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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)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2009

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 2009 (the "Period") together with the comparative figures for the corresponding period of 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2009

		Unaudited	
		Six months ended 30 June	
	Notes	**2009**	2008
		HK$'000	*HK$'000*
REVENUE	4	**103,450**	373,705
Cost of sales		**(100,702)**	(336,629)
Gross profit		**2,748**	37,076
Other income and gains	4	**6,421**	1,705
Selling and distribution costs		**(3,964)**	(11,291)
Administrative expenses		**(21,656)**	(29,487)
Other operating expenses		**(6,831)**	(10,227)
Impairment loss of trade receivables		**(3,705)**	—
Impairment loss of assets classified as held for sale		**—**	(2,290)
Share of loss of an associate		**(825)**	(1,300)
Finance costs	5	**(819)**	(3,896)
LOSS BEFORE TAX	6	**(28,631)**	(19,710)
Tax	7	**(21)**	(187)
LOSS FOR THE PERIOD		**(28,652)**	(19,897)
OTHER COMPREHENSIVE INCOME			
Release of exchange reserve on disposal of subsidiaries		**(622)**	—
Exchange realignment		**12,890**	1,276
Other comprehensive income for the Period		**12,268**	1,276
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(16,384)**	(18,621)

	Note	Unaudited Six months ended 30 June **2009** ***HK$'000***	 2008 *HK$'000*
Loss attributable to:			
Equity holders of the Company		**(28,442)**	(19,603)
Minority interests		**(210)**	(294)
		(28,652)	(19,897)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(16,174)**	(18,327)
Minority interests		**(210)**	(294)
		(16,384)	(18,621)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**(HK$7.1 cents)**	(HK$4.9 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	**Unaudited As at 30 June 2009** *HK$'000*	Audited As at 31 December 2008 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**109,490**	116,119
Prepaid land premiums		**8,213**	8,297
Other asset		**4,437**	4,437
Golf club membership		**360**	360
Interest in an associate		**15,437**	15,818
Available-for-sale investment		**232**	232
Total non-current assets		**138,169**	145,263
CURRENT ASSETS			
Inventories		**48,337**	48,512
Trade and notes receivables	11	**58,682**	74,342
Prepayments, deposits and other receivables		**23,156**	21,875
Pledged deposits		**17,370**	57,700
Cash and cash equivalents		**10,111**	42,853
Total current assets		**157,656**	245,282
CURRENT LIABILITIES			
Trade and bills payables	12	**240,390**	321,958
Other payables, accrued expenses and deposits received		**24,928**	35,581
Interest-bearing bank loans		**38,556**	24,671
Tax payable		**850**	850
Total current liabilities		**304,724**	383,060
NET CURRENT LIABILITIES		**(147,068)**	(137,778)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(8,899)**	7,485
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(2,336)**	(2,336)
Total non-current liabilities		**(2,336)**	(2,336)
Net (liabilities)/assets		**(11,235)**	5,149
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	**40,000**	40,000
Reserves	15	**(52,041)**	(35,867)
		(12,041)	4,133
Minority interests		**806**	1,016
(Deficiency)/surplus in equity		**(11,235)**	5,149

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These condensed financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies, presentation and methods of computations adopted in preparing these unaudited condensed financial statements are consistent with those of the Group's annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- **HKAS 1 (revised): "Presentation of financial statements"**

  The revised standards prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present a statement of comprehensive income. The condensed financial statements have been prepared under the revised disclosure requirements.

- **HKFRS 8: "Operating segments"**

  HKFRS 8 replaces HKAS 14 "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The condensed financial statements have been prepared under the new requirements.

- **Amendments to HKFRS 7: "Financial instruments: disclosures"**

  The amendments increase the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

- **Amendment to HKFRS 2: "Share-based payment"**

  The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have a material impact on the Group's financial statements.

  All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant to the Group:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
Amendments to HKFRS 1	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
Amendment to HKAS 39	Eligible Hedged Items[3]
Amendments to HKFRS 5	Non-current Assets Held For Sale and Discontinued Operations[2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
Amendments to HK(IFRIC) — Interpretation 9 and HKAS 39	Embedded Derivatives[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

2 Effective for annual periods beginning on or after 1 January 2010

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending on or after 30 June 2009

5 Effective for transfers of assets from customers received on or after 1 July 2009

The Group is assessing the impact of the above new standards, amendments to standards and interpretations, which have been issued but are not effective for the year ending 2009, on the Group's operations.

3. SEGMENT INFORMATION

The chief 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 two operating segments, namely, (i) the design of the chassis of colour televisions and the trading of related components segment, and (ii) the assembling of colour television 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 operating segment analysis is presented.

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	
	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**103,450**	373,705
Other income and gains		
Bank interest income	**633**	1,564
Other interest income	**—**	26
Rental income	**—**	96
Fair value loss on equity investments at fair value through profit or loss	**—**	(1,095)
Gain on disposal of items of property, plant and equipment	**—**	960
Gain on disposal of subsidiaries *(note 16)*	**5,202**	—
Others	**586**	154
	6,421	1,705

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**716**	3,173
Interest on bank loans not wholly repayable within five years	**—**	256
Interest on finance lease payables	**—**	50
Interest on amounts due from directors *(note 20(c))*	**103**	417
Total interest expenses	**819**	3,896

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**100,702**	336,101
Depreciation for property, plant and equipment	**6,705**	6,486
Amortisation of prepaid land premiums	**84**	175
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**12,191**	25,160
Equity-settled share option expense	**—**	277
Pension scheme contributions	**1,078**	4,048
	13,269	29,485
Research and development cost	**407**	121
Impairment of assets classified as held for sale	**—**	2,290
Foreign exchange difference, net*	**(55)**	8,777

* These items are included in "Other operating expenses" on the face of the condensed consolidated statement of comprehensive income.

7. TAX

No provision of Hong Kong Profits Tax has been provided as the Group has sustained tax losses for the Period in Hong Kong. Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries operating in the PRC were granted a tax concession whereby they enjoyed exemption from corporate income tax ("CIT") for two years starting from the first year in which they record assessable profits, after deducting tax losses brought forward, and are entitled to a 50% exemption from CIT for the following three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate income Tax Law of the PRC ("New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which set out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised its five-year tax holiday will be allowed to continue to enjoy a full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

The tax concession granted to East Kit (Shanghai) and East Kit (China) expired prior to December 2007. Upon obtaining an approval for additional concession with effect on 1 January 2008, East Kit (Shanghai) and East Kit (China) was granted a partial exemption from the national and local portion of CIT for three years as it qualified as an "Advanced Technology Company" pursuant to the tax regulation in the PRC. The CIT rate applied to East Kit (Shanghai) and East Kit (China) for the Period was 15% (six months ended 30 June 2008: 15%).

The tax concession granted to Mitsumaru (Wuhu) then commenced on 1 January 2004 and Mitsumaru (Wuhu) was exempted from CIT for 2004 and 2005. Pursuant to the tax regulation in the PRC, 50% tax reduction was granted to Mitsumaru (Wuhu) for the succeeding three years. The CIT rate applied to Mitsumaru (Wuhu) for the Period was 25% (six months ended 30 June 2008: 12%).

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Group:		
Current year provision:		
The PRC	**21**	187
Total tax charge for the Period	**21**	187

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

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 Company of HK$28,442,000 (six months ended 30 June 2008: loss of HK$19,603,000) and 400,000,000 (six months ended 30 June 2008: 400,000,000) ordinary shares in issue during the Period.

The diluted loss per share amounts for the six months ended 30 June 2009 and 2008 is same as the basic loss per share as the outstanding options during the both periods have an anti-dilutive effect on the basic earnings 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 2009 (six months ended 30 June 2008: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, there was no addition or disposal of property, plant and equipment. During the six months ended 30 June 2008, approximately HK$544,000 was spent on acquisition of property, plant and equipment and the Group disposed of buildings with a carrying amount of approximately HK$1,816,000.

11. TRADE AND NOTES RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2009	2008
	HK$'000	*HK$'000*
Trade and notes receivables	**198,202**	218,241
Impairment	**(139,520)**	(143,899)
	58,682	74,342

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 120 days, extending 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 aged analysis of the trade receivables (net of impairment loss) as at the balance sheet date, based on the invoice date, is as follows:

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Within 90 days	**15,982**	36,523
91 days to 180 days	**8,446**	12,042
181 days to 1 year	**14,439**	7,745
Over 1 year	**19,815**	18,032
	58,682	74,342

12. TRADE AND BILLS PAYABLES

An aged 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 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Within 180 days	**92,311**	217,010
181 days to 1 year	**30,822**	57,196
1 to 2 years	**69,408**	32,814
Over 2 years	**47,849**	14,938
	240,390	321,958

Included in the balance are bills payables of HK$58,774,000 (31 December 2008: HK$107,193,000) which were secured by a time deposit of HK$17,370,000 (31 December 2008: HK$57,700,000).

13. SHARE CAPITAL

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'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 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 employee 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 in any event shall not be more than 10 years from the date of the offer of the share options.

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; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share.

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

At 30 June 2009 and up to the date of approval of these unaudited 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:

	Weighted average exercise price	Number of options
	HK$ per share	*'000*
At 1 January and 30 June 2009	**1.068**	**23,520**

The exercise prices and exercise periods of the share options outstanding as at 30 June 2009 are as follows:

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
23,520	**1.068**	**25 June 2004 to 24 June 2014**

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

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, no share option expense was recognised by the Group (six months ended 30 June 2008: HK$277,000). 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 the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, 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 the PRC. 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 six months ended 30 June 2008, 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. DISPOSALS OF SUBSIDIARIES

On 13 February 2009, the Group disposed of all its interest in two subsidiaries, Crown Joint Investment Limited and Kaern GmbH, which carried out trading of CRT and LCD colour televisions and related components in Europe. The proceeds on disposal of HK$1 were received in cash.

The unaudited net liabilities disposed at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of	(5,824)
Release of exchange reserve on disposal of subsidiaries	622
Profit on disposal	5,202
Total consideration	—
Satisfied by cash	—

17. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

18. OPERATING LEASE ARRANGEMENTS

During the six months ended 30 June 2009, the Group leased its office properties under operating lease arrangements which were negotiated for terms of one to three years. At 30 June 2009, the Group's minimum lease obligation under non-cancellable operating leases in respect of land and buildings details are as follow:

	Unaudited As at 30 June 2009 ***HK$'000***	Audited As at 31 December 2008 *HK$'000*
Within one year	**1,096**	2,192
In the second to fifth years, inclusive	**5,048**	5,048
	6,144	7,240

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments at the balance sheet date:

	Unaudited As at 30 June 2009 ***HK$'000***	Audited As at 31 December 2008 *HK$'000*
Contracted, but not provided for the capital contribution payable to available-for-sale investment	**810**	810

20. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2009:

(a)

Related party relationship	Types of transaction	Transaction amount		Balance owed	
		Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	**Unaudited As at 30 June 2009**	Audited As at 31 December 2008
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Substantial shareholder — 數源科技股份有限公司	Sales	**679**	9,390	**3,446**	2,785
	Purchase	**—**	6,858	**—**	—
	Sub-contracting fee	**—**	2,085	**—**	—

(b) Included in other payables, accrued expenses and deposits are amounts due to an executive director, Mr. Zhang Shuyang, totaling HK$2,324,000 (31 December 2008: HK$3,032,000). The balances due are unsecured and have no specific terms of repayment. Interest is charged at 9% per annum;

(c) The interest expenses on amounts due to executive directors of HK$103,000 (six months ended 30 June 2008: HK$417,000) was charging at the rate of 9% per annum; and

(d) During the Period, total compensation paid to the directors of the Group was HK$1,990,000 (six months ended 30 June 2008: HK$4,408,000).

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 24 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Financial Results

During the Period, the Group achieved approximately HK$103,500,000 in turnover, representing a decrease of approximately 72% from that of approximately HK$373,700,000 during the same period of last year. Gross profit was approximately HK$2,700,000, representing a decrease of approximately 93% from that of approximately HK$37,100,000 during the same period of last year. The overall gross profit ratio dropped from approximately 10% to approximately 3%. Loss for the Period attributable to ordinary equity holders of the Company was approximately HK$28,400,000 (for the same period of last year: approximately HK$19,600,000). Basic loss per share attributable to ordinary equity holders of the Company was approximately HK$7.1 cents (for the same period of last year: approximately HK4.9 cents). As at the balance sheet date, the balance of cash and cash equivalents and pledged deposits were approximately HK$10,100,000 (31 December 2008: HK$42,900,000) and approximately HK$17,400,000 (31 December 2008: HK$57,700,000) respectively.

Turnover

During the Period, the decrease in turnover was mainly due to economic recession and overall shrinking global demand in CTV products.

Gross Profit

During the Period, the decrease of the gross profit ratio was mainly attributable to dropping in profit margin as the steps taken for controlling fixed costs were not catch up with the declining turnover.

Financial Position and Liquidity

	30 June 2009	31 December 2008
Current ratio	**0.52**	0.64
Quick ratio	**0.36**	0.51
Gearing ratio*	**13%**	6%

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

As at 30 June 2009, the Group's total cash and cash equivalents was approximately HK$10,100,000 (31 December 2008: approximately HK$42,900,000). The decrease in cash and cash equivalents was used for paying overdue creditors. The current ratio and quick ratio were approximately 0.52 and 0.36 (31 December 2008: approximately 0.64 and 0.51) respectively.

As at 30 June 2009, the bank borrowings of the Group were approximately HK$38,600,000 (31 December 2008: approximately HK$24,700,000). The gearing ratio increased to approximately 13% on 30 June 2009 from approximately 6% on 31 December 2008.

Pledge of Assets

At 30 June 2009, certain assets of the Group with an aggregate carrying value of approximately HK$79,900,000 (31 December 2008: approximately HK$82,000,000) were pledged to secure banking facilities of the Group. Details of the pledge of the Group's assets are set out as follows:

(a) pledge over the Group's plant and machinery, which had an aggregate carrying value at the balance sheet date of approximately HK$5,000,000 (31 December 2008: approximately HK$5,300,000); and

(b) pledge over the Group's leasehold land and buildings situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$66,500,000 (31 December 2008: approximately HK$68,200,000). The related leasehold land element of approximately HK$8,400,000 (31 December 2008: approximately HK$8,500,000) is included in the "prepaid land premiums".

Foreign Exchange Risk

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

At 30 June 2009, the Group's capital commitments amounted to approximately HK$810,000 (31 December 2008: approximately HK$810,000). As at 30 June 2009 and 31 December 2008, the Group had no material contingent liabilities.

Employees Benefit and Expenses

As at 30 June 2009, the total number of employees in the Group was approximately 482 (31 December 2008: approximately 708). The total amount of employee wages and salaries incurred during the Period was approximately HK$12,200,000 (six months ended 30 June 2008: approximately HK$25,200,000). 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 their knowledge, skills and overall caliber of its employees. In addition, the Group granted employees option scheme as an encouragement.

Business Review

During the Period, the Group was engaged in selling primarily CRT CTVs and LCD CTVs in three categories, namely complete knocked down (CKD), semi-knocked down (SKD) and completely built unit (CBU). The Group's CRT CTVs were mainly sold to China, Argentina and India, while LCD CTVs were mainly sold to Japan and Russia. The Group also sells other video products, such as projector TVs, iPod TVs and USB Micro Video Cameras.

Since the outbreak of the financial turmoil in the fourth quarter of 2008, the global economy showed signs of recession and the global CTV industry has been affected under such difficult operating environment in terms of the lowered demand and weak sales. In the first half of 2009, the sales of CRT CTVs were on the decline as a whole. Although the sales of LCD CTVs increased, its growth rate slowed down considerably as compared to that of 2008. Given that the target markets have been hard hit by the economic turmoil, the Group, as an export-oriented enterprise, recorded a significant drop in overseas sales order and thus the turnover substantially decreased. In light of the unfavorable condition of export market, the Group made a prompt adjustment to its strategy and commenced its domestic sales business by the provision of LCD CTVs in CBU format to the domestic market in the PRC under the brand alliance with its customers. Meanwhile, the Group actively developed its new products in order to be well-positioned to ride on the recovery of domestic and export markets.

In addition to CTV products, the Group also actively developed video peripheral products and has already launched LCD projectors, iPod TVs and USB Micro Video Cameras. These products, which combine the functions of various household appliances and have contemporary outlooks, are value-for-money and have become the favorites of the fashionable and trendy group.

Outlook

The Group's sales strategy will concentrate on CTVs, which is our major source of income, with video peripheral products as the secondary focus. Compared to the core markets such as Japan, North America and Europe, emerging markets such as India, Brazil and Russia have greater development potential and recover more quickly from the financial crisis. Supported by an aggregate population of 1.6 billion and a rapid growth in GDP, the annual sales of CTVs in such three countries exceed 30 million sets. By maintaining a relationship with various customers for the supply of CRT CTVs, the Group is familiar with those countries in terms of taste preference and use environment. Such background, together with our experience, enables us to expand further into the LCD CTV market of those countries.

Africa is another most-anticipated strategic market. It has a population of 900 million and the demand for CTVs is growing at an annual rate of over 16%. South Africa, which is a leading country in Africa in terms of economic development, will host the 2010 FIFA World Cup and this will be a boost to the African CTV market. The Group has received orders from a South African agent and this is the first step towards our expansion into the African market. Based on the local usage habits and the culture, we aim at providing the customers with products which can cater to their preference.

The Group has established a solid foundation in the Japan market with years of development and there is a rising trend in the number of orders. The Group will optimize the product costs and diversify into new products in order to maintain the existing market share as well as capture new market demands. In the European market, the Group will carry out expansion by approaching customers in electronic fairs and by enhancing our competitiveness in price and lead time.

The CTV market is constantly changing and the functions of CTVs are advancing towards flat panels, digital broadcast, high definition, energy saving and media-oriented. Meanwhile, the industry trend shows a focus on technical upgrade and integration of functions of CTVs. The flood of new technologies and functions such as LED backlight, Mo-card TV and Internet TV promotes the swift integration of CTVs with contents and services. Moreover, the industry trend also exhibits that upstream and downstream enterprises are fruitful in various technical aspects, such as energy and materials conservation, recycling, low pollution, health-orientation, green system, water conservation, reduction in carbon dioxide emission, etc. It is clear that energy saving and environmental protection have become the mainstream topic in the market and the industry. The Group will keep abreast of the development trend of the CTV industry and continue to develop new products.

Though it will take years for both the global and domestic economy to recover, the Group will strive to develop and sell new and existing products in order to enhance its overall profitability.

Interim Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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 2009.

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 complied with the required standards of the Model Code throughout the six months ended 30 June 2009.

COMPLIANCE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2009, 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), in the opinion of the Directors, the Company complied with all applicable provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. Reason for such deviation was reported in the Corporate Governance Report in the annual report 2008 of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principals 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 2009 with the Directors.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report of the Group for the six months ended 30 June 2009 are 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.

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.

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

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

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

The Company, through its legal advisors, requested ICAC and the relevant Hong Kong judiciary for copies of the search warrant, court transcript, and fact sheet of the Cases, which are evidence to corroborate the confirmation from Mr. Zhang.

Having identified the Subject Matter, the Company engaged HLB Hodgson Impey Cheng (the "HLB") on 12 June 2009 to conduct review on the Subject Matter and the sales to two groups of customers located in Russia and Argentina at the request of the Stock Exchange. Draft reports of the aforesaid reviews were delivered to the members of the Independent Committee and a meeting was subsequently held on 11 August 2009 during which members of the Independent Committee were satisfied with the initial findings of HLB. The Company expects that the report of HLB will be finalized by October 2009.

In January 2009, the Company engaged an independent accountant firm to conduct a general review of the Group's internal control system. A draft report, which identified the deficiencies of the internal control system, was issued in February 2009. Since then, the Company tried to rectify the deficiencies mentioned in the report and has been drafting a detailed policy and procedures with a view to enhancing the effectiveness of internal controls. However, for cost saving reason and administrative convenience, the Company engaged HLB on 20 July 2009 to complete such internal control review on the operations of the Company. It is expected that the report of the internal control review will be finalized by the end of 2009.

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

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. Kwong Ping Man, Mr. Martin He and Mr. Mu Xiangming.

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

Hong Kong, 24 September 2009