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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2358)

INTERNAL CONTROL REVIEW

References are made to the circular of Mitsumaru East Kit (Holdings) Limited (the “**Company**”) dated 12 November 2013 (the “**Circular**”) and the announcements of the Company dated 11 November 2013 and 28 November 2013 respectively.

The Company engaged ZHONGHUI ANDA Risk Services Limited as the independent internal control reviewer (the “**Reviewer**”) to conduct an internal control review (the “**Review**”) on the Enlarged Group as directed by the Stock Exchange. The written internal control report has been issued by the Reviewer and submitted to the Stock Exchange on 19 December 2013. The Review covers the Enlarged Group’s financial reporting procedures and systems of internal controls for the period from 1 October 2012 to 30 September 2013 as to the Group and from 9 June 2013 to 30 September 2013 as to the Target Company.

OBJECTIVE AND SCOPE OF THE REVIEW

The objective of the Review is to assist the Directors to evaluate whether the Enlarged Group has adequate and effective financial reporting procedures and systems of internal controls and that those systems and procedures have been properly executed to enable the Group and the Target Company to meet their obligations under the Listing Rules and other legal regulations. In respect of such objective, the Reviewer conducted the Review on the Enlarged Group’s financial reporting procedures and systems of internal control at the corporate level, the key operating cycles of its major operating subsidiaries and the Target Company.

FINDINGS AND REMEDIAL ACTIONS BEING UNDERTAKEN BY THE ENLARGED GROUP

The Directors have summarised (i) certain significant findings and deficiencies found in the Review; and (ii) the relevant approaches and measures adopted by the Enlarged Group and the results of the Report in the following table:

No. Control areas	(i) Significant findings and deficiencies found in the Review	(ii) Relevant approaches and measures adopted by the Enlarged Group
1 Corporate governance	<p>No insurance cover in legal respect against the Directors.</p> <p>The Company has only two independent non-executive Directors (“INED”) since 7 June 2013. The vacancy has not been filled within three months. Therefore, the audit committee does not comprise the minimum of three members.</p>	<p>Insurance will be arranged for the Directors of the Company upon the Resumption.</p> <p>The Company has identified a suitable candidate as the new INED. Once the Company obtains the Approval in Principle for the Resumption from the Stock Exchange, the INED will be appointed immediately.</p>
2 Board of directors and Nomination Committee	<p>Not all Directors have been participating in continuous professional development.</p> <p>Only one executive Director and two INEDs’ training records are properly maintained.</p>	<p>All Directors will participate in continuous professional development starting from the fiscal year of 2014 and onwards.</p> <p>All Directors’ training records will be properly maintained starting from the fiscal year of 2014 and onwards.</p>

No. Control areas	(i) Significant findings and deficiencies found in the Review	(ii) Relevant approaches and measures adopted by the Enlarged Group
3 Internal audit	No comprehensive internal audit policy and procedures have been established.	The Company has adopted an internal audit policy and the Board is responsible for monitoring the policy.
	No internal audit department was set up and no independent internal control adviser to conduct internal control review on regularly basis.	The Company will appoint an independent internal control adviser to conduct internal control review on regular basis upon Resumption.
4 Related parties transactions (“RPT”) and balances	No written procedures to define and quantify the RPT for the reporting and disclosure requirements.	The Company has prepared a written procedure to define and quantify the RPT and balances for the reporting and disclosure requirements.
5 Production and inventory management cycle of the major subsidiary	No insurance cover for inventory kept in the warehouse of the major subsidiary.	Since the amount of inventory at the subsidiary is not material currently, there is no insurance cover at the present level. However, the Company will consider procuring appropriate insurance coverage for inventory kept if the business of the subsidiary grows.
6 Information technology (“IT”) of the major subsidiary	No IT technician to maintain the network and data file of the major subsidiary during the Review.	The Company will consider employing an IT technician if the size and operation of the major subsidiary becomes bigger.

No. Control areas	(i) Significant findings and deficiencies found in the Review	(ii) Relevant approaches and measures adopted by the Enlarged Group
7 Production and inventory management cycle of the Target Company	No insurance cover for inventory kept in the warehouse of the Target Company.	The Company will procure adequate cover for the inventory kept in the warehouse upon completion of the Proposed Acquisition.
8 Payroll and human resources of the Target Company	Almost all the employees are employed by SOYEA, the parent company of the Target Company during the Review.	According to the Acquisition Agreement, SOYEA will transfer staff with relevant expertise to the Target Company upon completion of the Proposed Acquisition.
9 Financial reporting system of the Target Company	The payroll of office staff and workers (around 250–300 staff) and cost of the office and factory areas of the Target Company were borne by SOYEA. Upon completion of the Proposed Acquisition, the labor cost and the administration expenses of the Target Company will be borne by the Target Company and may vary significantly.	The Company does not expect that the labor cost and the administration expenses of the Target Company will be varied significantly upon completion of the Proposed Acquisition. Moreover, the relevant expenses have been fully reflected in the profit forecast as contained in the Circular.

The Directors consider that the above significant findings and deficiencies identified by the Reviewer represent areas of improvement and provide an opportunity for the Enlarged Group to improve its internal control. After the Review and based on the results of the Reviewer's enquiries, observations and discussions with the management and responsible personnel of the Enlarged Group as well as examination of documents and records, the Reviewer concluded that there were no material irregularity or error on the financial reporting procedures and systems of internal control of the Enlarged Group. The Reviewer is of the view that the Enlarged Group has adequate and effective financial reporting procedures and systems of internal control.

In light of the above, the Directors are of the view that apart from the deficiencies found in the Review for which the Enlarged Group has undertaken to rectify, the Enlarged Group has established adequate internal control policies and procedures in all material respects, and the Enlarged Group maintains an adequate and effective internal control system and no other material control deficiency has been identified.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange has been suspended since 14 February 2008. Until satisfaction of all the conditions of the Resumption set by the Stock Exchange, trading in the Shares will continue to be suspended. The release of this announcement does not indicate that the Shares will resume trading. Shareholders should note that the Shares may be delisted by the Stock Exchange in the event that the Company fails to satisfy all the conditions of the Resumption within the time stipulated by the Stock Exchange. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By order of the Board
Mitsumaru East Kit (Holdings) Limited
Siu Chi Ming
Executive Director

Hong Kong, 20 December 2013

As at the date of this announcement, the executive Directors are Mr. Siu Chi Ming and Mr. Tang Chin Wan, the independent non-executive Directors are Ms. Au Shui Ming and Mr. Martin He.

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