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 2017

KEY HIGHLIGHTS

- The Group recorded turnover of approximately HK$279,889,000, representing a significant increase of approximately 101% from approximately HK$139,312,000 as compared with the last corresponding year.

- Profit for the year attributable to owners of the Company was approximately HK$31,641,000 (2016: loss of approximately HK$35,317,000), representing a significant improvement as compared with the last corresponding year.

- The revenue from the New Energy Vehicles Business amounted to approximately HK$111,249,000 (2016: approximately HK$2,331,000), representing a significant increase of 46.73 times compared with the last corresponding year. The relevant segment profit before tax amounted to approximately HK$19,828,000 (2016: approximately HK$2,496,000), representing a significant increase of approximately 694% as compared with the last corresponding year.

- The revenue from the Digital Video Business amounted to approximately HK$165,788,000 (2016: approximately HK$136,981,000), representing an increase of approximately 21% as compared with the last corresponding year. The relevant segment profit before tax amounted to approximately HK$4,913,000 (2016: loss of approximately HK$31,978,000), representing a significant improvement as compared with the last corresponding year.

- As at 31 December 2017, the Group's total assets amounted to approximately HK$1,473,385,000 (2016: approximately HK$252,290,000), representing a significant increase of approximately 484% as compared with the last corresponding year.

- As at 31 December 2017, the Group's net assets amounted to approximately HK$437,389,000 (2016: approximately HK$194,486,000), representing a significant increase of approximately 125% as compared with the last corresponding year.

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 2017 (the "**Year**") together with the comparative figures for the corresponding year of 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	3	**279,889**	139,312
Cost of sales		**(201,673)**	(122,679)
Gross profit		**78,216**	16,633
Other income and gains	4	**30,594**	2,977
Selling and distribution costs		**(23,414)**	(8,252)
Administrative expenses		**(35,784)**	(22,224)
Other operating expenses		**(5,448)**	(21,594)
Finance costs	5	**(11,048)**	–
PROFIT/(LOSS) BEFORE TAX	6	**33,116**	(32,460)
Income tax expense	7	**(1,475)**	(2,857)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**31,641**	(35,317)
Other comprehensive income/(loss) for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**11,980**	(5,200)
		11,980	(5,200)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**11,980**	(5,200)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**43,621**	(40,517)
EARNINGS/(LOSS) PER SHARE (HK$ cents)	9		
– Basic		**0.60**	(0.86)
– Diluted		**0.60**	(0.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**293,880**	17,638
Investment properties		**72,352**	–
Deferred tax assets		**4,080**	–
		370,312	17,638
CURRENT ASSETS			
Inventories		**13,504**	14,016
Properties for sale under development		**583,114**	–
Trade and notes receivables	10	**116,806**	81,356
Prepayments, deposits and other receivables		**91,017**	16,152
Financial assets at fair value through profit or loss		**33,493**	–
Current tax asset		**–**	8
Pledged bank deposits		**141,251**	5,756
Cash and cash equivalents		**123,888**	117,364
		1,103,073	234,652
CURRENT LIABILITIES			
Trade and notes payables	11	**125,653**	41,807
Other payables and accruals		**76,164**	15,985
Bank and other loans		**727,652**	–
Deferred government grant		**5,845**	–
Tax payable		**876**	12
		936,190	57,804
NET CURRENT ASSETS		**166,883**	176,848
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,195**	194,486
NON-CURRENT LIABILITIES			
Deferred government grant		**46,762**	–
Deferred tax liabilities		**53,044**	–
		99,806	–
NET ASSETS		**437,389**	194,486
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**547,200**	456,000
Reserves		**(109,811)**	(261,514)
TOTAL EQUITY		**437,389**	194,486

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 as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

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 2017. 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

(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 five (2016: two) reportable segments. 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:

(i) Digital Video 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) New Energy Vehicles Business: construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems.

(iii) Cloud Ecological Big Data Business: application and management of cloud ecological big data.

(iv) Properties Development: properties development of big data industrial park.

(v) Properties Investment: properties investment for rental income from big data industrial park.

(i) Business segments

	For the year ended 31 December 2017					
	Digital Video Business HK$'000	**New Energy Vehicles Business HK$'000**	**Cloud Ecological Big Data Business HK$'000**	**Properties Development HK$'000**	**Properties Investment HK$'000**	**Total HK$'000**
Reportable segment revenue:						
Sales to external customers	**165,788**	**111,249**	**2,227**	**–**	**625**	**279,889**
Reportable segment profit/(loss)	**4,913**	**19,828**	**(1,216)**	**–**	**223**	**23,748**
Depreciation of property, plant and equipment	**(636)**	**(22,022)**	**(20)**	**–**	**–**	**(22,678)**
Depreciation of Investment Properties	**–**	**–**	**–**	**–**	**(45)**	**(45)**
Government grants	**710**	**5,615**	**–**	**–**	**–**	**6,325**
Rental income	**–**	**–**	**–**	**–**	**625**	**625**
Gain on disposal of financial assets fair value through profit or loss	**360**	**340**	**–**	**–**	**–**	**700**
Fair value loss on financial assets fair value through profit or loss	**(223)**	**(1,346)**	**–**	**–**	**–**	**(1,569)**
Income tax credit/(expense)	**3,813**	**(5,383)**	**–**	**–**	**–**	**(1,570)**
Reversal of impairment of inventories	**3,138**	**–**	**–**	**–**	**–**	**3,138**
Additions to property, plant and equipment	**254**	**281,201**	**199**	**–**	**–**	**281,654**

	At 31 December 2017					
	Digital Video Business HK$'000	**New Energy Vehicles Business HK$'000**	**Cloud Ecological Big Data Business HK$'000**	**Properties Development HK$'000**	**Properties Investment HK$'000**	**Total HK$'000**
Reportable segment assets	**162,002**	**393,628**	**387**	**583,114**	**81,104**	**1,220,235**
Reportable segment liabilities	**(52,312)**	**(315,386)**	**(70)**	**(520,486)**	**(48,124)**	**(936,378)**

	For the year ended 31 December 2016		
	Digital Video Business HK$'000	New Energy Vehicles Business HK$'000	Total HK$'000
Reportable segment revenue:			
Sales to external customers	136,981	2,331	139,312
Reportable segment (loss)/profit	(31,978)	2,496	(29,482)
Depreciation of property, plant and equipment	(625)	(192)	(817)
Amortisation of intangible assets	(2,209)	–	(2,209)
Income tax expense	(2,845)	(12)	(2,857)
Reversal of impairment of inventories	3,719	–	3,719
Impairment of goodwill	(11,800)	–	(11,800)
Reversal of impairment of trade receivables	1,172	–	1,172
Impairment of intangible assets	(4,868)	–	(4,868)
Impairment of property, plant and equipment	(1,774)	–	(1,774)
Additions to property, plant and equipment	97	17,824	17,921

	At 31 December 2016		
	Digital Video Business HK$'000	New Energy Vehicles Business HK$'000	Total HK$'000
Reportable segment assets	136,428	83,955	220,383
Reportable segment liabilities	(51,343)	(3,914)	(55,257)

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

Year ended 31 December	2017 HK$'000	2016 HK$'000
Revenue		
Total revenue of reportable segments	**279,889**	139,312
Other revenue	**–**	–
Consolidated revenue	**279,889**	139,312
Profit or loss		
Total profit or (loss) of reportable segments	**23,748**	(29,482)
Unallocated corporate income/(expenses) (net)	**9,368**	(2,978)
Consolidated profit/(loss) before tax	**33,116**	(32,460)

At 31 December	2017 HK$'000	2016 HK$'000
Assets		
Total assets of reportable segments	**1,220,235**	220,383
Unallocated cash and cash equivalents	**237,143**	31,869
Other unallocated corporate assets	**16,007**	38
Consolidated total assets	**1,473,385**	252,290
Liabilities		
Total liabilities of reportable segments	**(936,378)**	(55,257)
Unallocated corporate liabilities	**(99,618)**	(2,547)
Consolidated total liabilities	**(1,035,996)**	(57,804)

(b) Geographical information

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

	Revenue from external customers	
	2017	2016
	HK$'000	HK$'000
PRC	**213,550**	132,496
Cuba	**66,339**	6,816
Total	**279,889**	139,312

	Non-current assets	
	2017	2016
	HK$'000	HK$'000
PRC	**366,197**	17,634
Hong Kong	**35**	4
	366,232	17,638

(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:

	Segment	Note	**2017** **HK$'000**	2016 HK$'000
Customer A	Digital Video Business	(i)	**N/A**	20,131
Customer B	Digital Video Business	(i)	**N/A**	22,822
Customer C	Digital Video Business	(i)	**N/A**	14,397
Customer D	New Energy Vehicles Business	(ii)	**109,878**	N/A
Customer E	Digital Video Business	(ii)	**35,579**	N/A

Note:

(i) Revenue from these customers did not exceed 10% of total revenue in 2017.

(ii) Revenue from these customers did not exceed 10% of total revenue in 2016.

4. OTHER INCOME AND GAINS

	2017 **HK$'000**	2016 HK$'000
Bank interest income	**3,097**	650
Gain on disposal of financial assets at fair value through profit or loss	**982**	331
Gain on bargain purchase from acquisition of a subsidiary	**12,325**	–
Compensation income	**763**	28
Loan interest income from third parties	**3,915**	–
Gain on disposal of property, plant and equipment	**–**	8
Government grants	**6,325**	264
Reversal of impairment of trade receivables	**–**	1,172
Reversal of impairment of inventories	**3,138**	–
Others	**49**	524
	30,594	2,977

5. FINANCE COSTS

	2017 **HK$'000**	2016 HK$'000
Interest expenses on borrowings:		
– Interest expenses on bank loans	**6,550**	–
– Interest on loans from third parties	**13,400**	–
Total borrowing cost	**19,950**	–
Amount capitalised	**(8,902)**	–
	11,048	–

6. PROFIT/(LOSS) FOR THE YEAR

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

	2017 **HK$'000**	2016 HK$'000
Cost of inventories sold	**201,673**	122,679
Staff costs (including directors' remuneration):		
Wages and salaries	**24,431**	12,158
Pension scheme contributions		
– Defined contribution scheme	**7,159**	1,994
Other staff benefits	**2,708**	443
	34,298	14,595
Auditors' remuneration	**700**	530
Depreciation of property, plant and equipment	**23,220**	822
Depreciation of investment properties	**45**	–
Amortisation of intangible assets	**–**	2,209
Minimum lease payments under operating lease in respect of		
– Land and buildings	**1,621**	798
Exchange losses, net	**2,640**	35
Gain on disposal of financial assets at fair value through profit or loss	**(982)**	(331)
Fair value loss on financial assets at fair value through profit or loss	**1,569**	–
Impairment/(reversal of impairment) of trade receivables	**314**	(1,172)
Impairment of goodwill	**–**	11,800
Impairment of intangible assets	**–**	4,868
Impairment of property, plant and equipment	**–**	1,774
Reversal of impairment of inventories (included in cost of inventories sold)	**(3,138)**	–

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 as the Group did not generate any assessable profits arising in Hong Kong during that year.

PRC corporate income tax is calculated at a standard rate of 25% (2016: 25%) on the estimated assessable profits arising from its operation in the PRC, except for Soyea Jiu Rong Technology Co., Limited ("Soyea Jiu Rong"). For the year ended 31 December 2017, Soyea Jiu Rong has obtained the new high-tech enterprise certificate and entitled for a preferential tax rate of 15% (2016: 15%).

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

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong Profits Tax		
– Provision for the year	**15**	–
	15	–
Current – the PRC		
– Charge for the year	**5,383**	12
– Under-provision in prior years	**–**	936
Deferred tax	**(3,923)**	1,909
	1,475	2,857

The income tax expense of continuing operations for the year can be reconciled to the loss for the year multiplied by applicable tax rate as follows:

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) before tax	**33,116**	(32,460)
Tax calculated at the domestic tax rate of 16.5% (2016: 16.5%)	**5,464**	(5,356)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,426**	(731)
Tax effect of revenue not taxable for tax purposes	**(3,262)**	(166)
Tax effect of expenses not deductible for tax purposes	**1,012**	3,177
Tax effect of tax losses not recognised	**1,267**	4,997
Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets	**(3,923)**	–
Tax effect of utilisation of tax losses not previously recognised	**(509)**	–
Under-provision in prior years	**–**	936
Income tax expense	**1,475**	2,857

At 31 December 2017, the Group has unused tax losses of approximately HK$116,051,000 available for offset against future profits. In the current year, deferred tax asset of approximately HK$4,080,000 has been recognised in respect of the unused tax losses of approximately HK$27,136,000 due to the unpredictability of the respective future profit streams. At 31 December 2016, the Group has unused tax losses of approximately HK$82,173,000 available for offset against future profits. In year 2016, no tax assets has been recognised in respect of the unused tax loss of approximately HK$82,173,000. The said unrecognised tax losses may be carried forward for five years or indefinitely depends on the respective tax jurisdictions.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2017 and 2016.

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings (2016: loss) per share attributable to owners of the Company is based on the profit (2016: loss) for the year attributable to owners of the Company of HK$31,641,000 (2016: loss attributable to owners of the Company of approximately HK$35,317,000) and the weighted average number of 5,284,603,000 (2016: 4,123,934,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2017 (2016: No diluted effect).

10. TRADE AND NOTES RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**116,806**	80,677
Notes receivables	**–**	679
	116,806	81,356

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 (2016: 30 to 90 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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:

	2017 **HK$'000**	2016 HK$'000
Within 90 days	**31,853**	45,604
91 days to 180 days	**28,077**	8,656
181 days to 1 year	**47,564**	15,025
Over 1 year	**9,312**	11,392
	116,806	80,677

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

	2017	2016
	HK$'000	HK$'000
Less than 1 month past due	**19,473**	2,582
1 to 3 months past due	**4,086**	4,613
More than 3 months but less than 12 months past due	**8,895**	17,981
Over 1 year past due	**2,867**	5,547
	35,321	30,723

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

	2017	2016
	HK$'000	HK$'000
Trade payables	**105,021**	25,015
Notes payables	**20,632**	16,792
	125,653	41,807

As at 31 December 2017 and 2016, certain notes payables were secured by pledged bank deposits.

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

	2017	2016
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 180 days	**34,577**	21,639
181 days to 1 year	**65,235**	1,233
1 to 2 years	**390**	1,954
Over 2 years	**4,819**	189
	105,021	25,015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

For the year ended 31 December 2017, the Group achieved turnover of approximately HK$279,889,000. representing a significant increase of 101% from approximately HK$139,312,000 in last corresponding year. The Group recorded gross profit of approximately HK$78,216,000, representing a significant increase of 370% from approximately HK$16,633,000 in last corresponding year. The Group successfully overturned the loss making position and achieved profit for the Year attributable to owners of the Company of approximately HK$31,641,000 (loss of approximately HK$35,317,000 for the year ended 31 December 2016). Basic profit per share of the Company was approximately HK0.60 cents while basic loss per share for the year ended 31 December 2016 was approximately HK0.86 cents. As at 31 December 2017, balance of cash and cash equivalents of the Group were approximately HK$123,888,000 (2016: HK$117,364,000).

Turnover

For the Year under review, the Group recorded turnover of approximately HK$279,889,000 which was mainly contributed by the Digital Video Business and the New Energy Vehicles Business.

In 2017, the Group's business has five (2016: two) reporting segments.

Business Operations

(i) Digital Video Business

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd. ("**Soyea Jiu Rong**") carries 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) New Energy Vehicles Business

The Group through its wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited ("**Jiu Rong New Energy**") carries out the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems.

(iii) Cloud Ecological Big Data Business

The Group through its wholly owned subsidiary, Hangzhou Yunqi Cloud Data Limited* (杭州云栖云数据有限公司) ("**Yunqi Cloud Data**") carries out the application and management of cloud ecological big data.

(iv) Properties Development

The Group through its wholly owned subsidiary, Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司) carries out the properties development of big data industrial park in Hangzhou. It is expected that the park will establish a "Cloud Ecological System" to build a new generation of information technology (such as AR/VR, face recognition, digital maps, etc.) and communication technology, such as Internet of Things, big data, cloud computing, (Such as 5G, LTE-V, NB-IOT, etc.) throughout the cloud industry park in all aspects, to create the country's first all-intelligent perception, interoperability cloud ecological park.

* *For identification purpose only*

(v) Properties Investments

The Group through its wholly owned subsidiary, Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司) to conduct the properties investment for rental income from the big data industrial park in Hangzhou.

Gross Profit Margin

During the Year under review, the gross profit margin increased from approximately 12% to 28% as a result of the comparatively high gross profit margin of the New Energy Vehicles 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

	31 December 2017	31 December 2016
Current ratio	**1.18**	4.06
Quick ratio	**0.54**	3.82
Gearing ratio	**3.46**	N/A

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

For the Year under review, the Group used approximately HK$351,685,000 (2016: HK$4,569,000) of cash from its operations. As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$123,888,000 (2016: HK$117,364,000).

As at 31 December 2017, surplus in shareholders' equity was approximately HK$437,389,000 (2016: surplus in shareholders' equity of approximately HK$194,486,000). Current assets of the Group amounted to approximately HK$1,103,073,000 (2016: HK$234,652,000). The current ratio and quick ratio were approximately 1.18 and 0.54 (2016: 4.06 and 3.82), respectively.

As at 31 December 2017, the Group's net debts amounted to approximately HK$769,981,000 (2016: net cashes of approximately HK$59,560,000). Trade and notes receivables increased from approximately HK$81,356,000 as at 31 December 2016 to approximately HK$116,806,000 as at 31 December 2017.

During the Year under review, the Group provided an impairment loss of approximately HK$314,000 on trade receivables (2016: provided reversal of impairment of trade receivables approximately HK$1,172,000).

* *For identification purpose only*

Capital Expenditures

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK$282,165,000 (2016: HK$17,921,000) which was mainly used for the business development of the New Energy Vehicles Business, including establishment of electric vehicles charging facilities stations in Hangzhou.

Pledged of Assets

As at 31 December 2017, the Group has pledged certain of its bank deposit of approximately HK$141,251,000 (2016: HK$5,756,000 to secure its notes payables) to secure bank loans and its notes payables.

Material Acquisition and Significant Investments

During the Year under review, the Group completed the acquisition of 100% equity interest of Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司) at a consideration of RMB139,000,000, for details of the acquisition, please refer to the announcement of the Company dated 29 August 2017.

Capital Structure

During the Year under review, the Company completed the placing of new shares, on best effort basis, for a maximum of 912,000,000 shares at a price of HK$0.22 per share under the new general mandate granted to the Directors at the annual general meeting held on 26 August 2016. The placing was completed on 17 March 2017 whereby a total of 912,000,000 placing shares have been successfully placed (the "**Placing**"). The net proceeds of the Placing of approximately HK$199,282,000 has been used for settlement of the acquisition consideration of Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司) of RMB139,000,000 (equivalent to approximately HK$164,000,000) and HK$35,282,000 has been used for the business development of the New Energy Vehicles Business, including establishment of electric vehicles charging facilities stations in Hangzhou.

Significant Securities Investments

The Group invested in 4,400,000 Shares of Hangzhou East Software Park Co., Ltd.* (杭州东部软件园股份有限公司), a company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統, stock code: 832968). The total investment cost is RMB24,860,000. The principal business of Hangzhou East Software Park Co., Ltd. is principally engaged in the construction, management and operation of software park, such business is similar to the Group's big data industrial park, and the Group may cooperate or work with East Software Park in the coming future, or the Group may further invest in East Software Park as when appropriate.

Risk of Intense Competition

The Group's Digital Video Business faces intense competition and such competition puts downward pressure on the price of the products of the Digital Video Business. The Group's market position depends on the ability to estimate and manage competition, including the introduction of new or improved products and services, pricing strategies of competitors and preferences of customers. If the Group fails to maintain competitive price of similar products or services or provide distinctive products or services, it may lose its customers to competitors. Moreover, competition may cause reduction in price, gross profit margin and market share of the Group.

* *For identification purpose only*

Risk of Unstable Electricity Supply

The New Energy Vehicles Business relies on stable supplies of electricity to charge electric vehicles, in order to ensure the stable supply of electricity and lower the electricity cost, the charging session mainly scheduled from mid night to 4 a.m. whereas the social demand of electricity and electricity fee is at the lowest level.

Charging Safety

The most critical risk of the New Energy Vehicles Business is charging safety, the Group has implemented staff manual to guide the staff how to operate the charging piles and the charging piles will stop automatically when abnormal charging incidents happened so as to keep the high safety level.

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 (2016: Nil).

The Group had capital commitment of approximately HK$84,817,000 in the Year under review (2016: approximately HK$17,197,000).

Employees Benefit and Expenses

As at 31 December 2017, there were 292 employees (2016: 161 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK$34,298,000 (2016: HK$14,595,000). 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 Group is principally engaged in (1) 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 telecommunication TV and internet in the digital video industry ("**Digital Video Business**"); (2) the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems ("**New Energy Vehicles Business**"); (3) the application and management of cloud ecological big data industry ("**Cloud Ecological Big Data Business**"); (4) properties development of big data industrial park and (5) properties investment for rental income from the big data industrial park.

Despite the continuing intense competition of the Digital Video Business industry, the Group has secured an increase in turnover from the Digital Video Business to approximately HK$165,788,000 (2016: HK$136,981,000) for the year ended 31 December 2017 representing an increase of 21% as compared with last year's corresponding period.

Leveraged on the successful operation of the New Energy Vehicles Business, the Group overturned the loss making position from year 2015 to 2016 and recorded a profit attributable to shareholders of HK$31,641,000 in 2017. The Group commenced the operation of the New Energy Vehicles Business in October 2016, the development of the New Energy Vehicles Business in 2017 was promising and recorded turnover of HK$111,249,000 for the year ended 31 December 2017, representing a significant increase of 46.72 times from approximately HK$2,331,000 in last corresponding year. As at 31 December 2017, the Group has established 13 electric vehicles charging stations in Hangzhou with 2,444 alternating current chargers of 40KW/H and 101 direct current chargers of 60KW/H in operation. The Board is of the view that the PRC Government has emphasized on the use of new energy vehicles and reduction in carbon emissions in its 13th Five-Year-Plan and hence the New Energy Vehicles Business is with substantial growth potential, and the Group obtained government grant of approximately HK$58,452,000 in 2017 which represented 15% of the operating assets invested in the New Energy Vehicles Business by the Group and such government grant relating to income are deferred and recognized in profit or loss over the period to match them with the costs they are intended to compensate, the Group recognized government grant of approximately HK$5,845,000 to other income in 2017. For the remaining government grant of approximately HK$52,607,000, it will be recognized as other income of the Group in the coming nine years with approximately HK$5,845,000 per year. The Group will continue to invest in the New Energy Vehicles Business and further establish electric vehicles charging stations in Hangzhou and other provinces in the PRC to capture the electric vehicles charging market shares with the aim to be one of the largest new energy vehicles charging facilities operators in the PRC.

The Group recorded turnover of HK$2,227,000 from the Cloud Ecological Big Data Business (2016: Nil). Following the completion of the acquisition of 100% equity interest of Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司), the industrial park in Hangzhou West Lake District Yunqi Cloud-Town (云栖小镇) owned by Hangzhou Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司), will be the first big data industrial park of the Group. It is expected that the park will establish a "Cloud Ecological System" to build a new generation of information technology (such as AR/VR, face recognition, digital maps, etc.) and communication technology, such as Internet of Things, big data, cloud computing, (Such as 5G, LTE-V, NB-IOT, etc.) throughout the cloud industry park in all aspects, to create the country's first all-intelligent perception, interoperability cloud ecological park. The Group will co-operate with the local authorities of West Lake District and Yunqi Cloud Town (云栖小镇) as well as famous cloud computing enterprises such as Aliyun (阿里云) and West Lake Electric (西湖电子) to establish big data industrial park and hence to expand the cloud data business market of the Group.

The Directors will continue to (1) closely evaluate the performance of the above mentioned businesses; (2) invest in the New Energy Vehicles Business, the Cloud Ecological Big Data Business and the properties development of big data industrial park; (3) actively explore new businesses or investments; and (4) consider 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.

* *For identification purpose only*

Clarification on The Enigma Network: 50 stocks not to own

References were made to the Article "The Enigma Network: 50 stocks not to own" published by Mr. David Webb on 15 May 2017, the Company was classified as one of the 50 stocks not to own because Universe International Financial Holdings Limited ("**Universe International**") (1046.HK) holds approximately 3.57% equity interest in the Company with reference to the 2016/17 interim report of Universe International. The Company would like to emphasize that the above mentioned 3.57% equity interest was acquired by Universe International on the Stock Exchange, and not by direct placement of the Company. Reference was also made to the 2017/18 interim results announcement of Universe International dated 27 February 2018, the Company is no longer one of the material securities investments of Universe International. The Group wants to further emphasize that there was no business relationship among the Company, Universe International and its substantial shareholders.

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 2017.

All the 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 2017.

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 report 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, one executive director and three independent non-executive Directors did not attend the annual general meeting ("**AGM**") held on 5 June 2017.

   However, at the AGM, 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.

4. Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. During the year, the Group conducted a review on the need for setting up an internal audit department. Given the Group's simple operating structure and the potential cost burden, it was decided that the Group would not set up an internal audit department for the time being and the Board would be directly responsible for risk management and internal control systems of the Group.

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 2017 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 2017. 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 2017 is available for viewing on the website of The Stock Exchange of Hong Kong Limited at 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 2017 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. Wang Ning
Mr. Wu Yinong
Mr. Yuan Qian Fei

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

Hong Kong, 28 March 2018