

Mitsumaru East Kit (Holdings) Limited 三丸東傑(控股)有眼公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)











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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Shuyang (Chairman and Chief Executive Officer) Mr. Leung Koon Sing

Independent Non-executive Directors:

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

AUDIT COMMITTEE

Mr. Kwong Ping Man (Chairman)

Mr. Martin He Mr. Mu Xiangming

NOMINATION COMMITTEE

Mr. Mu Xiangming (Chairman)

Mr. Kwong Ping Man Mr. Martin He Mr. Zhang Shuyang

REMUNERATION COMMITTEE

Mr. Martin He (Chairman) Mr. Kwong Ping Man Mr. Mu Xiangming Mr. Leung Koon Sing

REGISTERED OFFICE

Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 1, 39/F.
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan, New Territories
Hong Kong

COMPANY SECRETARY

Mr. Cheng Sik Kong

AUTHORISED REPRESENTATIVES

Mr. Zhang Shuyang Mr. Leung Koon Sing

AUTHORISED REPRESENTATIVES

(to accept service of process and notices under Part XI of the Hong Kong Companies Ordinance)

Mr. Leung Koon Sing Mr. Cheng Sik Kong

AUDITORS

BDO Limited Certified Public Accountants 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited P.O. Box 705 Butterfield House 68 Fort Street George Town Grand Cayman Cayman Islands British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited Rooms 1712–16, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Shanghai Pudong Development Bank No. 159, Xin Song Road Shanghai PRC

Bank of Communications No. 82, Xin Tan Road Shanghai PRC

Bank of Communications
No. 6, Yu Lan Garden, Xin Wu Road
Wuhu City, An Hui Province
PRC

STOCK CODE

2358

WEBSITE

http://www.mitsumaru-ek.com

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 HK\$'000	2008 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 Selling and distribution costs Administrative expenses Other operating expenses Impairment loss of trade receivables Impairment loss of assets classified as held for sale Share of loss of an associate Finance costs 5	6,421 (3,964) (21,656) (6,831) (3,705) — (825) (819)	1,705 (11,291) (29,487) (10,227) — (2,290) (1,300) (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 Exchange realignment	(622) 12,890	— 1,276	
Other comprehensive income for the Period	12,268	1,276	
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(16,384)	(18,621)	
Loss attributable to: Equity holders of the Company Minority interests	(28,442) (210)	(19,603) (294)	
Takal assessables also large attributable to	(28,652)	(19,897)	
Total comprehensive loss attributable to: Equity holders of the Company Minority interests	(16,174) (210)	(18,327) (294)	
	(16,384)	(18,621)	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2009

Unaudited

LOSS PER SHARE
ATTRIBUTABLE TO ORDINARY
EQUITY HOLDERS OF THE COMPANY
Basic and diluted

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 Prepaid land premiums Other asset Golf club membership Interest in an associate Available-for-sale investment	109,490 8,213 4,437 360 15,437 232	116,119 8,297 4,437 360 15,818 232
Total non-current assets	138,169	145,263
CURRENT ASSETS Inventories Trade and notes receivables 11 Prepayments, deposits and other receivables Pledged deposits Cash and cash equivalents Total current assets CURRENT LIABILITIES Trade and bills payables 12 Other payables, accrued expenses and deposits received Interest-bearing bank loans Tax payable	48,337 58,682 23,156 17,370 10,111 157,656 240,390 24,928 38,556 850	48,512 74,342 21,875 57,700 42,853 245,282 321,958 35,581 24,671 850
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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2009

		Unaudited As at 30 June 2009	Audited As at 31 December 2008
	Notes	HK\$'000	HK\$'000
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

CONDENSED CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

As at 30 June 2009

At 30 June 2009

				Attributat	ole to equit	y holders of	f the Compa	ny				
	Issued capital HK\$'000	Share premium account HK\$'000	Pre-IPO share option reserve HK\$'000	Contributed surplus HK\$'000	Statutory surplus reserve HK\$'000	Expansion reserve HK\$'000	Buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
For the six months ended 30 June 2008 (unaudited)												
At 1 January 2008	40,000	52,557	6,445	4,990	28,392	701	_	9,394	(42,696)	99,783	1,719	101,502
Total comprehensive income/(loss) for the period	-	-	-	_	_	_	_	1,276	(19,603)	(18,327)	(294)	(18,621)
Equity-settled share option arrangements	_	_	277	_	_	_	_	_	_	277	_	277
Share options lapsed during the period	_	_	(657)	_	_	_	_	_	657	_	_	_
Profit appropriation	_	_	_	_	293	_	_	_	(293)	_	_	_
At 30 June 2008	40,000	52,557*	6,065*	4,990*	28,685*	701*	_	10,670*	(61,935)*	81,733	1,425	83,158
For the six months ended 30 June 2009 (unaudited)												
At 1 January 2009 Total comprehensive	40,000	52,557	5,494	4,990	28,419	701	19,541	6,410	(153,979)	4,133	1,016	5,149
income/(loss) for the period	_	_	_	_	_	_	_	12,268	(28,442)	(16,174)	(210)	(16,384)

These reserve accounts comprise the consolidated reserves of a deficit of HK\$52,041,000 (30 June 2008: a surplus of HK\$41,733,000) in the condensed consolidated balance sheet.

19,541*

(182,421)* (12,041)

806 (11,235)

4,990* 28,419*

40,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

Unaud	dited
Six months en	ided 30 June
0000	000

	2009	2000
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(86,771)	11,144
Net cash inflow from investing activities	633	10,203
·		
Net cash inflow/(outflow) from financing activities	53,396	(40,597)
The same of the sa		(10,001)
Decrease in cash and cash equivalents	(32,742)	(19,250)
Doctored in each and each equivalence	(02,: :2)	(10,200)
Effect of foreign exchange rate changes, net	_	1,113
Ellect of foreign exchange rate changes, net		1,110
Cash and cash equivalents at beginning of the Period	42,853	71,483
oash and bash equivalents at beginning of the Feriod	42,000	71,700
Cash and cash equivalents at end of the Period	10,111	53,346
Cash and cash equivalents at end of the Feriod	10,111	55,540
Analysis of halances of each and each equivalents:		
Analysis of balances of cash and cash equivalents:		
Oash and hank halansa	40.444	50.040
Cash and bank balances	10,111	53,346

30 June 2009

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.

>>>>>

30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)

Amendments to HKAS 32 and HKAS 1 Amendments to HKFRS 1 and HKAS 27

HKAS 23 (Revised)

HK(IFRIC) — Interpretation 13

HK(IFRIC) — Interpretation 15 HK(IFRIC) — Interpretation 16 Improvements to HKFRSs

Puttable Financial Instruments and Obligations Arising on Liquidation

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Borrowing Costs

Customer Loyalty Programmes

Agreements for the Construction of Real Estate
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) HKFRS 1 (Revised)

Amendments to HKFRS 1

Amendment to HKAS 39 Amendments to HKFRS 5 Amendments to HKFRS 2

Amendments to HK(IFRIC) — Interpretation 9 and HKAS 39

HKAS 27 (Revised) HKFRS 3 (Revised)

HK(IFRIC) — Interpretation 17 HK(IFRIC) — Interpretation 18 Improvements to HKFRSs 20091

First-time Adoption of Hong Kong Financial Reporting Standards³ Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial

Reporting Standards — Additional Exemptions for First-time Adopters²

Eligible Hedged Items³

Non-current Assets Held For Sale and Discontinued Operations² Share-based Payment — Group Cash-settled Share-based Payment

Transactions²

Embedded Derivatives4

Consolidated and Separate Financial Statements³

Business Combinations³

Distributions of Non-cash Assets to Owners³ Transfers of Assets from Customers⁵

30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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
103,450	373,705
633	1,564
_	26
_	96
_	(1,095)
_	960
5,202	_
586	154
6,421	1,705

Revenue

Sale of goods

Other income and gains

Bank interest income

Other interest income

Rental income

Fair value loss on equity investments at fair value through profit or loss

Gain on disposal of items of property, plant and equipment Gain on disposal of subsidiaries (note 16)

Others

30 June 2009

5. FINANCE COSTS

Unaudited Six months ended 30 June

	2009	2008
	HK\$'000	HK\$'000
Interest on healt leans whelly renevable within five years	716	2.472
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.

30 June 2009

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%).

Group:

Current year provision: The PRC

Total tax charge for the Period

Unaudited Six months ended 30 June

2009 HK\$'000	2008 HK\$'000
21	187
21	187

30 June 2009

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

Trade and notes receivables Impairment

Unaudited	Audited			
As at	As at			
30 June	31 December			
2009	2008			
HK\$'000	HK\$'000			
198,202	218,241			
(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.

30 June 2009

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

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:

Within 90 days 91 days to 180 days 181 days to 1 year Over 1 year

Unaudited	Audited			
As at	As at			
30 June	31 December			
2009	2008			
HK\$'000	HK\$'000			
15,982	36,523			
8,446	12,042			
14,439	7,745			
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:

Within 180 days 181 days to 1 year 1 to 2 years Over 2 years

Unaudited	Audited
As at	As at
30 June	31 December
2009	2008
HK\$'000	HK\$'000
92,311	217,010
30,822	57,196
69,408	32,814
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).

30 June 2009

13. SHARE CAPITAL

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1.000.000.000 ordinary shares of HK\$0.1 each

Issued and fully paid:

400,000,000 ordinary shares of HK\$0.1 each

Unaudited	Audited		
As at	As at		
30 June	31 December		
2009	2008		
HK\$'000	HK\$'000		
100,000	100,000		
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.

30 June 2009

14. SHARE OPTION SCHEMES (CONTINUED)

The Scheme (Continued)

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 HK\$ per share	Number of options
1.068	23,520

At 1 January and 30 June 2009

30 June 2009

14. SHARE OPTION SCHEMES (CONTINUED)

The Pre-IPO Scheme (Continued)

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

Number of options '000	Exercise price* HK\$ per share	Exercise period	
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.

30 June 2009

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\$7000
Net liabilities disposed of Release of exchange reserve on disposal of subsidiaries	(5,824) 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).

30 June 2009

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:

Within one year
In the second to fifth years, inclusive

Unaudited	Audited			
As at	As at			
30 June	31 December			
2009	2008			
HK\$'000	HK\$'000			
1,096	2,192			
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	Audited		
As at	As at		
30 June	31 December		
2009 200			
HK\$'000	HK\$'000		
810	810		

Contracted, but not provided for the capital contribution payable to available-for-sale investment

30 June 2009

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	Unaudited	Unaudited	Audited
		six months	six months		
		ended	ended	As at	As at
		30 June	30 June	30 June	31 December
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Substantial shareholder	Sales	679	9,390	3,446	2,785
— 數源科技股份有限公司	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\$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 favorities 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).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The details in the table below, together with the accompanying notes, set out the details of the persons other than the Directors or chief executive of the Company in respect of whom as at 30 June 2009, the Company has been notified of interests or short positions in the shares and underlying shares of the Company, and for whom the Company has recorded those interests or short positions in the register required to be kept under Section 336 of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong:

				Percentage of shareholding in
Name of substantial shareholders	Class of shares	Capacity	Number of shares held (Note 4)	the total issued share capital
Z-Idea Company Limited (Note 1)	Ordinary Shares	Beneficial owner	249,000,000 (L)	62.25%
Good Day International Limited (Note 2)	Ordinary Shares	Beneficial owner	45,000,000 (L)	11.25%
Ms. Wu Lixia (Note 3)	Ordinary Shares	Interest of controlled corporation	45,000,000 (L)	11.25%
數源科技股份有限公司	Ordinary Shares	Beneficial owner	38,088,000 (L)	9.52%

Notes:

- 1. Z-Idea Company Limited is wholly owned by Mr. Zhang Shuyang, an Executive Director of the Company.
- 2. Good Day International Limited is owned by Ms. Wu Lixia and Mr. Zhang Xuancheng, the son of Mr. Zhang Shuyang, as to 95% and 5% respectively. Ms. Wu Lixia is the mother of Mr. Zhang Xuancheng.
- The interest of Ms. Wu in 45,000,000 shares of the Company is a deemed corporate interest deriving from her beneficial ownership of 95% 3. of the issued share capital of Good Day International Limited.
- The letter "L" denotes a long position.

Save as disclosed above, as at 30 June 2009, no other persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The details in the tables below, together with the accompanying notes, set out the details of the Directors or chief executive of the Company in respect of whom, as at 30 June 2009:

- (a) the Company has been notified of interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, and for whom the Company has recorded those interests or short positions in the register required to be kept under Section 352 of the SFO; or
- (b) the Company has otherwise been notified under the Model Code for Securities Transactions by Directors of Listed Companies (as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and adopted by the Company) (the "Model Code"):

Long positions in ordinary shares of the Company:

			Approximate percentage of		
Name of Director	Capacity	Number of shares held	the Company's issued capital		
Mr. Zhang Shuyang (Note)	Interest of controlled corporation	249,000,000	62.25%		

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "Share Option Schemes".

Note: The interest of Mr. Zhang in 249,000,000 shares of the Company is a deemed corporate interest deriving from his beneficial ownership of all the issued share capital of Z-Idea Company Limited.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

On 22 June 2004, the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") were approved and adopted by the shareholders of the Company.

(a) Pre-IPO Share Option Scheme

As stipulated in the Pre-IPO Share Option Scheme, no further options can be granted under the Pre-IPO Share Option Scheme from 15 July 2004, being the date on which the Company's shares were listed on the Stock Exchange.

Pursuant to the Pre-IPO Share Option Scheme, the Company granted options to subscribe for the shares of the Company in favour of certain directors and employees on 25 June 2004 with an exercise price of HK\$1.068 per share, being the offer price for the shares of the Company allotted when dealings in the shares commenced on the Stock Exchange, at a consideration of HK\$1.00 per option.

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%, respective of the shares comprised in his or her option (less any number of shares in respect of which the option has been previously exercised).

As at 30 June 2009, options to subscribe for 23.520.000 shares in aggregate at an exercise price of HK\$1.068 per share have been granted by the Company to a total of 53 employees of the Group and outstanding. Particulars of the options which have been granted to (i) all Directors; and (ii) continuous contract employees of the Group under the Pre-IPO Share Option Scheme are set out below:

	Number of option shares						
					Cancelled/		
			Balance	Exercised	lapsed		
		Exercise	as at	during the	during the	Balance	
	Date of	price per	1 January	period ended	period ended	as at	Exercise
Grantee	grant	share	2009	30 June 2009	30 June 2009	30 June 2009	period
		(HK\$)					
(i) Directors							
Mr. Zhang Shuyang	25/06/2004	1.068	2,300,000	_	_	2 300 000	25/06/2004-
(Executive Director)	20/00/2004	1.000	2,000,000			2,000,000	24/06/2014
(Excoditive Billottol)							21/00/2011
Sub-total			2,300,000	_	_	2,300,000	
(ii) Other continuous co	ntract employe	es					
Senior management	25/06/2004	1.068	9,720,000	_	_	9 720 000	25/06/2004-
employees	20/00/2004	1.000	3,720,000			3,720,000	24/06/2014
Other employees	25/06/2004	1.068	11,500,000	_	_	11.500.000	25/06/2004-
p,			,,			,,	24/06/2014
Sub-total			21,220,000	_	_	21,220,000	
Grand Total			23,520,000	_	_	23,520,000	

(b) Share Option Scheme

As at 30 June 2009, no option has been granted under the Share Option Scheme since it was adopted by the Company on 22 June 2004. The Share Option Scheme will remain in force until 21 June 2014 subject to earlier termination by the Company in general meeting or the Board.

The total number of shares of the Company available for issue under the Share Option Scheme as at the date of this interim report was 40,000,000 shares of the Company, which represented 10% of the issued share capital of the Company.

The maximum entitlement of each participant under the Share Option Scheme is that the total number of shares issued and to be issued upon exercise of all options granted in any 12-month period up to and including the date of grant of an option shall not exceed 1% of the total number of shares in issue at the date of grant of an option, unless approved by shareholders in general meeting with such participant and his or her associates abstaining from voting. An option may be exercised during a period to be notified by the Board and in any event such period shall not be more than 10 years from the date of the grant of the option.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board, which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

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