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)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2008

The directors (the "Directors") of Mitsumaru East Kit (Holdings) Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 (the "Period") together with the comparative figures for the corresponding period of 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited Six months ended 30 June	
	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE	4	**373,705**	535,624
Cost of sales		**(336,629)**	(500,873)
Gross profit		**37,076**	34,751
Other income and gains	4	**1,705**	2,358
Selling and distribution costs		**(11,291)**	(9,294)
Administrative expenses		**(29,487)**	(30,346)
Other operating expenses		**(10,227)**	(5,186)
Impairment of trade receivable		—	(35,463)
Impairment of assets classified as held for sale		**(2,290)**	—
Share of loss of an associate		**(1,300)**	(1,202)
Finance costs	5	**(3,896)**	(5,256)
LOSS BEFORE TAX	6	**(19,710)**	(49,638)
Tax	7	**(187)**	(6)
LOSS FOR THE PERIOD		**(19,897)**	(49,644)
Attributable to:			
Equity holders of the parent		**(19,603)**	(49,180)
Minority interests		**(294)**	(464)
		(19,897)	(49,644)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(HK4.90 cents)**	(HK12.30 cents)
Diluted		**N/A**	N/A
DIVIDEND PER SHARE	9	**NIL**	NIL

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	**Unaudited as at 30 June 2008** *HK$'000*	Audited as at 31 December 2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**109,247**	138,365
Investment properties		**—**	1,874
Prepaid land premiums		**12,487**	11,465
Other asset		**4,437**	4,437
Golf club membership		**360**	360
Interest in an associate		**16,767**	17,657
Available-for-sale investment		**232**	232
Deferred tax assets		**4,416**	4,060
Total non-current assets		**147,946**	178,450
CURRENT ASSETS			
Inventories		**110,243**	124,625
Trade and notes receivables	11	**184,901**	255,443
Prepayments, deposits and other receivables		**30,369**	25,700
Equity investments at fair value through profit or loss		**1,040**	2,655
Restricted time deposit		**1,526**	7,609
Pledged deposits		**44,380**	75,953
Cash and cash equivalents		**53,346**	71,483
		425,805	563,468
Assets classified as held for sale		**26,730**	—
Total current assets		**452,535**	563,468
CURRENT LIABILITIES			
Trade and bills payables	12	**414,615**	464,980
Other payables, accrued expenses and deposits received		**21,594**	25,468
Amount due to a director		**9,730**	—
Interest-bearing bank loans		**53,281**	131,048
Tax payable		**209**	117
Finance lease payables		**654**	635
Total current liabilities		**500,083**	622,248
NET CURRENT LIABILITIES		**(47,548)**	(58,780)
TOTAL ASSETS LESS CURRENT LIABILITIES		**100,398**	119,670

	Notes	Unaudited as at 30 June 2008 HK$'000	Audited as at 31 December 2007 HK$'000
NON-CURRENT LIABILITIES			
Finance lease payables		**(282)**	(620)
Interest-bearing bank loans		**(15,191)**	(15,886)
Deferred tax liabilities		**(1,767)**	(1,662)
Total non-current liabilities		**(17,240)**	(18,168)
Net assets		**83,158**	101,502
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	**40,000**	40,000
Reserves	15	**41,733**	59,783
		81,733	99,783
Minority interests		**1,425**	1,719
Total equity		**83,158**	101,502

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. These financial statements are unaudited but have been reviewed by the Company's audit committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants as discussed below.

HK(IFRIC)-Int 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

The Group has assessed the impact of the adoption of the above new and revised HKFRSs and concluded that there was no significant impact on the Group's results and financial position.

The Group has not early applied the following new and revised HKFRSs, that have been issued but not yet effective in the period covered by these interim condensed consolidated financial statements:

HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations *(Note 1)*
HKFRS 3 (Revised)	Business Combinations *(Note 2)*
HKFRS 8	Operating Segments *(Note 1)*
HKAS 1 (Revised)	Presentation of Financial Statements *(Note 1)*
HKAS 23 (Revised)	Borrowing Costs *(Note 1)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements *(Note 2)*
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation *(Note 1)*
HK(IFRIC)-Int 13	Customer Loyalty Programmes *(Note 3)*
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate *(Note 1)*
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation *(Note 4)*

Note 1 Effective for annual periods beginning on or after 1 January 2009.
Note 2 Effective for annual periods beginning on or after 1 July 2009.
Note 3 Effective for annual periods beginning on or after 1 July 2008.
Note 4 Effective for annual periods beginning on or after 1 October 2008.

The Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. SEGMENT INFORMATION

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

(i) Business segments

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

(ii) Geographical segments

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

The following tables present revenue and certain assets and capital expenditure information for the Group's geographical segments for the six months ended 30 June 2008 and 30 June 2007:

	Unaudited Six months ended 30 June Segment revenue — sales to external customers	
	2008	2007
	HK$'000	*HK$'000*
Mainland China	**166,027**	241,324
Asia (other than Mainland China)	**76,755**	118,765
Europe	**107,054**	85,375
South America	**21,109**	86,678
Australia	**—**	1,232
Others	**2,760**	2,250
	373,705	535,624

	Segment assets	
	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	HK$'000	*HK$'000*
Mainland China	**424,068**	451,528
Hong Kong	**158,792**	271,301
Europe	**14,297**	16,392
Japan	**3,324**	2,697
	600,481	741,918

	Segment capital expenditure	
	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	HK$'000	*HK$'000*
Mainland China	**492**	11,575
Hong Kong	**52**	120
Europe	**—**	352
Japan	**—**	17
	544	12,064

4. REVENUE AND OTHER INCOME AND GAINS

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

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

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**373,705**	535,624
Other income and gains		
Bank interest income	**1,564**	1,042
Other interest income	**26**	—
Rental income	**96**	—
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(1,095)**	924
Gain on disposal of items of property, plant and equipment	**960**	—
Others	**154**	392
	1,705	2,358

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**3,173**	5,194
Interest on bank loans not wholly repayable within five years	**256**	—
Interest on finance lease payables	**50**	62
Interest on loan from a director	**417**	—
	3,896	5,256

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**336,101**	482,799
Depreciation for property, plant and equipment	**6,486**	6,391
Amortisation of prepaid land premiums	**175**	167
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**25,160**	21,516
Equity-settled share option expenses	**277**	695
Pension scheme contributions	**4,048**	1,239
	29,485	23,450
Research and development cost	**121**	1,248
Impairment of assets classified as held for sale	**2,290**	—
Foreign exchange difference, net*	**8,777**	4,017
Provision against slow-moving inventories**	**—**	1,134

* This item is included in "Other operating expenses" on the face of the unaudited interim condensed consolidated income statement.

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

7. TAX

There is no assessable profits arising in Hong Kong during the Period (six months ended 30 June 2007: 17.5%). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

On 25 April 2008, the Government of the Hong Kong Special Administrative Region ("HKSAR") approved the Hong Kong profits tax rate to be reduced from 17.5% to 16.5% from the year of assessment 2008/2009 onwards. The change in the Hong Kong profits tax rate will directly affect the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income taxes", deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and the Group's deferred tax have been adjusted accordingly. The effect on the change of tax rate is not material to the Group for the period ended 30 June 2008.

Under the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25% (six months ended 30 June 2007: 33%). According to the "Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Income Tax Law", the applicable tax rates in the coming years for enterprises which previously enjoyed lower CIT rate of 15% will be 18% in 2008; 20% in 2009; 22% in 2010; 24% in 2011; and 25% in 2012 and thereafter. In addition, certain of the Group's PRC subsidiaries, which are currently entitled to a preferential tax treatment with full tax exemption from CIT for the two years starting from the first profitable year of operation, followed by a 50% reduction in CIT rate for the next three years, will continue to enjoy the preferential tax treatment in accordance with the original tax law, administrative regulations and the relevant stipulated preferential treatment until the term expires.

The tax concession granted to Mitsumaru (Wuhu) commenced on 1 January 2004 and Mitsumaru (Wuhu) was exempted from CIT for 2004 and 2005. Pursuant to the tax regulation in Mainland China, 50% tax reduction is granted to Mitsumaru (Wuhu) for the succeeding three years. The CIT rate applied to Mitsumaru (Wuhu) for the Period was 12% (six months ended 30 June 2007: 12%).

	Unaudited Six months ended 30 June	
	2008	2007
	HK\$'000	*HK\$'000*
Current year provision:		
Mainland China	**187**	6
Total tax charge for the Period	**187**	6

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share for the Period is based on the loss for the Period attributable to ordinary equity holders of the parent of HK\$19,603,000 (six months ended 30 June 2007: loss of HK\$49,180,000), and 400,000,000 (30 June 2007: 400,000,000) ordinary shares in issue during the Period.

The diluted loss per share amounts for the six months ended 30 June 2008 and 30 June 2007 have not been disclosed as the outstanding options during the both periods have an anti-dilutive effect on the basic losses per share for these periods.

9. DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, approximately HK\$544,000 (six months ended 30 June 2007: HK\$2,580,000) was spent on acquisition of property, plant and equipment. The Group also disposed of buildings with a carrying amount of approximately HK\$1,816,000 (six months ended 30 June 2007: Nil).

Certain of the Group's land and buildings located in Hong Kong with an aggregate carrying value of HK\$27,168,000 as at 30 June 2008 will be disposed of within the second half year of 2008. The properties are reclassified as current assets (i.e. assets classified as held for sale) and revalued at their fair value of HK\$25,011,000.

11. TRADE AND NOTES RECEIVABLES

	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	HK\$'000	*HK\$'000*
Trade and notes receivables	**274,371**	344,913
Impairment	**(89,470)**	(89,470)
	184,901	255,443

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

An ageing analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Unaudited as at 30 June 2008 *HK$'000*	Audited as at 31 December 2007 *HK$'000*
Within 90 days	**103,263**	148,107
91 days to 180 days	**36,131**	49,840
181 days to 1 year	**37,840**	53,805
Over 1 year	**7,667**	3,691
	184,901	255,443

The trade and notes receivables had been stated at the balance sheet date at costs that approximate their fair values.

12. TRADE AND BILLS PAYABLES

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

	Unaudited as at 30 June 2008 *HK$'000*	Audited as at 31 December 2007 *HK$'000*
Within 180 days	**371,330**	407,285
181 days to 1 year	**27,193**	41,979
1 to 2 years	**7,628**	7,506
Over 2 years	**8,464**	8,210
	414,615	464,980

Included in the balance are bills payables of HK$108,983,000 (31 December 2007: HK$122,315,000) which were secured by a time deposits of HK$44,380,000 (31 December 2007: HK$75,953,000).

13. SHARE CAPITAL

Shares

	Unaudited as at 30 June 2008 *HK$'000*	Audited as at 31 December 2007 *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
400,000,000 ordinary shares of HK$0.1 each	**40,000**	40,000

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 14 to the unaudited interim condensed consolidated financial statements.

14. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 June 2004, the Company approved and adopted a share option scheme (the "Scheme") and a pre-IPO share option scheme (the "Pre-IPO Scheme"). The purpose of these two schemes is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employees of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The schemes became effective on 22 June 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 30 June 2008 and up to the date of approval of these unaudited interim condensed consolidated financial statements, no share options have been granted under the Scheme.

The Pre-IPO Scheme

The purpose and the principal terms of the Pre-IPO Scheme, approved and adopted by the Company's shareholders on 22 June 2004, are substantially the same as the purpose and the terms of the Scheme except that:

(i) The subscription price per share shall be the price of each share issued under the public offering, that is, HK$1.068 per share;

(ii) The maximum number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Scheme shall be 35,000,000 shares; and

(iii) Save for the options which have been granted but have not lapsed, cancelled or exercised in full under the Pre-IPO Scheme as set out below, no further options will be offered or granted under the Pre-IPO Scheme after the day immediately prior to the listing of the Company's shares on the Stock Exchange.

On 25 June 2004, options to subscribe for 35,000,000 shares at an exercise price of HK$1.068 were granted by the Company under the Pre-IPO Scheme to a total of 91 employees of the Company at a consideration of HK$1.00 per option under the Pre-IPO Scheme.

The following share options were outstanding under the Pre-IPO Scheme during the Period:

Name or category of participant	**At 1 January 2008**	**Exercised during the Period**	**Cancelled/ lapsed during the Period**	**At 30 June 2008**	**Date of grant of options**	**Exercisable period***	**Exercise price of options** *HK$*
Directors							
Zhang Shuyang	2,300,000	—	—	2,300,000	25 June 2004	25 June 2004– 24 June 2014	1.068
Tung Chi Wai, Terrence**	1,950,000	—	—	1,950,000	25 June 2004	25 June 2004– 24 June 2014	1.068
	4,250,000	—	—	4,250,000			
Other employees							
In aggregate	25,570,000	—	(3,370,000)	22,200,000	25 June 2004	25 June 2004– 24 June 2014	1.068
	29,820,000	—	(3,370,000)	26,450,000			

* Each option has a 10-year exercise period commencing from 25 June 2004 to 24 June 2014. Within the 10-year exercise period, there is a total vesting period of four years. Commencing on the first, second, third and fourth anniversaries of the date of grant of the option, the relevant grantee may exercise up to 0%, 33%, 67% and 100% respectively of the shares comprised in his or her option (less any number of shares in respect of which the option has been previously exercised).

** Mr. Tung Chi Wai, Terrence ceased to be an Executive Director since 25 September 2008.

The fair value of the Pre-IPO share option granted on 25 June 2004 was HK$7,598,000. It was estimated by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, using binomial model taking into account the terms and conditions upon which the options were granted. During the Period, the Group recognised a share option expense of HK$277,000 (six months ended 30 June 2007: HK$695,000). The following table lists the inputs to the model used for calculating the fair value of the Pre-IPO share options at the date of grant as follows:

Dividend yield *(%)*	0.72
Historical volatility *(%)*	45.00
Risk-free interest rate *(%)*	4.47
Expected life of option *(year)*	10.00
Share price at date of grant *(HK$)*	1.07

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the Pre-IPO share options was incorporated into the measurement of the fair value.

15. RESERVES

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the relevant regulation in Mainland China, the subsidiaries operating in Mainland China are required to transfer 10% of their profits after tax, as determined under the accounting regulations in Mainland China, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and subject to certain restrictions set out in the relevant regulations in Mainland China. These reserves can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after above mentioned usages.

During the Period, the profit appropriation represented the appropriation of statutory surplus reserve of up to 25% of the paid-up capital for fulfillment of the above statutory requirements.

The appropriation of statutory surplus reserve to retained profits was made with respect to the capitalisation of statutory surplus reserve and retained profits as paid-up capital of East Kit (China) and East Kit (Shanghai) in 2003.

16. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2008 (31 December 2007: Nil).

17. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of one year until 30 June 2008. The leases have been extended for three months up to 30 September 2008.

At 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	HK$'000	*HK$'000*
Within one year	**24**	48

As lessee

As at 30 June 2008 and 31 December 2007, the Group had no future minimum lease payments under non-cancellable operating leases falling due.

18. COMMITMENTS

As at the balance sheet date, the Group had the following capital commitment which is related to investment in an Italian joint venture:

	Unaudited as at 30 June 2008	Audited as at 31 December 2007
	HK$'000	*HK$'000*
Contracted, but not provided for the capital contribution payable to available-for-sale investment	**810**	810

19. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2008:

(a) Included in prepayments, deposits and other receivables are as follows:

(i) amounts due from certain companies of the executive directors totaled HK$160,779 (31 December 2007: HK$133,035). The balances due are unsecured, interest-free and have no specific terms of repayment.

(ii) amount due from a minority shareholder of a subsidiary amounted to HK$89,000 (31 December 2007: HK$101,000). The amount due from a minority shareholder of subsidiary is unsecured, interest free and repayable on an agreed term.

(iii) amount due from director (Mr. Zhang Shuyang) amounted to HK$36,000 (31 December 2007: HK$457,000). The loan to a director is unsecured, interest-bearing at 9% per annum and repayable within one year. The carrying amount of this loan approximates to its fair value. As at 30 June 2008, interest accrued and receivable from the director was HK$3,500 (30 June 2007: Nil).

(b) An amount due to a director (Mr. Tung Chi Wai) totaled HK$9,730,000 (31 December 2007: Amount due from this director: HK$429,000). Any loan amount due from/to the director is unsecured, interest-bearing at 9% per annum and repayable within one year. As at 30 June 2008, net interest accrued and payable to the director was HK$395,000 (30 June 2007: Nil).

(c) During the six months ended 30 June 2008, total compensation paid to the directors of the Group was HK$4,408,000 (six months ended 30 June 2007: HK$4,760,000).

20. CORPORATE UPDATE

The Group sustained a loss to equity holders of the parent of HK$19,603,000 for the six months ended 30 June 2008 (30 June 2007: HK$49,180,000). The operating conditions of the Group continue to be challenging. There was increasing pressure on profit margins due to a reduction in the selling price of CTV products and an escalating cost of certain raw materials and components, wage overheads as well as logistics and transportation costs. Drastic Renminbi appreciation hit export and led to foreign exchange losses. These negative factors remain unchanged.

As at 30 June 2008, the Group recorded net current liabilities of HK$47,548,000 (31 December 2007: HK$58,780,000). The Group's working capital position has seen a moderate improvement. In addition to enhancing the cost cutting effort and other measures to improve operating cash flow, the Group is also seeking to realize its non core assets in order to generate additional cash flow. Further, the unsecured loan facility of RMB20 million from a major shareholder continues to be available to finance the working capital requirements of the Group as needed.

The condensed consolidated financial information of the Group for the six months ended 30 June 2008 have been prepared by the directors of the Company on a going concern basis. In their opinion, such basis of preparation is appropriate as they believe that the implementation of the above mentioned measures will improve the working capital situation of the Group.

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.

21. APPROVAL OF INTERIM FINANCIAL REPORT

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 21 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Results

During the Period, the Group achieved approximately HK$373,705,000 in turnover, representing a decrease of approximately 30% from that of approximately HK$535,624,000 during the same period of last year. Gross profit was approximately HK$37,076,000, representing an increase of approximately 6.7% from that of approximately HK$34,751,000 during the same period of last year. The overall gross profit ratio increased from approximately 6.5% to approximately 10%. Loss for the period attributable to ordinary equity holders of the parent was approximately HK$19,603,000 (for the same period of last year: approximately HK$49,180,000). Basic loss per share attributable to ordinary equity holders of the parent was approximately HK4.90 cents (for the same period of last year: approximately HK12.3 cents). As at the balance sheet date, the balance of cash and cash equivalents and pledged deposits were approximately HK$53,346,000 and approximately HK$44,380,000 respectively.

Turnover

The decrease in turnover is mainly due to overall shrinking demand in CRT CTV products, particularly in South America markets. During the Period, the Group focused on innovating new LCD CTV product series, the increase in sales of LCD CTV products partially compensated the decline in the sales of CRT CTV products.

Gross Profit

Gross profit ratio increased from 6.5% to 10% of the corresponding period of last year mainly because the sales proportion of LCD CTV products to total revenue had increased from 10% to 39%.

Financial Position and Liquidity

	30 June 2008	31 December 2007
Current ratio	**0.90**	0.91
Quick ratio	**0.68**	0.71
Gearing ratio	**13%**	20%

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

As at 30 June 2008, the Group's total cash and cash equivalents was approximately HK$53,346,000 (31 December 2007: approximately HK$71,483,000). The decrease in cash and cash equivalents was mainly due to the repayment of excessive bank loan of the Group to reduce financial cost thereon. The current ratio and quick ratio decreased at approximately 0.90 and 0.68 respectively as at 30 June 2008 (31 December 2007: approximately 0.91 and 0.71).

As at 30 June 2008, the bank and other borrowings of the Group were approximately HK$79,138,000 (31 December 2007: approximately HK$148,189,000). The gearing ratio decreased to approximately 13% on 30 June 2008 compared with approximately 20% on 31 December 2007.

Capital Expenditures

Capital expenditures for the six months ended 30 June 2008 of approximately HK$544,000 were spent for the purchase of production machineries in Shanghai and Wuhu City, Anhui Province, the PRC.

Pledge of Assets

At 30 June 2008, certain assets of the Group with an aggregate carrying value of approximately HK$87,400,000 (31 December 2007: approximately HK$90,100,000) were pledged to secure banking facilities of the Group. Details of the pledge of the Group's assets are set out as follows:

(a) pledge over the Group's plant and machinery, which had an aggregate carrying value at the balance sheet date of approximately HK$5,800,000 (31 December 2007: approximately HK$6,900,000);

(b) mortgage over the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$25,011,000 (31 December 2007: approximately HK$27,522,000);

(c) pledge over the Group's buildings situated in Mainland China, which had an aggregate carrying value at the balance sheet date of approximately HK$52,499,000 (31 December 2007: approximately HK$53,846,000);

(d) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$1,719,000 (31 December 2007: approximately HK$1,874,000); and

(e) corporate guarantees executed by the Company.

Saved as disclosed above, included in the trade and bills payables are bill payable of HK$108,983,000 (31 December 2007: HK$122,315,000) which were secured by a time deposit of HK$44,380,000 (31 December 2007: HK$75,953,000).

Foreign Exchange Risk

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong Dollars ("HK$"), Renminbi ("RMB") and United States Dollars ("US$"). The Group is exposed to foreign exchange risk arising from the exposure of HK$ against RMB and US$. Considering that the HK$ is pegged to the US$, the Group believes its exposure to exchange risk will be confined to RMB and HK$. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations, 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.

Capital Commitments and Contingent Liabilities

During the Period, the Group's capital commitments amounted to approximately HK$810,000 (31 December 2007: approximately HK$810,000). As at 30 June 2008 and 31 December 2007, the Group had no material contingent liabilities.

Business Review

During the Period, the Group kept to its strategic "No Brand Solution" approach, and was engaged in selling primarily CRT CTVs and LCD CTVs, in three categories, namely, completely knocked down ("CKD"), semi-knocked down ("SKD") and completely built unit ("CBU"). CRT CTVs were mainly sold to newly emerging market such as India, Russia, Asia and South America. LCD CTVs were mainly sold to regions including Russia, Europe and Asia.

According to the information provided by All View Consulting Limited (AVC), during the first half of 2008, the sales of CRT CTVs in the China CTVs market, which represented 63.2% of the entire CTV market, decreased by 20.5% as compared to the corresponding period of last year. The sales of LCD CTVs, which represented 32.1% of the entire CTVs market, increased by 71.3% as compared to the same period of last year. The consuming attitude and behavior of the ultimate consumers, being hammered by natural disasters such as blizzard, earthquake, flooding in the Mainland, and affected by factors like world economic crisis, high inflation, the state's tighter macro-economic policy, have changed, which led to a declining demand of the world market. In addition, the rising RMB exchange rate, which has directly led to a surge in the selling price of foreign currency, hit the export trading. With all the factories in the industry have been experiencing difficulties, the overall sales has significantly decreased. In particular, the performance of export was hard to be improved. As a significant drop was seen in sales, the results of the Group was also not satisfactory. When compared to the corresponding period of last year, the sales volume of CRT CTVs declined by half while the sales volume of LCD CTVs recorded a remarkable increase. To minimize the operating risk, the Group has changed the trading pattern and payment terms for the LCD CTVs, which tightened the credit terms and accelerated the collection of payments.

With the effect of rising international price of oil, cooper and steel and iron, and the implementation of new Labour Law which caused to the rise in manufacturing cost of enterprise, the purchase prices of certain key components increased accordingly. On the basis of maintaining total purchase cost of products, the Group has put every effort in developing new suppliers with more competitive performance-price ratio, and recommending the clients to use those chassis with high performance-price ratio in design and purchase cost. Moreover, the implementation of the new Labour Law by the State has caused to a rise of the labour cost. In this regard, the Group kept the processing cost to the same level of last year on one hand, and shifted the processing task to new factories that can meet the quality requirements and offer more competitive prices on the other hand. Meanwhile, the Group has resisted the external pressure and tried restraining the rise in transportation expenses despite the logistic costs has been affected by the continuous significant increase in domestic and international oil prices and several price adjustment requests from the transportation providers.

The competition of the CTV market is getting more intense. The price of overseas products continues to decline, which gradually deprives the cost advantage of domestic products. To ensure we have sufficient market competitiveness, the Group pursued to improve the design, reduce the product cost and lower the administrative expenses. With an aim to stand out from the market competition, the Group has been actively seeking a breakthrough in the application technology and developing various kinds of new products, in order to fight for a higher rate of gross profit with less development input. It is expected that the sale of new products will soon commence in the second half of year 2008.

Outlook

The Group will strengthen its internal control, reform its business model and reduce its administrative expenses.

Where sales are concerned, leverage on the overseas and domestic customers and markets captured by the conventional products we have been selling throughout these years, the Company will, on the one hand, maintain solid and cooperative relationship with our customers, improve payment terms and accelerate the collection of account receivables. This ensures the Company to safeguard stable trade volume and margins and look for more quality customers. On the other hand, the Company will introduce its new products to the market and promote bulk selling with its efficient marketing campaign.

With regard to research and development, the Group will continue to modify its product structure, put more effort on the research and develop of new products with high margin. At the same time, the Group will enhance the speed and quality of its development, taking into consideration its productivity on the products and cost control on products design.

In the area of supply chain management, the Group will strive to keep its total purchase cost of products remain constant while ensure punctual supply from suppliers. At the same time, the Group will spare no effort to approach new suppliers which offer competitive prices so as to well-positioned itself for price reduction. Besides, it will strive for enhancing the quality of its products, strengthening its quality control, actively controlling the logistic costs and enhancing the efficiency of logistics.

Despite economic downturn in both international and domestic markets, the Group will try its best to enhance the profit and bring positive investment returns to the shareholders.

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 six months ended 30 June 2008.

DIRECTORS' COMPLIANCE WITH MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have compiled with the required standards of the Model Code throughout the six months ended 30 June 2008.

COMPLIANCE ON CORPORATE GOVERNANCE PRACTICES

Code provision A2.1 of the Code on Corporate Governance Practices (the "Corporate Governance Code") requires the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company deviated from the provision, as the Chairman and the Chief Executive Officer of the Company are performed by the same individual, namely Mr. Zhang Shuyang.

Save as disclosed above, in the opinion of the Directors, the Company complied with all applicable provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six month ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2008 with the Directors.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results of the Group for the six months ended 30 June 2008 is available for viewing on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkex.com.hk and on the website of the Company at www.mitsumaru-ek.com. An interim report for the six months ended 30 June 2008 will be dispatched to the shareholders and available on the above websites in due course.

SUSPENSION OF TRADING

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

BOARD OF DIRECTORS

As at the date of this report, the Executive Directors are Mr. Zhang Shuyang and Mr. Leung Koon Sing and the Independent Non-executive Directors are Mr. Chiu Chi Cheong Clifton, Mr. Martin He and Mr. Mu Xiangming.

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

Hong Kong, 21 October 2008