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## Jiu Rong Holdings Limited 久融控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2358)**

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Rong Holdings Limited (the “**Company**”) are pleased to announce the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015 (the “**Year**”) together with the comparative figures for the corresponding year of 2014.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>225,991</b>	227,884
Cost of sales		<b>(203,132)</b>	(193,946)
<b>Gross profit</b>		<b>22,859</b>	33,938
Other income and gains	4	<b>3,351</b>	6,138
Selling and distribution costs		<b>(8,503)</b>	(8,941)
Administrative expenses		<b>(40,000)</b>	(20,384)
Other operating expenses		<b>(12,171)</b>	(415)
Finance costs	5	<b>(1,202)</b>	(249)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(35,666)</b>	10,087
Income tax credit/(expense)	7	<b>3,666</b>	(2,611)
		<b>(32,000)</b>	7,476
<b>DISCONTINUED OPERATION</b>			
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION		<b>(7,711)</b>	7,834
<b>(LOSS)/PROFIT FOR THE YEAR</b>	6	<b>(39,711)</b>	15,310

	Notes	2015 HK\$'000	2014 HK\$'000 (Restated)
<b>Other comprehensive loss for the year, net of tax:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations		(7,142)	(784)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		652	–
		<b>(6,490)</b>	<b>(784)</b>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(6,490)</b>	<b>(784)</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(46,201)</b>	14,526
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
<b>Owners of the Company</b>			
(Loss)/profit from continuing operations		(32,000)	7,476
(Loss)/profit from discontinued operation		(6,920)	6,909
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(38,920)</b>	14,385
<b>Non-controlling interests</b>			
(Loss)/profit from discontinued operation		(791)	925
<b>(Loss)/profit attributable to non-controlling interests</b>		<b>(791)</b>	925
		<b>(39,711)</b>	15,310
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
<b>Owners of the Company</b>		<b>(45,349)</b>	13,608
<b>Non-controlling interests</b>		<b>(852)</b>	918
		<b>(46,201)</b>	14,526
<b>(LOSS)/EARNINGS PER SHARE (HK\$ cents)</b>			
	9		
<b>From continuing and discontinued operations</b>			
– Basic		(1.02)	0.38
– Diluted		(1.02)	0.38
<b>From continuing operations</b>			
– Basic		(0.84)	0.20
– Diluted		(0.84)	0.20
<b>From discontinued operation</b>			
– Basic		(0.18)	0.18
– Diluted		(0.18)	0.18

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,029	4,576
Intangible assets		7,395	15,387
Goodwill		11,800	16,417
Deferred tax assets		3,147	19
		<b>25,371</b>	36,399
<b>CURRENT ASSETS</b>			
Inventories		22,204	29,048
Trade and notes receivables	10	130,667	162,240
Amounts due from non-controlling shareholders		–	124
Prepayments, deposits and other receivables		1,369	9,716
Financial assets at fair value through profit or loss		4	–
Current tax asset		944	–
Pledged bank deposits		7,252	2,332
Cash and cash equivalents		47,746	55,741
		<b>210,186</b>	259,201
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	11	84,174	77,128
Other payables and accruals		9,262	13,921
Bank loans		–	8,888
Other loan		–	756
Tax payable		–	4,690
		<b>93,436</b>	105,383
<b>NET CURRENT ASSETS</b>		<b>116,750</b>	153,818
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>142,121</b>	190,217
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1,178	1,659
		<b>1,178</b>	1,659
<b>NET ASSETS</b>		<b>140,943</b>	188,558
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		380,000	380,000
Reserves		(239,057)	(193,708)
		<b>140,943</b>	186,292
<b>Non-controlling interests</b>		–	2,266
<b>TOTAL EQUITY</b>		<b>140,943</b>	188,558

## NOTES:

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the functional currency of the Company. The functional currencies of its principal subsidiaries include Renminbi (“**RMB**”) and HK\$.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue 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.

#### (a) Reportable segments

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. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two (2014: two) reportable segments under continuing operations. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

#### Continuing operations

- (i) TV Business: manufacturing and sales of digital television (“**TV**”), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.
- (ii) Intelligent water meter data collection: sales of intelligent water meter data collection system.

#### Discontinued operation

- (i) Water meter - Design, assembling and installation of water meter.

Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments’ profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

(i) Business segments

	For the year ended 31 December 2015				
	Continuing operations			Discontinued operation	
	Intelligent water			Water meter	Total
	TV Business	meter data collection	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment revenue:					
Sales to external customers	225,720	271	225,991	5,845	231,836
Reportable segment loss	(20,679)	(4,482)	(25,161)	(7,711)	(32,872)
Interest expenses	(1,168)	–	(1,168)	(444)	(1,612)
Depreciation of property, plant and equipment	(670)	–	(670)	(195)	(865)
Amortisation of intangible assets	(2,348)	(1,042)	(3,390)	–	(3,390)
Income tax credit	3,666	–	3,666	–	3,666
Impairment of inventories	(7,526)	(233)	(7,759)	(1,076)	(8,835)
Additions to property, plant and equipment	120	–	120	–	120
	At 31 December 2015				
	Continuing operations			Discontinued operation	
	Intelligent Water			Water meter	Total
	TV Business	meter data collection	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Reportable segment assets	199,458	303	199,761	–	199,761
Reportable segment liabilities	(87,735)	(137)	(87,872)	–	(87,872)

	For the year ended 31 December 2014		
	Continuing operation	Discontinued operation	Total HK\$'000
	TV Business HK\$'000	Water meter HK\$'000	
Reportable segment revenue:			
Sales to external customers	227,884	49,861	277,745
Reportable segment profit	12,494	7,834	20,328
Interest expenses	(249)	(358)	(607)
Depreciation of property, plant and equipment	(615)	(171)	(786)
Amortisation of intangible assets	(1,720)	(88)	(1,808)
Other material items of income and expense			
– Subsidy for value-added tax on software integrated circuit	1,955	–	1,955
Impairment of inventories	(281)	–	(281)
Additions to property, plant and equipment	1,410	422	1,832
Additions to intangible assets	8,904	–	8,904

	At 31 December 2014		
	Continuing operation	Discontinued operation	Total HK\$'000
	TV Business HK\$'000	Water meter HK\$'000	
Reportable segment assets	210,504	54,923	265,427
Reportable segment liabilities	(75,576)	(27,341)	(102,917)

(ii) *Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:*

<b>Year ended 31 December</b>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>231,836</b>	277,745
Elimination of discontinued operation	<b>(5,845)</b>	(49,861)
Consolidated revenue	<b>225,991</b>	227,884
<b>Profit or loss</b>		
Reportable segment (loss)/profit	<b>(32,872)</b>	20,328
Unallocated corporate expenses	<b>(10,505)</b>	(2,407)
Elimination of discontinued operation	<b>7,711</b>	(7,834)
<b>Consolidated (loss)/profit before income tax from continuing operations</b>	<b>(35,666)</b>	10,087
<b>At 31 December</b>		
<b>Assets</b>		
Reportable segment assets	<b>202,909</b>	265,427
Unallocated cash and cash equivalents	<b>20,836</b>	10,907
Other unallocated corporate assets	<b>11,812</b>	19,266
Consolidated total assets	<b>235,557</b>	295,600
<b>Liabilities</b>		
Reportable segment liabilities	<b>(87,872)</b>	(102,917)
Unallocated corporate liabilities	<b>(6,742)</b>	(4,125)
Consolidated total liabilities	<b>(94,614)</b>	(107,042)

(b) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Non-current assets").

	Revenue from external customers	
	2015	2014
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
PRC	225,991	219,342
Hong Kong	–	6,900
Others	–	1,642
	<b>225,991</b>	<b>227,884</b>
<b>Discontinued operation</b>		
PRC	5,845	49,861
Consolidated total	<b>231,836</b>	<b>277,745</b>
	<b>Non-current assets</b>	
	2015	2014
	HK\$'000	HK\$'000
PRC	22,215	29,715
Hong Kong	9	6,665
	<b>22,224</b>	<b>36,380</b>

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

			2015	2014
	Segment	Notes	HK\$'000	HK\$'000
Customer A	TV business		32,363	36,574
Customer B	TV business	(i)	N/A	32,074
Customer C	TV business	(ii)	33,219	N/A
Customer D	TV business	(ii)	25,780	N/A

Notes:

- (i) Revenue from this customer did not exceed 10% of total revenue in current year.
- (ii) Revenue from these customers did not exceed 10% of total revenue in 2014.



#### 4. OTHER INCOME AND GAINS

	Notes	2015 HK\$'000	2014 HK\$'000
Bank interest income		552	1,155
Change in fair value of financial assets at fair value through profit or loss		4	–
Management fee from China Water Affairs Group Limited	(i)	–	960
Compensation income		65	219
Loan interest income from third parties		–	1,498
Loan interest income from related companies	(ii)	59	105
Gain on disposal of property, plant and equipment		5	149
Government grant		2,540	157
Subsidy for value-added tax on software integrated circuit		–	1,955
Gain on disposal of subsidiaries		1,996	–
Gain on foreign exchange		200	–
Others		65	163
		<b>5,486</b>	<b>6,361</b>
Representing:			
– Continuing operations		3,351	6,138
– Discontinued operation		2,135	223
		<b>5,486</b>	<b>6,361</b>

Notes:

- (i) China Water Affairs Group Limited was a substantial shareholder of the Company up to 26 May 2015.
- (ii) The related companies are associates of China Water Affairs Group Limited.

#### 5. FINANCE COSTS

	Note	2015 HK\$'000	2014 HK\$'000
Interest expenses on borrowings:			
– Interest on loans from third parties		1,646	392
– Interest on loans from a related company	(i)	–	215
		<b>1,646</b>	<b>607</b>
Representing:			
– Continuing operations		1,202	249
– Discontinued operation		444	358
		<b>1,646</b>	<b>607</b>

Note:

- (i) The related company was an associate of China Water Affairs Group Limited.

## 6. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is arrived at after charging/(crediting):

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>207,331</b>	226,610
Staff costs (including directors' remuneration):		
Wages and salaries	<b>15,540</b>	9,208
Pension scheme contributions		
– Defined contribution scheme	<b>2,912</b>	796
Other staff benefits	<b>520</b>	431
	<b>18,972</b>	10,435
Auditors' remuneration	<b>720</b>	600
Depreciation of items of property, plant and equipment	<b>865</b>	800
Amortisation of intangible assets	<b>3,390</b>	1,808
Minimum lease payments under operating lease in respect of		
– Land and buildings	<b>1,099</b>	1,256
Exchange losses, net	–	133
Gain on disposal of subsidiaries	<b>(1,996)</b>	–
Change in fair value of financial assets at		
fair value through profit or loss	<b>(4)</b>	–
Impairment of trade receivables	<b>4,390</b>	–
Impairment of intangible assets	<b>4,080</b>	–
Impairment of inventories	<b>8,835</b>	281

## 7. INCOME TAX (CREDIT)/EXPENSE

No provision of Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group incurred losses for the current and prior years in Hong Kong.

PRC corporate income tax is calculated at a standard rate of 25% (2014: 25%) on the estimated assessable profits arising from its operation in the PRC.

The amount of income tax (credit)/ expenses includes in profit or loss represents:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current – the PRC		
– Charge for the year	–	6,105
– Over-provision in prior years	–	–
Deferred tax	<b>(3,666)</b>	(868)
	<b>(3,666)</b>	5,237
Representing:		
– Continuing operations	<b>(3,666)</b>	2,611
– Discontinued operation	–	2,626
	<b>(3,666)</b>	5,237

The income tax (credit)/ expenses of continuing operations for the year can be reconciled to the loss for the year multiplied by applicable tax rate as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit before tax	<b>(35,666)</b>	10,087
Tax calculated at the domestic tax rate of 16.5% (2014: 16.5%)	<b>(5,885)</b>	1,664
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(2,172)</b>	1,285
Tax effect of revenue not taxable for tax purposes	<b>(1,800)</b>	(1,545)
Tax effect of expenses not deductible for tax purposes	<b>1,235</b>	380
Tax effect of tax losses not recognised	<b>4,956</b>	827
Income tax (credit)/expenses	<b>(3,666)</b>	2,611

At 31 December 2015, the Group has unused tax losses of approximately HK\$66,058,000 (2014: HK\$44,097,000) available for offset against future profits. During the year, deferred tax asset of approximately HK\$3,276,000 (2014: HK\$15,000) has been recognised in respect of such tax losses. No deferred tax asset has been recognised in respect of the remaining HK\$52,954,000 due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward indefinitely.

## 8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2015 and 2014.

## 9. (LOSS)/EARNINGS PER SHARE

- (a) From continuing and discontinued operations

### *Basic (loss)/earnings per share*

The calculation of basic loss (2014: earning) per share attributable to owners of the Company is based on the loss (2014: profit) for the year attributable to owners of the Company of HK\$38,920,000 (2014: HK\$14,385,000) and the weighted average number of 3,800,000,000 (2014: 3,800,000,000) ordinary shares in issue during the year.

### *Diluted (loss)/earnings per share*

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2015 (2014: No diluted effect).

- (b) From continuing operations

### *Basic (loss)/earnings per share*

The calculation of basic loss (2014: earning) per share attributable to owners of the Company is based on the loss (2014: profit) for the year attributable to owners of the Company of HK\$32,000,000 (2014: HK\$7,476,000) and the weighted average number of 3,800,000,000 (2014: 3,800,000,000) ordinary shares in issue during the year.

### *Diluted (loss)/earnings per share*

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2015 (2014: No diluted effect).

- (c) From discontinued operation

### *Basic (loss)/earnings per share*

The calculation of basic loss (2014: earning) per share attributable to owners of the Company is based on the loss (2014: profit) for the year attributable to owners of the Company of HK\$6,920,000 (2014: HK\$6,909,000) and the weighted average number of 3,800,000,000 (2014: 3,800,000,000) ordinary shares in issue during the year.

### *Diluted (loss)/earnings per share*

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2015 (2014: No diluted effect).

## 10. TRADE AND NOTES RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	124,851	149,268
Notes receivables	5,816	12,972
	<b>130,667</b>	162,240

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 90 days (2014: 15 to 185 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

As at the end of the reporting periods, certain trade and notes receivables are pledged to secure general banking facilities granted to the Group.

As at the end of the reporting periods, certain notes receivables are pledged to secure certain notes payables.

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 90 days	58,129	78,506
91 days to 180 days	33,657	31,472
181 days to 1 year	22,033	37,600
Over 1 year	11,032	1,690
	<b>124,851</b>	149,268

The ageing of trade receivables which are past due but not impaired are as follows:

	2015 HK\$'000	2014 HK\$'000
Less than 1 month past due	25,837	18,021
1 to 3 months past due	14,350	14,223
More than 3 months but less than 12 months past due	17,581	8,977
Over 1 year past due	–	1,323
	<b>57,768</b>	42,544

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these receivables.

## 11. TRADE AND NOTES PAYABLES

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>58,928</b>	51,283
Notes payables	<b>25,246</b>	25,845
	<b>84,174</b>	77,128

An aged analysis of trade payables, based on the invoice date, is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Outstanding balances with ages:		
Within 180 days	<b>57,980</b>	50,859
181 days to 1 year	<b>740</b>	244
1 to 2 years	<b>207</b>	111
Over 2 years	<b>1</b>	69
	<b>58,928</b>	51,283

As at 31 December 2014, the notes payables were secured by (i) pledged bank deposits, (ii) certain trade receivables, and (iii) personal guarantee from a shareholder amount up to RMB29,400,000 (equivalence to approximately HK\$37,065,000).

As at 31 December 2015, the notes payables were secured by (i) pledged bank deposits, (ii) certain notes receivables, and (iii) personal guarantee from a director amount up to RMB10,000,000 (equivalence to approximately HK\$12,000,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overall Financial Results

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Rong Holdings Limited (the “**Company**”) is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015 (the “**Year**”) to the shareholders of the Company.

For the year ended 31 December 2015, the Group achieved a turnover of approximately HK\$225,991,000 with a gross profit of approximately HK\$22,859,000. The loss for the Year attributable to owners of the Company was approximately HK\$38,920,000. Basic loss per share of the Company was approximately HK1.02 cents while basic earnings per share for the year ended 31 December 2014 was approximately HK0.38 cents. As at 31 December 2015, balance of cash and cash equivalents of the Group were approximately HK\$47,746,000.

#### Turnover

For the Year under review, the Group recorded a turnover of approximately HK\$225,991,000 which was contributed by the continuing operations, TV business and the intelligent water meter data collection business.

In 2015, the Group’s business has two reporting segments under continuing operations (2014: two). Details of the segment information are set out in Note 3 to this announcement.

#### Business operations

##### Continuing operation

##### (i) TV business

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd. (“**Soyea Jiu Rong**”) to carry out the research and development, manufacturing and sales of digital television (“**TV**”), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

##### (ii) Intelligent water meter data collection system

The Group through Soyea Jiu Rong to carry out the sales of intelligent water meter data collection system.

##### Discontinued operation

##### (i) Water meter

The Group through its non-wholly owned subsidiary, Wuhan Sunbow Science & Technology Co. Limited (“**Sunbow**”) to carry out the design, assembly and installation of water meter in the Peoples’ Republic of China (the “**PRC**”). The water meter business was discontinued in October 2015 following the completion of the disposal of Mitsumaru East Kit (Group) Limited and its subsidiaries (the “**Disposal**”) on 31 October 2015. For details of the Disposal, please refer to the announcement and circular of the Company dated 20 July 2015 and 22 August 2015 respectively.

#### Gross Profit Margin

During the Year under review, the decrease of gross profit margin was due to the comparatively low gross profit margin products and services of the TV business.

## Expenses

During the Year under review, the Group adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

## Financial Position and Liquidity

	<b>31 December 2015</b>	31 December 2014
Current ratio	<b>2.25</b>	2.46
Quick ratio	<b>2.01</b>	2.18
Gearing ratio	<b>0.14</b>	0.13

\* Gearing ratio = Net debt divided by the capital plus net debt

For the Year under review, the Group used approximately HK\$3,214,000 (2014: approximately HK\$36,766,000) of cash from its operations. As at 31 December 2015, the Group had cash and cash equivalents of approximately HK\$47,746,000 (2014: approximately HK\$55,741,000).

As at 31 December 2015, surplus in shareholders' equity was approximately HK\$140,943,000 (2014: surplus in shareholders' equity of approximately HK\$186,292,000). Current assets of the Group amounted to approximately HK\$210,186,000 (2014: approximately HK\$259,201,000). The current ratio and quick ratio were approximately 2.25 and 2.01 (2014: approximately 2.46 and 2.18), respectively.

As at 31 December 2015, the Group's net debts amounted to approximately HK\$45,690,000 (2014: net debts of approximately HK\$44,952,000).

Trade and notes receivables decreased from approximately HK\$162,240,000 as at 31 December 2014 to approximately HK\$130,667,000 as at 31 December 2015. During the Year under review, the Group provided impairment loss on trade receivables of approximately HK\$4,390,000 (2014: HK\$Nil).

## Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK\$120,000 (2014: approximately HK\$1,832,000).

## Pledge of Assets

As at 31 December 2015, the Group has pledged (i) certain of its notes receivables; and bank deposit of HK\$7,252,000 (2014: HK\$2,332,000) to secure its notes payables.

## Material Acquisition

During the Year under review, the Group did not have any material acquisition.

## Capital Structure

During the Year under review, there was no change in the Company's capital structure.



### Significant Investment

The Group did not have any significant investments during the Year under review.

### Foreign Exchange and Currency Risks

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2014: Nil).

The Group does not have any capital commitment in the Year under review (2014: Nil).

### Employees Benefit and Expenses

As at 31 December 2015, there were 180 employees (2014: 356 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK\$18,972,000 (2014: approximately HK\$10,435,000). 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 the knowledge, skills and overall caliber of its employees.

## **BUSINESS REVIEW AND OUTLOOK**

The Company's business operation has gone through a lot of challenges in 2015, the Group record approximately HK\$225,991,000 (2014: approximately HK\$227,884,000) in turnover from continuing business operations derived from the TV Business and the intelligent water meter data collection business for the year ended 31 December 2015, representing a decrease of 0.83% as compared with last year's corresponding period. The Group recorded operating loss of approximately HK\$32,000,000 (2014: profit of approximately HK\$7,476,000) and loss attributable to owners of the Company of approximately HK\$38,920,000 (2014: profit of approximately HK\$14,385,000).

Taken into account the unsatisfactory performance of the water meter business, the Group completed the Disposal at a consideration of HK\$23,000,000 on 31 October 2015 and a gain of approximately HK\$1,996,000 has been recorded.

In order to maximize shareholder's wealth, despite closely monitoring the TV Business of the Group, the Company has been leveraged on the expertise, experiences, research and development of Soyee Jiu Rong, commenced trading of TV Business through its wholly owned subsidiary Ace Earn Limited in August 2015 and developed four mobile apps: the first one is for intelligent water meter data collection system which becomes a new business segment of the Group; the second one is for controlling video transmission among mobile phones, computers and televisions; the third one is for smart city management; and the fourth one is for smart hotel management.

The Directors will continue to closely evaluate the performance of the above mentioned business and will actively explore new business or investment as well as fund raising opportunities which can strengthen the financial position of the Group in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

## **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 year.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the “**Code of Conduct**”) by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the “**Model Code**”). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2015.

All the Directors apart from Mr. Tang Chin Wan, the former executive Director and Ms. Au Shui Ming, Anna and Mr. Tsang Ho Ka, Eugene, the former independent non-executive Directors, have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2015. The Company is unable to obtain the relevant confirmations from Mr. Tang Chin Wan due to his resignation on 1 June 2015, Ms. Au Shui Ming, Anna and Mr. Tsang Ho Ka, Eugene due to their resignation on 1 October 2015, and therefore is unable to fully ascertain whether the Company has complied with the required standard set out in the Model Code and Code of Conduct through the year ended 31 December 2015.

## CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of our shareholders, investors, customers and staff.

The Company has complied with the code provisions (the “**Code Provision(s)**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under the Code Provision A.2.1 of the CG Code, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Year and up to the date of this announcement hereof, the posts of chairman and chief executive were vacant. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as and when appropriate.

2. Under the Code Provision A.6.7 of the CG Code, the independent non-executive Directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, three independent non-executive Directors did not attend the annual general meeting (“**AGM**”) held on 29 May 2015, and one executive Director and three independent non-executive Directors did not attend the extraordinary general meeting (“**EGM**”) held on 10 September 2015.

However, at the respective general meetings of the Company, there were at least two executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

3. Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

Due to other business engagements, the chairman of the audit and remuneration committees did not attend the AGM.

The Board has taken remedial steps, actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code.

## **AUDIT COMMITTEE**

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

## **SCOPE OF WORK OF THE GROUP'S AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

The annual results of the Group for the year ended 31 December 2015 is available for viewing on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at <http://www.irasia.com/listco/hk/2358>. An annual report for the year ended 31 December 2015 will be despatched to the shareholders and available on the above websites in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Directors of the Company are:

### **Executive Directors:**

Mr. Siu Chi Ming  
Ms. Wang Liping  
Mr. Yin Jianwen

### **Independent Non-executive Directors:**

Mr. Wu Yinong  
Mr. Chen Guowei  
Mr. Yuan Qian Fei

By Order of the Board  
**Jiu Rong Holdings Limited**  
**Siu Chi Ming**  
*Executive Director*

Hong Kong, 31 March 2016