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Jiu Rong Holdings Limited
久融控股有限公司

(formerly known as Mitsumaru East Kit (Holdings) Limited 三丸東傑(控股)有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

INTERIM RESULTS ANNOUNCEMENT
For the six months ended 30 June 2014

The board of directors (the "Directors") (the "Board") of Jiu Rong Holdings Limited (the "Company") are pleased to present unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 (the "Period") together with the comparative figures for the corresponding period of 2013.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Notes	Unaudited Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue	3	143,713	16,126
Cost of sales		(119,208)	(10,513)
Gross profit		24,505	5,613
Other income and gains	4	2,121	210
Selling and distribution costs		(4,918)	(1,056)
Administrative expenses		(13,592)	(5,457)
Other operating expenses		(222)	–
Finance costs	5	(308)	(2,128)
Profit/(Loss) before income tax	6	7,586	(2,818)
Income tax expenses	7	(1,890)	(852)
Profit/(Loss) for the period		5,696	(3,670)
Other comprehensive income for the period			
Exchange differences on translating foreign operations		(1,980)	–
Other comprehensive income for the period		–	–
Total comprehensive income/(loss) for the period		3,716	(3,670)
Profit/(loss) attributable to:			
– Owners of the Company		5,590	(4,414)
– Non-controlling interests		106	744
		5,696	(3,670)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		3,610	(4,414)
– Non-controlling interests		106	744
		3,716	(3,670)
Profit/(Loss) per share	8		
– Basic and diluted		HK0.15 cents	(HK0.9 cents)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,946	4,660
Intangible assets		8,224	8,344
Goodwill		16,417	16,417
Deferred tax assets		1,504	35
Total non-current assets		30,091	29,456
CURRENT ASSETS			
Inventories		39,977	41,991
Trade and notes receivables	11	157,249	64,979
Prepayments, deposits and other receivables		53,679	14,790
Cash and cash equivalents		60,264	98,042
Total current assets		311,169	219,802
CURRENT LIABILITIES			
Trade and bills payables	12	144,010	47,220
Other payables, accrued expenses and deposits received		13,775	22,206
Amount due to non-controlling interests		132	133
Other loans	13	750	761
Tax payable		2,325	2,349
Total current liabilities		160,992	72,669
Net current assets		150,177	147,133
Total assets less current liabilities		180,268	176,589
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,520	2,557
		2,520	2,557
Net assets		177,748	174,032
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	380,000	380,000
Reserves	16	(205,328)	(208,938)
Non-controlling interests		174,672	171,062
		3,076	2,970
Total equity		177,748	174,032

Notes to the Condensed Consolidated Financial Statements

30 June 2014

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 (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 ("HKICPA") 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These Interim Financial Statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

This Interim Financial Statements have not been audited by the auditors of the Company, but have been reviewed and approved by the Audit Committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the Interim Financial Statements are consistent with those set out in the consolidated financial statements of the Group for the year ended 31 December 2013, the New HKFRSs which have become effective in this Period have no material impact on the accounting policies in the Group's condensed consolidated interim financial statements for the Period.

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

3. SEGMENT INFORMATION

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

Reportable segments

The Group has two reportable segments during the Period (30 June 2013: one segment). The following summary describes the operations in the Group's reportable segments:

- Water Meter Business – the sale, design, assembly and installation of water meters and provision of remote water metering management system, after sales and related services of water meters.
- 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.

3. SEGMENT INFORMATION (CONTINUED)

The revenue and gain generated by each of the Group's operating segments and segment assets are summarised as follows:

Six months ended 30 June 2014

	TV Business (Unaudited) HK\$'000	Water Meter Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reporting segment revenue from external customers	127,963	15,750	143,713
Reporting segment gain	4,832	4,837	9,669
Reporting segment assets	265,583	30,173	295,756

Six months ended 30 June 2013

	TV Business (Unaudited) HK\$'000	Water Meter Business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reporting segment revenue from external customers	–	16,126	16,126
Reporting segment gain	–	3,559	3,559
Reporting segment assets	–	25,485	25,485

The Group's segment profit/(loss) reconciles to the Group's profit/(loss) before income tax as presented in its Interim Financial Statements as follows:

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit or (loss)		
Total reporting segment profit/(loss)	9,669	3,559
Unallocated corporate expenses	(3,965)	(4,249)
Unallocated finance costs	(8)	(2,128)
Consolidated profit/(loss) before income tax	5,696	(2,818)

4. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Bank interest income	821	–
Fair value change of a derivative financial instrument	–	(125)
Management fee	–	320
Others	1,300	15
	2,121	210

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Interest on loans wholly repayable within five years		
– Other loans	214	2,128
Bank charges	94	–
	308	2,128

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Cost of inventories recognised as expense	–	13,977
Depreciation of property, plant and equipment	245	101
Employee benefit expenses (including directors' remuneration):		
– Wages and salaries	12,014	1,775
– Pension scheme contributions	26	24
	12,285	15,877
Fair value change of a subscription right derivative	–	125
Foreign exchange loss, net	173	–

7. INCOME TAX EXPENSES

No provision of Hong Kong Profit Tax has been provided in the Interim Financial Statements as the Group incurred losses for the Period in Hong Kong.

The rate of corporate income tax of the People's Republic of China ("PRC") is calculated at a standard rate of 25% (30 June 2013: 25%) on the estimated assessable profits arising from its operation in the PRC.

The amount of income tax expenses includes in profit or loss represents:

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current tax for the Period – PRC	1,890	852
Deferred tax expense	–	–
	1,890	852

8. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share for the Period is based on the profit/(loss) for the Period attributable to owners of the Company of HK\$5,590,000 (30 June 2013: loss of HK\$4,414,000) and 3,800,000,000 (30 June 2013: 400,000,000) ordinary shares in issue during the Period.

The diluted profit/(loss) per share for both the six months ended 30 June 2014 and 2013 are the same as the respective basic profit/(loss) per share as the impact of potential ordinary shares have an anti-dilutive effect on the basic loss per share for these periods.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (30 June 2013: HK\$Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, approximately HK\$737,000 (30 June 2013: approximately HK\$103,000) was spent on acquisition of plant and equipment. There was disposal of property, plant and equipment of approximately HK\$1,144,000 during the Period (30 June 2013: Nil).

11. TRADE AND NOTES RECEIVABLES

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Trade receivables	151,232	48,971
Note receivables	6,017	16,008
	157,249	64,979

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 15 to 185 days (2013: 15 to 185 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables (net of impairment loss) as of the end of reporting period, based on the invoice dates, is as follows:

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Within 180 days	146,390	46,816
181 days to 1 year	3,042	214
Over 1 year	1,800	1,941
	151,232	48,971

12. TRADE AND NOTES PAYABLES

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Trade payables	41,260	32,734
Notes payables	102,750	14,486
	144,010	47,220

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

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Within 180 days	39,923	30,738
181 days to 1 year	1,219	1,037
1 to 2 years	118	959
	41,260	32,734

13. OTHER LOANS

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Unsecured other loans from:		
<i>Interest bearing</i>		
– non-controlling beneficial shareholder of a subsidiary (note (a))	750	761
	750	761

All other loans are repayable within one year.

Notes:

- (a) The loan from the non-controlling beneficial shareholder of a subsidiary of the Company is unsecured, bore interest at a fixed rate of 5.76% per annum.

14. SHARE CAPITAL

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	500,000	500,000
Issued and fully paid:		
3,800,000,000 ordinary shares of HK\$0.1 each	380,000	380,000

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 SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29 May 2014, the Company approved and adopted a share option scheme (the "Scheme").

The purpose of the Scheme 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 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

15. SHARE OPTION SCHEMES (CONTINUED)

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 commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

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.

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

During the Period, at 30 June 2014 and up to the date of approval of these Interim Financial Statements, no share options have been granted under the Scheme.

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 therefore.

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 PRC. These reserves can be used either to offset against accumulated losses or be capitalized 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.

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group does not have any contingent liability or capital commitment in the Period under review (31 December 2013: HK\$Nil).

18. RELATED PARTY TRANSACTIONS

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 2014:

- (a) Included in prepayments, deposits and other receivables are amounts due from certain shareholders totaling HK\$Nil (31 December 2013: approximately HK\$Nil). The balances due were unsecured, interest-free and have no specific terms of repayment;
- (b) During the Period, total compensation paid to the Directors of the Company was approximately HK\$900,000 (30 June 2013: approximately HK\$592,000).

The related party transactions in respect of items (a) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Group has not made any impairment in respect of related party receivable nor has any guarantee been given or received during the current or prior period regarding related party transactions.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

This Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2014.

Management Discussion and Analysis

FINANCIAL REVIEW

Overall Financial Results

During the Period, the Group achieved approximately HK\$143,713,000 in turnover, representing a significant increase of approximately 791% from that of approximately HK\$16,126,000 during the same period of last year. Gross profit was approximately HK\$24,505,000, comparing to the gross profit of approximately HK\$5,613,000 during the corresponding period of last year. The overall gross profit ratio decreased from approximately 34.8% to approximately 17.05%. Profit for the Period attributable to owners of the Company was approximately HK\$5,590,000 (for the corresponding period of last year: loss of approximately HK\$4,414,000). Basic profit per share was approximately HK0.15 cents (for the corresponding period of last year: loss of approximately HK0.9 cents). As at 30 June 2014, the balance of cash and cash equivalents was approximately HK\$60,264,000 (31 December 2013: approximately HK\$98,042,000).

Turnover

For the Period under review, the Group recorded a turnover of approximately HK\$143,713,000 which is contributed by the Water Meter Business and TV Business.

The substantial increase in turnover as comparing to the same period of last year is mainly because of the acquisition of the TV business in December 2013.

During the Period, the Group's business has two segments (30 June 2013: one segment). Details of the segment information are set out in note 3 of the Interim Financial Statements.

Gross Profit Margin

During the Period under review, the drop gross margin was due to the comparatively low margin products and services generated from the TV Business.

Financial Position and Liquidity

	30 June 2014	31 December 2013
Current ratio	1.93	3.02
Quick ratio	1.68	2.45
Gearing ratio*	37%	N/A

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

As at 30 June 2014, the Group's borrowings from other loans were approximately HK\$750,000 (31 December 2013: approximately HK\$761,000).

The cash and cash equivalents was approximately HK\$60,264,000 (31 December 2013: approximately HK\$98,042,000). The current ratio and quick ratio were approximately 1.93 and 1.68 (31 December 2013: approximately 3.02 and 2.45) respectively. The gearing ratio of approximately 37% on 30 June 2014 (31 December 2013: N/A).

The maturity profile of other loans is detailed in note 13 to the Interim Financial Statements.

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 principally with internal resources.

The Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB") and HK\$ (30 June 2013: RMB, 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 against US\$. During the Period, the Group does not intend to hedge its exposure to foreign exchange fluctuations, but will constantly monitor the economic situation and its foreign exchange risk position, and will consider appropriate hedging measures in future as may be necessary and feasible.

Employees Benefit and Expenses

As at 30 June 2014, the total number of employees in the Group was 276 (31 December 2013: 52). The total amount of employee wages and salaries incurred during the Period was approximately HK\$12,014,000 (30 June 2013: approximately HK\$1,799,000). 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.

INTERIM DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (30 June 2013: HK\$Nil).

BUSINESS REVIEW AND OUTLOOK

The Company's operating and financial position has significantly improved following the acquisition of 100% equity interests of Soyea Jiu Rong Technology Limited and the open offer in December 2013, the Group recorded approximately HK\$143,713,000 (2013: approximately HK\$16,126,000) in turnover from TV Business and Water Meter Business for the six months ended 30 June 2014, representing an increase of 791% which was mainly due to the revenue generated from the TV Business since January 2014. The Group recorded operating profit of approximately HK\$5,696,000 (2013: loss of approximately HK\$3,670,000) and profit attributable to owners of the Company of approximately HK\$5,590,000 (2013: loss of approximately HK\$4,414,000).

Even though the Directors anticipate that this prospect will persist in the second half of 2014 and the performance as well as the operations of the Group will remain satisfactory, the Directors will continue to closely monitor and evaluate the performance of the TV Business and Water Meter Business in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture

As at 30 June 2014, none of the Directors and Chief Executive 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 2014.

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 2014.

Compliance on Corporate Governance Practices

For the Period, the Company complied with all the code provisions in the Corporate Governance Code. 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 principals and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Interim Financial Statements for the six months ended 30 June 2014 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 2014 are available for viewing on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkex.com.hk and on the website of the Company at www.irasia.com/listco/hk/2358.

Board of Directors

As at the date of this announcement, the Executive Directors are Mr. Siu Chi Ming, Mr. Tang Chin Wan and Ms. Wang Liping, the Independent Non-executive Directors are Ms. Au Shui Ming, Mr. Wu Yinong and Mr. Tsang Ho Ka, Eugene.

On Behalf of the Board
Jiu Rong Holdings Limited
Siu Chi Ming
Executive Director

Hong Kong, 29 August 2014