



# Colouring your Life



**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)

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# Corporate Information

## DIRECTORS

### *Executive Director:*

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

## 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

Suite 5005–5006, 50th Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

## COMPANY SECRETARY

Mr. Cheng Sik Kong

## AUTHORISED REPRESENTATIVES

Mr. Leung Koon Sing

Mr. Cheng Sik Kong

## AUDITOR

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 2010 (the "Period") together with the comparative figures for the corresponding period of 2009.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Unaudited Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Revenue	4	60,328	103,450
Cost of sales		(57,730)	(100,702)
<b>Gross profit</b>		<b>2,598</b>	2,748
Other income and gains	4	66	6,421
Selling and distribution costs		(2,385)	(3,964)
Administrative expenses		(18,183)	(21,656)
Other operating expenses		(623)	(6,831)
Impairment loss of trade receivables		—	(3,705)
Share of loss of an associate		(2,559)	(825)
Finance costs	5	(889)	(819)
<b>Loss before income tax expense</b>	6	<b>(21,975)</b>	(28,631)
Income tax expense	7	—	(21)
<b>Loss for the period</b>		<b>(21,975)</b>	(28,652)
Other Comprehensive Income			
Release of exchange reserve on disposal of subsidiaries		—	(622)
Exchange realignment		—	12,890
<b>Other comprehensive income for the period, net of tax</b>		<b>—</b>	12,268
<b>Total comprehensive income for the period</b>		<b>(21,975)</b>	(16,384)
<b>Loss attributable to:</b>			
Owners of the Company		(21,750)	(28,442)
Non-controlling interests		(225)	(210)
		<b>(21,975)</b>	(28,652)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(21,750)	(16,174)
Non-controlling interests		(225)	(210)
		<b>(21,975)</b>	(16,384)
<b>Loss per share</b>			
Basic and diluted	8	(HK5.5 cents)	(HK7.1 cents)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	Unaudited As at 30 June 2010 HK\$'000	Audited As at 31 December 2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	85,661	89,885
Prepaid land premiums		8,034	8,131
Golf club membership		360	360
Interests in associates		6,000	8,559
Available-for-sale investments		340	340
<b>Total non-current assets</b>		<b>100,395</b>	107,275
<b>CURRENT ASSETS</b>			
Inventories		21,421	29,652
Trade and notes receivables	11	11,702	15,665
Prepayments, deposits and other receivables		3,907	5,955
Pledged deposits		—	881
Restricted deposits		227	227
Cash and cash equivalents		3,700	4,943
<b>Total current assets</b>		<b>40,957</b>	57,323
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	138,953	161,051
Other payables, accrued expenses and deposits received		24,412	20,958
Other loans	13	42,186	23,794
Interest-bearing bank loans		19,346	22,760
Tax payable		3,019	924
<b>Total current liabilities</b>		<b>227,916</b>	229,487
<b>Net current liabilities</b>		<b>(186,959)</b>	(172,164)
<b>Total assets less current liabilities</b>		<b>(86,564)</b>	(64,889)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		(4,111)	(4,111)
Other loans	13	(1,428)	(1,128)
<b>Total non-current liabilities</b>		<b>(5,539)</b>	(5,239)
<b>Net liabilities</b>		<b>(92,103)</b>	(70,128)
<b>Capital and reserves attributable to owners of the Company</b>			
Issued capital	14	40,000	40,000
Reserves	16	(133,255)	(111,505)
<b>Non-controlling interests</b>		<b>(93,255)</b>	(71,505)
		1,152	1,377
<b>Deficit in equity</b>		<b>(92,103)</b>	(70,128)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

## Attributable to Owners of the Company

	Issued capital	Share premium account	Pre-IPO share option reserve	Contributed surplus	Statutory surplus reserve	Expansion reserve	Buildings revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Sub-total	Non-controlling interests	Surplus/(deficit) in equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the six months ended 30 June 2009 (unaudited)</b>												
At 1 January 2009	40,000	52,557	5,494	4,990	28,419	701	19,541	6,410	(153,979)	4,133	1,016	5,149
Total comprehensive income for the period	—	—	—	—	—	—	—	12,268	(28,442)	(16,174)	(210)	(16,384)
At 30 June 2009	40,000	52,557	5,494	4,990	28,419	701	19,541	18,678	(182,421)	(12,041)	806	(11,235)
<b>For the six months ended 30 June 2010 (unaudited)</b>												
At 1 January 2010	40,000	52,557	5,161	4,990	28,419	701	19,761	18,100	(241,194)	(71,505)	1,377	(70,128)
Total comprehensive income for the period	—	—	—	—	—	—	—	—	(21,750)	(21,750)	(225)	(21,975)
Share options lapsed during the year	—	—	(226)	—	—	—	—	—	226	—	—	—
At 30 June 2010	40,000	52,557*	4,935*	4,990*	28,419*	701*	19,761*	18,100*	(262,718)*	(93,255)	1,152	(92,103)

\* These reserve accounts comprise the consolidated deficit in reserves of HK\$133,255,000 as at 30 June 2010 in the condensed consolidated statement of financial position.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(16,265)	(86,771)
Net cash (outflow)/inflow from investing activities	(1,137)	633
Net cash inflow from financing activities	16,159	53,396
Net decrease in cash and cash equivalents	(1,243)	(32,742)
Cash and cash equivalents at beginning of the period	4,943	42,853
Cash and cash equivalents at end of the period	3,700	10,111
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	3,700	10,111

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 (the "Interim Financial Statements") 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 (the "Stock Exchange").

The Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

- (a) The accounting policies adopted in the preparation of the Group's Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the following new and revised HKFRSs that are mandatory for the first time for the financial year beginning on 1 January 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

The adoption of the above new and revised HKFRSs had no material effect on the Group's results of operations and financial positions except for the following:

- HKFRS 3 (Revised) "Business combinations":

The standard is applicable for annual reporting periods beginning on or after 1 July 2009 and has been applied prospectively. The revised standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The Group did not purchase of any equity interests during the Period. Therefore, the adoption of this revised standard did not have any impact on the Interim Financial Statements.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements":

This revised standard is effective for annual reporting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interests in subsidiaries. Total comprehensive income must normally be attributed to the non-controlling interests (formerly "minority interests") even if this results in the non-controlling interests having a deficit balance. The Group did not have transactions with non-controlling interests during the accounting period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of this revised standard did not have any impact on the Interim Financial Statements.





# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) (Continued)

- HKAS 17 (Amendment) "Leases":

This amendment is applicable for annual reporting periods beginning on or after 1 January 2010 and removes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest of which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid land premiums", and is amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of its land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases and considered that the adoption of this amendment did not have any impact on the Interim Financial Statements.

(b) The following new and revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

- HKFRS 9 "Financial Instruments" addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. This standard is not applicable until annual reporting period beginning 1 January 2013 but is available for early adoption.
- HKAS 24 (Revised) "Related Party Disclosures" supersedes HKAS 24 "Related Party Disclosures" issued in 2003. This revised HKAS 24 is required to be applied from annual reporting period beginning 1 January 2011. Earlier adoption, for either the entire standard or the government-related entity, is permitted.
- HK(IFRIC) — Interpretation 19 "Extinguishing financial liabilities with equity instruments" clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditors and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in financial year of 2011.

The Group is assessing the impact of the above new and revised HKFRSs, which have been issued but are not yet effective for the year ending 31 December 2010, on the Group's operations.

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has 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 is the Group's sole reportable segment as it constitutes more than 90% of the Group's revenue and results for the six months ended 30 June 2010 and 2009 and the Group's total assets as at 30 June 2010 and 31 December 2009.

## 4. REVENUE, 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 other income and gains is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Bank interest income	14	633
Gain on disposal of subsidiaries	—	5,202
Others	52	586
	<b>66</b>	6,421

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	615	716
Interest on other loans wholly repayable within five years	274	103
	<b>889</b>	819



# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 6. LOSS BEFORE INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Cost of inventories sold	57,730	100,702
Depreciation for property, plant and equipment	6,067	6,705
Amortisation of prepaid land premiums	97	84
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	7,452	12,191
Pension scheme contributions	2,178	1,078
	9,630	13,269
Research and development cost	—	407
Foreign exchange gains, net	(619)	(55)

## 7. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided in the Interim Financial Statements 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 rate of corporate income tax ("CIT") of subsidiaries operating in the People's Republic of China ("PRC") is at standard rate of 25% except two subsidiaries, East Kit Electronic (Shanghai) Co., Ltd. ("East Kit (Shanghai)") and East Kit Electronic (China) Co., Ltd. ("East Kit (China)"), which were granted a partial exemption from both the national and local portions of CIT for three years as each of these subsidiaries qualified as an "Advanced Technology Enterprise" pursuant to the tax regulations in the PRC. The applicable CIT rate of both East Kit (Shanghai) and East Kit (China) for the Period was 15% (2009: 15%). The applicable CIT rate of Mitsumaru Electronic (Wuhu) Co., Ltd. ("Mitsumaru (Wuhu)") for the Period was 25% (2009: 15%).

The Group's income tax expense is as follow:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current tax:		
Provision for the Period:		
PRC	—	21

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 8. LOSS PER SHARE

The calculation of basic loss per share for the Period is based on the loss for the Period attributable to owners of the Company of HK\$21,750,000 (2009: HK\$28,442,000), and 400,000,000 (2009: 400,000,000) ordinary shares in issue during the Period.

The diluted loss per share for both the six months ended 30 June 2010 and 2009 is the same as the respective basic loss per share as the outstanding options during both of the 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 2010 (2009: HK\$Nil). No dividend was paid during the Period (2009: HK\$Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, approximately HK\$1,137,000 (2009: HK\$544,000) was spent on acquisition of property, plant and equipment. There was no disposal of property, plant and equipment during both of the periods.

## 11. TRADE AND NOTES RECEIVABLES

	<b>Unaudited As at 30 June 2010 HK\$'000</b>	Audited As at 31 December 2009 HK\$'000
Trade and notes receivables	<b>160,246</b>	164,209
Impairment	<b>(148,544)</b>	(148,544)
	<b>11,702</b>	15,665

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 120 days, extending to up to six months for major customers. Each customer has 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.



# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 11. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	<b>Unaudited As at 30 June 2010 HK\$'000</b>	Audited As at 31 December 2009 HK\$'000
Within 90 days	9,740	8,257
91 days to 180 days	494	3,786
181 days to 1 year	1,468	3,622
	<b>11,702</b>	15,665

## 12. TRADE AND BILLS PAYABLES

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

	<b>Unaudited As at 30 June 2010 HK\$'000</b>	Audited As at 31 December 2009 HK\$'000
Within 180 days	38,109	44,415
181 days to 1 year	17,662	20,471
1 to 2 years	65,836	81,357
Over 2 years	17,346	14,808
	<b>138,953</b>	161,051

As at 30 June 2010, two PRC subsidiaries, East Kit (China) and East Kit (Shanghai), have been sued by certain trade creditors for non-payment of outstanding trade balances. Included in the trade and bills payables are trade payable balances of approximately HK\$28,000,000 under litigations as at the end of reporting period.

As at 30 June 2010, there were certain court orders issued against the Group pursuant to which East Kit (China)'s and East Kit (Shanghai)'s bank deposits and/or assets with equivalent values of approximately HK\$15.7 million were frozen until full repayments have been made by the Group to the above trade creditors. However, there are no specifications of the kinds of frozen assets under the court orders and the Directors are unaware of any assets that cannot be freely used by the Group except certain bank deposit accounts amounting to approximately HK\$227,000 as at 30 June 2010 (31 December 2009: HK\$227,000), which have been classified as restricted deposits in the condensed consolidated statement of financial position.

As at 31 December 2009, included in the balance were bills payable of HK\$24,284,000 which were secured by a time deposit of HK\$881,000. As at 30 June 2010, there was no assets held as security against the outstanding bills payable.

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 13. OTHER LOANS

	Unaudited As at 30 June 2010 HK\$'000	Audited As at 31 December 2009 HK\$'000
Unsecured other loans from:		
<i>Interest-bearing</i>		
— a controlling beneficial shareholder (Note (a))	4,878	4,629
— third parties (Note (b))	2,863	1,562
<i>Non-interest-bearing</i>		
— a controlling beneficial shareholder (Note (c))	9,785	—
— third parties (Note(c))	26,088	18,731
	<b>43,614</b>	24,922
At the end of reporting period, other loans were repayable as follows:		
Within 1 year	42,186	23,794
After 1 year but within 2 years	1,428	1,128
	<b>43,614</b>	24,922

### Notes:

- (a) Loans from a controlling beneficial shareholder, Mr. Zhang Shuyang ("Mr. Zhang"), were unsecured with interest charged at fixed rates of 5% and 9% per annum on the respective loans. Included in these loans was a loan of approximately HK\$563,000 repayable on 13 September 2011. The remaining loans are repayable within one year. The loans were fully repaid in August 2010 subsequent to the end of reporting period.
- (b) Loans from third parties were unsecured with interest charged at fixed rates of 5% and 9% per annum on the respective loans. Included in these loans were loans of approximately HK\$565,000 and HK\$300,000 repayable in November 2011 and January 2012 respectively. The loans were fully repaid in August 2010 subsequent to the end of reporting period.
- (c) These non-interest-bearing loans from a controlling beneficial shareholder, Mr. Zhang, and third parties were repayable within one year and fully repaid in August 2010 subsequent to the end of reporting period.



# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 14. SHARE CAPITAL

	<b>Unaudited As at 30 June 2010 HK\$'000</b>	Audited As at 31 December 2009 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.1 each	<b>40,000</b>	40,000

### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 15 to the Interim Financial Statements.

## 15. 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.

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 15. 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; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; 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.

During the Period, at 30 June 2010 and up to the date of approval of the Interim 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:

	<b>Unaudited</b>			
	<b>Six months ended 30 June</b>			
	2010		2009	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	1.068	22,700	1.068	24,410
Lapsed during the Period	1.068	(1,160)	—	—
At 30 June	1.068	21,540	1.068	24,410



# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 15. SHARE OPTION SCHEMES (CONTINUED)

The Pre-IPO Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of reporting period are as follows:

### 30 June 2010:

Number of options '000	Exercise price* HK\$ per share	Exercise period
21,540	1.068	25 June 2004 to 24 June 2014

### 31 December 2009:

Number of options '000	Exercise price* HK\$ per share	Exercise period
22,700	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. No share option expense is recognised during the period ended 30 June 2010 (2009: HK\$Nil). 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.

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 16. 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 are 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 the above mentioned usages.

Buildings revaluation reserve represents the surplus on revaluation of the Group's buildings. The balance on this reserve is wholly non-distributable.

## 17. CONTINGENT LIABILITIES AND COMMITMENTS

The Group had no material contingent liabilities or commitments as at 30 June 2010 (31 December 2009: HK\$ Nil).

## 18. RELATED PARTY TRANSACTION

Other than disclosed elsewhere in the Interim Financial Statements, the Group had the following material transactions with related parties during the six months ended 30 June 2010:

(a)

Related party relationship	Types of transaction	Transaction amount		Balance owed	
		Unaudited Six months ended 30 June 2010 HK\$'000	2009 HK\$'000	Unaudited As at 30 June 2010 HK\$'000	Audited As at 31 December 2009 HK\$'000
Substantial shareholder	Sales	1,757	679	4,350	3,374
— 數源科技股份有限公司	Purchase	454	—	—	—

(b) Included in prepayments, deposits and other receivables were amounts due from certain shareholders totaling HK\$217,000 (31 December 2009: HK\$134,000). The balances due are unsecured, interest-free and have no specific terms of repayment;

(c) Included in other payables, accrued expenses and deposits received were accrued interest payable to Mr. Zhang, totaling HK\$458,000 (31 December 2009: HK\$280,000). The balance due are unsecured and have no specific terms of repayment. Interest is charged at the rate of 9% and 5% per annum;

(d) During the Period, interest expenses on other loans from Mr. Zhang amounted to HK\$274,000 (2009: HK\$103,000). Details of the loans are disclosed in note 13 to the Interim Financial Statements; and

(e) During the Period, total compensation paid to the Directors of the Company was HK\$1,240,000 (2009: HK\$1,990,000).

# Notes to the Condensed Consolidated Financial Statements

30 June 2010

## 19. EVENTS AFTER THE REPORTING PERIOD

- (a) On 30 July 2010, the Company entered into a loan agreement with an independent third party, Kingston Finance Limited ("Kingston"). Pursuant to the agreement, Kingston agreed to provide a loan of HK\$15,000,000 to the Company, which is secured by a charge over 224,000,000 shares of the Company (the "Charged Shares") beneficially owned by Z-Idea Company Limited ("Z-Idea"), which is wholly and beneficially owned by Mr. Zhang, and a personal guarantee given by Mr. Zhang. The Company also undertakes and procures Z-Idea to ensure that the Charged Shares shall not at any time be less than 56% of the total issued share capital of the Company, and Z-Idea to refrain from exercising any voting rights or such other action to approve or agree to any new issue of shares of the Company or such other activity which would have the effect of diluting the Charged Shares without the prior consent of Kingston, failing which the loan will immediately become due and payable. The loan bears interest at 12% per annum, and is repayable on or before 2 February 2011.
- (b) Pursuant to agreements entered into by the Group with three independent third parties subsequent to the end of reporting period, the Group has promised to pay to these three independent third parties a sum of HK\$35,000,000 at a fixed rate of 2% per annum. These promissory notes are repayable within one year from date of the respective agreements in July and August 2010.
- (c) Subsequent to the end of reporting period, the Group's bank borrowings amounting to HK\$19,346,000 was due on 27 August 2010. The Group has verbally agreed with the bank to extend the bank borrowings for a further 3 months and is in process of finalising the extension agreement up to the date of approval of the Interim Financial Statements.

## 20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2010.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overall Financial Results

During the Period, the Group achieved approximately HK\$60,328,000 in turnover, representing a decrease of approximately 42% from that of approximately HK\$103,450,000 during the same period of last year. Gross profit was approximately HK\$2,598,000, which is similar to that of approximately HK\$2,748,000 during the same period of last year. The overall gross profit ratio rose from approximately 2.7% to approximately 4.3%. Loss for the Period attributable to owners of the Company was approximately HK\$21,750,000 (for the same period of last year: approximately HK\$28,442,000). Basic loss per share was approximately HK\$5.5 cents (for the same period of last year: approximately HK7.1 cents). As at 30 June 2010, the balance of cash and cash equivalents was approximately HK\$3,700,000 (31 December 2009: HK\$4,943,000).

### Turnover

The decrease in turnover for the Period was mainly due to the intensified competition in the core business of the Group. While the Board has spent significant efforts in product transition to achieve higher gross profit margin, the working capital of the Group has been applied conservatively for stepping up its growth and financial commitments, particularly when fund raising activity of the Group for its business development are being hampered by the suspension of trading in the shares of the Company and, in turn, putting the Group at a competitive disadvantage in the rapid market and product changes.

### Gross Profit

During the Period, the gross profit was similar to last year but the gross profit ratio was improved from 2.7% to 4.3%. The increase of the gross profit margin was mainly attributable to the improvement in product mix.

### Financial Position and Liquidity

	30 June 2010	31 December 2009
Current ratio	0.18	0.25
Quick ratio	0.09	0.12
Gearing ratio*	45%	29%

\* Gearing ratio = Total bank and other borrowings over total assets

As at 30 June 2010, the Group's bank and other borrowings increased to HK\$62,960,000 (31 December 2009: approximately HK\$47,682,000) resulting in the increase of gearing ratio from 29% to 45%.

The cash and cash equivalents was approximately HK\$3,700,000 (31 December 2009: approximately HK\$4,943,000). The current ratio and quick ratio were approximately 0.18 and 0.09 (31 December 2009: approximately 0.25 and 0.12) respectively.

The maturity profile of bank and other borrowings are detailed in notes 19 and 13 to the Interim Financial Statements, respectively.

### Capital Structure and Foreign Exchange Risk

During the Period, there was no change in the Company's capital structure. The Group generally finances its operations and investing activities with funds from the owners of the Company.

The Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"), Hong Kong Dollar ("HK\$") and United States Dollar ("US\$"). The Group is exposed to foreign exchange risk arising from the exposure of US\$ against RMB and HK\$. Considering that the HK\$ is pegged to the US\$, the Group believes its exposure to exchange risk will be confined to RMB and US\$. During the Period, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations. The Group will constantly monitor the economic situation and its foreign exchange risk position, and will consider appropriate hedging measures in future as may be necessary and feasible.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Pledge of Assets

As at 30 June 2010, the Group's leasehold land and buildings situated in the PRC, which had an aggregate carrying value of approximately HK\$75,703,000 (31 December 2009: approximately HK\$75,800,000) were pledged to secure banking facilities of the Group. The carrying value comprised leasehold land element of approximately HK\$8,241,000 (31 December 2009: approximately HK\$8,338,000) included in the "Prepaid land premiums".

### Employees Benefit and Expenses

As at 30 June 2010, the total number of employees in the Group was approximately 425 (31 December 2009: approximately 471). The total amount of employee wages and salaries incurred during the Period was approximately HK\$6,340,000 (six months ended 30 June 2009: approximately HK\$12,191,000). 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. In addition, the Group granted employees option scheme as an encouragement.

## BUSINESS REVIEW

In spite of the difficult operating environment, the Group has been maintaining a continuous and normal production in the first half of 2010. Due to the working capital the Group being applied conservatively, a turnover of approximately HK\$60,328,000 was recorded in the first six months of 2010, a decrease of 42% on a year-on-year basis.

The gross profit margin has been enhanced from 2.7% to 4.3%, which was attributed to our shifted focus from CRT TV to LCD TV.

## OUTLOOK

Subsequent to our successful fund raising activities with several independent third parties, the working capital position of the Group has been improved. The new money is very imperative in gearing up our scale of operation and speeding up the product transition from the CRT/LCD TV products to the LED back-light TV with higher gross profit margin.

In spite of the adverse operating environment, the Group, jointly with a local high-tech firm, has been leveraging the existing research and engineering team in developing the new LED back-light LCD TV. With the technical support of our new partner, we have converted a portion of our production facility into the LED back-light LCD TV production base. The Group secured the first LED TV order in April 2010. In recognition of our achievements, the Science and Technology Commission of Shanghai Municipality has awarded us with financial subsidies for the further development of LED back-light TV sector in Shanghai. We expect our sales in LED back-light LCD TV will pick up.

Furthermore, we will continue to leverage our existing CRT/LCD TV sales network to promote the sales of LED back-light TV products with a view to turning around the operation.

Last but not least, the Group will endeavour to make use of our experienced research and engineering platform to co-operate with other sectors in developing electronics-related products for enhancing our gross margin.

Reference is made to the Directors' Report in the annual report 2009 of the Company in respect of the suspension of trading in the shares of the Company. The Company has been making best effort to resolve the concerns of the Stock Exchange for application for resumption of trading and further announcement in respect of the resumption of trading will be made by the Company as and when appropriate.

## INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$Nil).

## Interests of Substantial Shareholders

As at 30 June 2010, the details of the persons other than the Directors of the Company in respect of whom 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 were as follows:

Name of substantial shareholders	Class of Shares	Capacity	Number of Shares held	Approximate Percentage of Shareholding in the total issued share capital
Z-Idea Company Limited (Note 1)	Ordinary shares	Beneficial owner	249,000,000 (L)	62.25%
Mr. Zhang Shuyang (resigned as a Director on 2 March 2010) (Note 2)	Ordinary shares	Interest of controlled corporation	249,000,000 (L)	62.25%
Good Day International Limited (Note 3)	Ordinary shares	Beneficial owner	45,000,000 (L)	11.25%
Ms. Wu Lixia (Note 4)	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%
Grand Idea International Limited (Note 5)	Ordinary shares	Beneficial owner	300,000,000 (L)	75.00%
Greeting Hill Limited (Note 6)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%
Top Spirit International Limited (Note 6)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%
Wealthy Support Limited (Note 6)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%
Cheung Chung Leung Richard (Note 7)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%
Guo Danze (Note 8)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%
Wang Yu (Note 9)	Ordinary shares	Interest of controlled corporation	300,000,000 (L)	75.00%

Notes:

- Z-Idea Company Limited is beneficially and wholly owned by Mr. Zhang Shuyang, a former Executive Director. The 249,000,000 shares were subject to an option deed ("Option Deed") dated 28 October 2009 entered into between Z-Idea Company Limited, Good Day International Limited, T-Square Company Limited, Grand Idea International Limited and Mr. Zhang Shuyang, details of which are set out in the announcement of the Company dated 2 November 2009.
- The interest in 249,000,000 shares is deemed corporate interest through Z-Idea Company Limited.
- 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 45,000,000 shares were subject to the Option Deed.
- The interest in 45,000,000 shares is deemed corporate interest through Good Day International Limited.
- Grand Idea International Limited was owned as to 33.33% by Greeting Hill Limited, as to 33.33% by Top Spirit International Limited and as to 33.33% by Wealthy Support Limited. Greeting Hill Limited, Top Spirit International Limited and Wealth Support Limited were wholly owned by Mr. Wang Yu, Mr. Cheung Chung Leung Richard and Mr. Guo Danze respectively. The interest in 300,000,000 shares was from certain options granted by Z-Idea Company Limited, Good Day International Limited and T-Square Company Limited respectively pursuant to the Option Deed.



## Interests of Substantial Shareholders

6. The interest in 300,000,000 shares was deemed corporate interest through Grand Idea International Limited.
7. The interest in 300,000,000 shares was deemed corporate interest through Grand Idea International Limited and Top Spirit International Limited.
8. The interest in 300,000,000 shares was deemed corporate interest through Grand Idea International Limited and Wealth Support Limited.
9. The interest in 300,000,000 shares was deemed corporate interest through Grand Idea International Limited and Greeting Hill Limited.
10. Reference is made to the announcement of the Company dated 30 July 2010. The Option Deed was terminated by a termination agreement entered into on 30 July 2010 by the parties to the Option Deed.
11. The letter "L" denotes a long position.

Save as disclosed above, as at 30 June 2010, no other persons (other than the Directors 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 and Underlying Shares

As at 30 June 2010, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Division 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## 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 2010.

## 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 2010.

## Compliance on Corporate Governance Practices

For the Period, the Company complied with all the code provisions in the Corporate Governance Code except for the requirement that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (code provision A.2.1 of the Corporate Governance Code). On 2 March 2010, Mr. Zhang Shuyang resigned as Chairman and Chief Executive Officer of the Company and the Company currently has no Chairman and Chief Executive Officer. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

## Audit Committee

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 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 2010 are available for viewing on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.mitsumaru-ek.com](http://www.mitsumaru-ek.com).

## Suspension of Trading in the Shares

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







## Board of Directors

As at the date of this report, the Executive Director is 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**  
**Leung Koon Sing**  
*Executive Director*

Hong Kong, 20 September 2010