests by, for example, providing an equitable pre-emptive offer to these shareholders;

(iii) demonstrate sufficient working capital for at least 12 months from resumption date; and

(iv) demonstrate an adequate and effective internal control system to meet the Company's obligations under the Listing Rules.

If the Company fails to provide a viable resumption proposal before the deadline, the Stock Exchange intends to cancel the listing of the shares of the Company on the Stock Exchange.

The Company shall use its best endeavour to meet the Stock Exchange's requirements and shall publish announcement(s) regarding any update on its listing status and/or resumption in trading of the shares of the Company as and when appropriate.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. Siu Chi Ming
Mr. Tang Chin Wan

Independent Non-executive Directors:
Ms. Au Shui Ming
Mr. Martin He
Mr. Mu Xiangming

On Behalf of the Board
Mitsumaru East Kit (Holdings) Limited
Siu Chi Ming
Executive Director

Hong Kong, 28 March 2013