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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 UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the “Board”) of directors (the “Directors”) of Jiu Rong Holdings Limited (the “Company”) are pleased to announce the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 (the “Year”) together with the comparative figures for the corresponding year of 2018. For the reasons explained in the paragraph “Review of Unaudited Annual Results”, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated and unaudited)
REVENUE	5	1,167,190	543,276
Cost of sales		(1,059,815)	(420,895)
Gross profit		107,375	122,381
Other income and gains	6	25,960	23,108
Selling and distribution costs		(19,368)	(24,748)
Administrative expenses		(46,204)	(35,165)
Other operating expenses		(2,287)	(5,529)
Equity-settled share option expenses		(27,359)	–
Fair value changes of investment properties		46,736	3,835
Finance costs	7	(34,404)	(15,565)
Share of loss of an associate		(2,524)	(1,046)

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated and unaudited)
PROFIT BEFORE TAX		47,925	67,271
Income tax expense	9	(19,619)	(13,078)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	8	28,306	54,193
Other comprehensive loss for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		(1,948)	(1,045)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(6,907)	(17,619)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(8,855)	(18,664)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		19,451	35,529
EARNINGS PER SHARE	11		
– Basic (HK cents)		0.52	0.99
– Diluted (HK cents)		0.52	0.99

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (Restated and unaudited)	1 January 2018 HK\$'000 (Restated and unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment		412,547	344,294	293,880
Investment properties		592,018	364,964	74,686
Right-of-use assets		6,517	–	–
Investment in an associate		157,373	163,989	–
Deferred tax assets		119	1,427	4,080
Equity investments at fair value through other comprehensive income		35,968	38,651	29,850
Prepayments, deposits and other receivables		13,500	–	–
		1,218,042	913,325	402,496
CURRENT ASSETS				
Inventories		20,190	5,630	13,504
Properties for sale under development		–	–	583,114
Properties held for sale		202,157	361,812	–
Trade and notes receivables	12	408,019	245,530	116,806
Prepayments, deposits and other receivables		48,452	106,855	91,017
Investments at fair value through profit or loss		20,643	2,496	3,643
Tax recoverable		360	–	–
Pledged bank deposits		23,392	135,848	141,251
Cash and cash equivalents		109,248	42,627	123,888
		832,461	900,798	1,073,223
CURRENT LIABILITIES				
Trade and notes payables	13	858,950	326,381	125,653
Other payables and accruals		26,107	48,573	73,488
Lease liabilities		1,685	–	–
Contract liabilities		39,012	58,301	2,676
Bank and other loans		492,262	804,000	727,652
Deferred government grant		5,960	5,543	5,845
Tax payable		–	1,351	876
		1,423,976	1,244,149	936,190
NET CURRENT (LIABILITIES)/ASSETS		(591,515)	(343,351)	137,033
TOTAL ASSETS LESS CURRENT LIABILITIES		626,527	569,974	539,529
NON-CURRENT LIABILITIES				
Lease liabilities		4,562	–	–
Deferred government grant		36,554	41,722	46,762
Deferred tax liabilities		63,920	53,571	53,615
		105,036	95,293	100,377
NET ASSETS		521,491	474,681	439,152
EQUITY				
Equity attributable to owners of the Company				
Issued capital		547,200	547,200	547,200
Reserves		(25,709)	(72,519)	(108,048)
TOTAL EQUITY		521,491	474,681	439,152

NOTES:

1. BASIS OF PREPARATION

The unaudited 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 unaudited 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 unaudited 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 and equity investments at fair value through other comprehensive income which are carried at their fair values.

The unaudited 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. GOING CONCERN BASIS

As at 31 December 2019, the Group had net current liabilities of approximately HK\$591,515,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having taken into account (i) the estimated proceeds from the sales of properties in the next twelve months from the end of the financial year; (ii) indication from lenders to postpone the settlement of certain amount of loans due to those lenders to a date after twelve months from the end of the financial year; (iii) the net cash inflow from the New Energy Vehicles Business in the next twelve months from the end of the financial year; and (iv) the estimated proceeds from the placing of shares (if any); are satisfied that the Group will have sufficient working capital for its present requirements. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. 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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases".

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices and leasehold lands. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the unaudited consolidated financial statements as follows:

	As at 1 January 2019 HK\$'000 (unaudited)
Increase in right-of-use assets	3,958
Increase in lease liabilities	3,958

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	6,043
Less: Recognition exemption – short-terms leases	273
Gross operating lease obligation at 1 January 2019	5,770
Discounting at 12%	(1,812)
Lease liabilities as at 1 January 2019	3,958
Analyses as:	
Current	454
Non-current	3,504
	3,958

4. RETROSPECTIVE RESTATEMENTS

During the course of preparation of the unaudited consolidated financial statements of the Group for the year ended 31 December 2019, directors of the Company re-assessed the accounting treatment of the Group's investment properties, and decided to change from cost model to fair value model for measuring its investment properties.

The following tables disclose the restatements that have been made in order to reflect the above retrospective restatements to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2018 and consolidated statement of financial position as at 31 December 2018 and 1 January 2018 as previously reported.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	2018 HK\$'000 (As restated) (unaudited)
Revenue	543,276	–	543,276
Cost of sales	(420,895)	–	(420,895)
Gross profit	122,381	–	122,381
Other income and gains	23,108	–	23,108
Selling and distribution costs	(24,748)	–	(24,748)
Administrative expenses	(45,334)	10,169	(35,165)
Other operating expenses	(5,529)	–	(5,529)
Fair value changes of investment properties	–	3,835	3,835
Finance costs	(15,565)	–	(15,565)
Share of profit of an associate	(1,046)	–	(1,046)
Profit before tax	53,267	14,004	67,271
Income tax expense	(9,577)	(3,501)	(13,078)
Profit for the year attributable to owners of the Company	43,690	10,503	54,193
Other comprehensive loss for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income	(1,045)	–	(1,045)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	(17,058)	(561)	(17,619)
Other comprehensive loss for the year, net of tax:	(18,103)	(561)	(18,664)
Total comprehensive income for the year attributable to owners of the Company	25,587	9,942	35,529
Earnings per share			
– Basic (HK cents)	0.80	0.19	0.99
– Diluted (HK cents)	0.80	0.19	0.99

Consolidated statement of financial position as at 31 December 2018

	At 31 December 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	At 31 December 2018 HK\$'000 (As restated)
Non-current assets			
Property, plant and equipment	344,294	–	344,294
Investment properties	349,187	15,777	364,964
Investment in an associate	163,989	–	163,989
Deferred tax assets	1,427	–	1,427
Equity investments at fair value through other comprehensive income	38,651	–	38,651
	897,548	15,777	913,325
Current assets			
Inventories	5,630	–	5,630
Properties for sale under development	–	–	–
Properties held for sale	361,812	–	361,812
Trade and notes receivables	245,530	–	245,530
Prepayments, deposits and other receivables	106,855	–	106,855
Investments at fair value through profit and loss	2,496	–	2,496
Pledged bank deposit	135,848	–	135,848
Cash and cash equivalents	42,627	–	42,627
	900,798	–	900,798
Current liabilities			
Trade and notes payables	326,381	–	326,381
Other payables and accruals	48,573	–	48,573
Contract liabilities	58,301	–	58,301
Bank and other loans	804,000	–	804,000
Deferred government grants	5,543	–	5,543
Tax payable	1,351	–	1,351
	1,244,149	–	1,244,149
Net current liabilities	(343,351)	–	(343,351)
TOTAL ASSETS LESS CURRENT LIABILITIES	554,197	15,777	569,974
Non-current liabilities			
Deferred government grants	41,722	–	41,722
Deferred tax liabilities	49,499	4,072	53,571
	91,221	4,072	95,293
NET ASSETS	462,976	11,705	474,681
EQUITY			
Equity attributable to owners of the Company			
Issued capital	547,200	–	547,200
Reserves	(84,224)	11,705	(72,519)
TOTAL EQUITY	462,976	11,705	474,681

Consolidated statement of financial position as at 1 January 2018

	At 1 January 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	At 1 January 2018 HK\$'000 (As restated) (unaudited)
Non-current assets			
Property, plant and equipment	293,880	–	293,880
Investment properties	72,352	2,334	74,686
Deferred tax assets	4,080	–	4,080
Equity investments at fair value through other comprehensive income	29,850	–	29,850
	400,162	2,334	402,496
Current assets			
Inventories	13,504	–	13,504
Properties for sale under development	583,114	–	583,114
Trade and notes receivables	116,806	–	116,806
Prepayments, deposits and other receivables	91,017	–	91,017
Investments at fair value through profit and loss	3,643	–	3,643
Pledged bank deposit	141,251	–	141,251
Cash and cash equivalents	123,888	–	123,888
	1,073,223	–	1,073,223
Current liabilities			
Trade and notes payables	125,653	–	125,653
Other payables and accruals	73,488	–	73,488
Contract liabilities	2,676	–	2,676
Bank and other loans	727,652	–	727,652
Deferred government grants	5,845	–	5,845
Tax payable	876	–	876
	936,190	–	936,190
Net current assets	137,033	–	137,033
TOTAL ASSETS LESS CURRENT LIABILITIES	537,195	–	539,529
Non-current liabilities			
Deferred government grants	46,762	–	46,762
Deferred tax liabilities	53,044	571	53,615
	99,806	571	100,377
NET ASSETS	437,389	1,763	439,152
EQUITY			
Equity attributable to owners of the Company			
Issued capital	547,200	–	547,200
Reserves	(109,811)	1,763	(108,048)
TOTAL EQUITY	437,389	1,763	439,152

5. 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 (2018: five) 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 and sales of spare parts.
- (ii) New Energy Vehicles Business: construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems and sales of new energy vehicles spare parts.
- (iii) Cloud Ecological Big Data Business: application and management of cloud ecological big data industry.
- (iv) Properties Development: properties development of an industrial park.
- (v) Properties Investment: properties investment for rental income in an industrial park.

The revenue is analysed as follows:

Revenue	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Sale of digital video products and spare parts	567,989	256,988
Provision of new energy vehicles charging services income and sales of new energy vehicles spare parts	538,475	271,205
Provision of big data services income	25,169	4,956
Revenue from contracts with customers	1,131,633	533,149
Rental income	35,557	10,127
Total revenue	1,167,190	543,276

(i) *Business segments*

For the year ended 31 December 2019 (Unaudited)						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Big Data	Development	Investment	
	HK\$'000	HK\$'000	Business	HK\$'000	HK\$'000	HK\$'000
			HK\$'000			
Reportable segment revenue:						
Revenue from external customers	567,989	538,475	25,169	-	35,557	1,167,190
Reportable segment profit	366	30,000	5,996	-	40,345	76,707
Depreciation of property, plant and equipment	(181)	(43,467)	(51)	-	(17)	(43,716)
Government grants	-	7,073	-	-	-	7,073
Gain on disposal of investments at fair value through profit or loss	-	-	1,674	-	-	1,674
Fair value loss on investments at fair value through profit or loss	-	(1,139)	-	-	-	(1,139)
Income tax expense	(2,427)	(4,552)	(876)	-	(11,684)	(19,539)
Reversal of impairment of inventories	49	-	-	-	-	49
Share of loss of an associate	-	-	-	(2,524)	-	(2,524)
Gain on fair value changes of investment properties	-	-	-	-	46,736	46,736
Additions to property, plant and equipment	69	195,609	5	-	14,759	210,442

At 31 December 2019						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Big Data	Development	Investment	
	HK\$'000	HK\$'000	Business	HK\$'000	HK\$'000	HK\$'000
			HK\$'000			
Reportable segment assets	401,727	554,072	61,981	202,157	622,057	1,841,994
Reportable segment liabilities	(512,664)	(827,194)	(18,670)	(83,419)	(83,419)	(1,525,366)
Investment in an associate	-	-	-	157,373	-	157,373

For the year ended 31 December 2018 (Restated)

	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:						
Revenue from external customers	256,988	271,205	4,956	-	10,127	543,276
Reportable segment profit	6,335	42,896	2,025	-	21,010	72,266
Depreciation of property, plant and equipment	(283)	(32,811)	(41)	-	(1)	(33,136)
Government grants	-	6,113	-	-	-	6,113
Loss on disposal of investments at fair value through profit or loss	(155)	(2,128)	-	-	-	(2,283)
Fair value loss on investments at fair value through profit or loss	(13)	(111)	-	-	-	(124)
Income tax expense	(2,475)	(5,913)	(475)	-	(3,501)	(12,364)
Reversal of impairment of inventories	740	-	-	-	-	740
Share of loss of an associate	-	-	-	(1,046)	-	(1,046)
Gain on fair value change of investment properties	-	-	-	-	3,835	3,835
Additions to property, plant and equipment	130	111,504	119	-	40	111,793

At 31 December 2018 (Restated)

	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 (restated and unaudited)	193,905	556,970	4,502	361,812	372,863	1,490,052
Reportable segment liabilities (restated and unaudited)	(147,960)	(500,589)	(18,110)	(295,370)	(295,370)	(1,257,399)
Investment in an associate	-	-	-	163,989	-	163,989

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

Year ended 31 December	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated and unaudited)
Revenue		
Total revenue of reportable segments	1,167,190	543,276
Other revenue	–	–
Consolidated revenue	1,167,190	543,276
Profit or loss		
Total profit of reportable segments	76,707	72,266
Unallocated corporate (expenses)/income (net)	(28,782)	(4,995)
Consolidated profit before tax	47,925	67,271
At 31 December		
Assets		
Total assets of reportable segments	1,999,367	1,654,041
Unallocated amounts:		
Cash and cash equivalents	7,850	3,646
Pledged bank deposits	23,392	134,390
Other unallocated corporate assets	19,894	22,046
Consolidated total assets	2,050,503	1,814,123
Liabilities		
Total liabilities of reportable segments	(1,525,366)	(1,257,399)
Unallocated corporate liabilities	(3,646)	(82,043)
Consolidated total liabilities	(1,529,012)	(1,339,442)

(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 including property, plant and equipment and investment properties ("**Non-current assets**").

	Revenue from external customers	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
PRC	1,123,379	414,656
Cuba	43,811	128,620
Total	1,167,190	543,276

	Non-current assets	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Restated and unaudited)
PRC	1,004,527	709,231
Hong Kong	38	27
	1,004,565	709,258

(c) Disaggregation of revenue from contracts with customers

Segments	2019 (Unaudited)					Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000		
<u>Geographical markets</u>						
PRC	524,178	538,475	25,169	-		1,087,822
Cuba	43,811	-	-	-		43,811
Total	567,989	538,475	25,169	-		1,131,633
<u>Major products/service</u>						
Sale of digital video products and spare parts	567,989	-	-	-		567,989
Provision of new energy vehicles charging services income and sales of new energy vehicles spare parts	-	538,475	-	-		538,475
Provision of big data services income	-	-	25,169	-		25,169
Total	567,989	538,475	25,169	-		1,131,633
<u>Timing of revenue recognition</u>						
At a point in time	567,989	538,475	25,169	-		1,131,633
Over time	-	-	-	-		-
Total	567,989	538,475	25,169	-		1,131,633

Segments	2018 (Audited)					Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000		
<u>Geographical markets</u>						
PRC	128,368	271,205	4,956	-		404,529
Cuba	128,620	-	-	-		128,620
Total	256,988	271,205	4,956	-		533,149
<u>Major products/service</u>						
Sale of digital video products and spare parts	256,988	-	-	-		256,988
Provision of new energy vehicles charging services income and sales of new energy vehicles spare parts	-	271,205	-	-		271,205
Provision of big data services income	-	-	4,956	-		4,956
Total	256,988	271,205	4,956	-		533,149
<u>Timing of revenue recognition</u>						
At a point in time	256,988	271,205	4,956	-		533,149
Over time	-	-	-	-		-
Total	256,988	271,205	4,956	-		533,149

Digital Video Business

The Group manufactures and sells 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 and sales of spare parts. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 360 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

New Energy Vehicles Business

The Group provides construction, application and management of new energy vehicles and related products, charging facilities, intelligent management systems and sales of new energy vehicles spare parts. The New Energy Vehicles charging services income is recognised when the charging service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

The sales of new energy vehicles spare parts are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Cloud Ecological Big Data Business

The Group provides application and management of cloud ecological big data services to customers. The income is recognised when the service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

Properties Development

The Group develops and sells properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

6. OTHER INCOME AND GAINS

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Bank interest income	2,146	1,982
Gain on disposal of investments at fair value through profit or loss	1,674	–
Gain on bargain purchase	–	2,718
Compensation income	4,763	–
Loan interest income from third parties	4,741	3,488
Government grants	7,073	6,113
Reversal of impairment of inventories	49	740
Sales of raw materials	–	1,160
Waiver of amount due to former shareholder of an indirect subsidiary	–	6,693
Exchange differences	1,679	–
Others	3,835	214
	25,960	23,108

7. FINANCE COSTS

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Interest expenses on borrowings:		
– Interest expenses on bank loans	13,109	10,665
– Interest on loans from third parties	21,044	55,652
– Interest on lease liabilities	251	–
Total borrowing cost	34,404	66,317
Amount capitalised	–	(50,752)
	34,404	15,565

8. PROFIT FOR THE YEAR

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

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Cost of inventories sold	1,059,815	420,895
Staff costs (including directors' remuneration):		
Wages and salaries	32,565	31,163
Pension scheme contributions		
– Defined contribution scheme	8,819	6,647
Other staff benefits	4,788	4,280
	46,172	42,090
Auditors' remuneration	1,300	760
Depreciation of property, plant and equipment	43,070	35,756
Depreciation of right-of-use assets	1,428	–
Minimum lease payments under operating lease in respect of		
– Land and buildings	–	2,379
Expenses related to short-term lease	535	–
Exchange losses, net	–	703
Loss/(gain) on disposal of investments at fair value through profit or loss	(1,674)	2,283
Fair value loss on investments at fair value through profit or loss	1,139	124
Impairment of trade receivables	471	2,236
Reversal of impairment of inventories	(49)	(740)

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018:16.5%) on the estimated assessable profit for the year ended 31 December 2019.

PRC corporate income tax is calculated at a standard rate of 25% (2018: 25%) except for Soyea Jiu Rong Technology Co., Limited (“**Soyea Jiu Rong**”) and Jiu Rong New Energy Science and Technology Limited (“**Jiu Rong New Energy**”) on the estimated assessable profits arising from its operation in the PRC. For the year ended 31 December 2019, Soyea Jiu Rong and Jiu Rong New Energy have obtained the new high-tech enterprise certificate and entitled for a preferential tax rate of 15% (2018:15%).

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

	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Restated and unaudited)
Current tax – Hong Kong Profits Tax		
– Provision charge for the year	143	714
	143	714
Current – the PRC		
– Charge for the year	7,792	9,688
Deferred tax	11,684	2,676
	19,619	13,078

The income tax expense for the year can be reconciled to the profit for the year multiplied by applicable tax rate as follows:

	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Restated and unaudited)
Profit before tax	47,925	67,271
Tax calculated at the domestic tax rate of 16.5% (2018: 16.5%)	7,907	11,100
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,296	529
Tax effect of revenue not taxable for tax purposes	(3,865)	(2,413)
Tax effect of expenses not deductible for tax purposes	9,538	2,071
Tax effect of tax losses not recognised	2,743	2,228
Tax effect of utilisation of tax losses not previously recognised	–	(437)
Income tax expense	19,619	13,078

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2019 and 2018.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the unaudited profit for the year attributable to owners of the Company of approximately HK\$28,306,000 (2018 (restated and unaudited): HK\$54,193,000) and the weighted average number of approximately 5,472,000,000 (2018: 5,472,000,000) ordinary shares in issue during the year.

Diluted earnings per share

The effect of the Company's outstanding share options for the year ended 31 December 2019 did not give rise to any dilution effect to the 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 2018.

12. TRADE AND NOTES RECEIVABLES

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Trade receivables	356,619	245,224
Notes receivables	51,400	306
	408,019	245,530

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 360 days (2018: 30 to 120 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:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Within 90 days	135,316	145,571
91 days to 180 days	20,057	40,489
181 days to 1 year	57,437	31,276
Over 1 year	143,809	27,888
	356,619	245,224

13. TRADE AND NOTES PAYABLES

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Trade payables	350,951	86,854
Notes payables	507,999	239,527
	858,950	326,381

As at 31 December 2019 and 2018, certain notes payables were secured by pledged bank deposits.

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

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Outstanding balances with ages:		
Within 180 days	177,280	58,778
181 days to 1 year	93,098	3,494
1 to 2 years	48,444	24,237
Over 2 years	32,129	345
	350,951	86,854

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 this unaudited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 (the “**Year**”) to the shareholders of the Company.

For the year ended 31 December 2019, the Group achieved turnover of approximately HK\$1,167,190,000, representing a significant increase of approximately 115% from approximately HK\$543,276,000 in last corresponding year. The Group recorded gross profit of approximately HK\$107,375,000. The Group achieved profit for the Year attributable to owners of the Company of approximately HK\$28,306,000. Basic profit per share of the Company was approximately HK0.52 cents while basic profit per share for the year ended 31 December 2018 was approximately HK0.99 cents. As at 31 December 2019, balance of cash and cash equivalents of the Group were approximately HK\$109,248,000 (2018: approximately HK\$42,627,000).

Turnover

For the Year under review, the Group recorded turnover of approximately HK\$1,167,190,000 which was mainly contributed by the Digital Video Business, the New Energy Vehicles Business, Cloud Ecological Big Data Business and Properties Investments.

In 2019, the Group’s business has five (2018: five) reporting segments.

(i) *Digital Video Business*

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd.* (數源久融技術有限公司) (“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 and sales of spare parts.

(ii) *New Energy Vehicles Business*

The Group through its wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited* (久融新能源科技有限公司) (“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.

* For identification purpose only

(iv) *Properties Development*

The Group through its wholly owned subsidiary, Hangzhou Lu Yun Property Limited* (杭州绿云置业有限公司) 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. The Group completed the acquisition of 46% equity interests of Heilongjiang Xin Luzhou Real Estate Development Limited* (黑龙江新绿洲房地产开发有限公司) ("Xin Luzhou") in 2018, Xin Luzhou will be an associate of the Company to principally engage in the development of industrial park, commercial and residential properties in Limin Avenue, Limin Development Zone, Harbin, the PRC.

(v) *Properties Investments*

The Group through its wholly owned subsidiary, Hangzhou Lu Yun Property Limited* (杭州绿云置业有限公司) 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 decreased from approximately 23% to 9%.

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

As at 31 December 2019, the gearing ratio was 1.6 (2018: 1.9), which was measured on the basis of the Group's net debt divided by the capital plus net debt. The Group had net current liabilities as at 31 December 2019 and 2018.

As at 31 December 2019, surplus in shareholders' equity was approximately HK\$521,491,000 (2018: surplus in shareholders' equity of approximately HK\$474,681,000). Current assets of the Group amounted to approximately HK\$832,461,000 (2018: HK\$900,798,000).

As at 31 December 2019, the Group's net debts amounted to approximately HK\$1,396,372,000 (2018: net debts of approximately HK\$1,159,616,000). Trade and notes receivables increased from approximately HK\$245,530,000 as at 31 December 2018 to approximately HK\$408,019,000 as at 31 December 2019.

During the Year under review, the Group provided an impairment loss of approximately HK\$471,000 on trade receivables (2018: impairment of trade receivables approximately HK\$2,236,000).

Pledged of Assets

As at 31 December 2019, the Group has pledged certain of its bank deposit of approximately HK\$23,392,000 (2018: approximately HK\$134,390,000 to secure its bank loans and notes payables) to secure bank loans and its notes payables.

Significant Investments

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

* For identification purpose only

Capital Structure

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

Significant Securities Investments

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

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.

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.

Employees Benefit and Expenses

As at 31 December 2019, there were 311 employees (2018: 307 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK\$46,172,000 (2018: approximately HK\$42,090,000). 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 commercial and residential properties (“**Properties Development**”); and (5) properties investment for rental income from the big data industrial park (“**Properties Investments**”).

2019 was a challenging year macro-economically with the on-going trade war between the United States and China leads to the slowdown in global economic growth, the Group achieved profit attributable to shareholders of approximately HK\$28,306,000 for the year ended 31 December 2019 (2018: approximately HK\$54,193,000), representing a decrease of approximately 48% as compared with last year. 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\$567,989,000 for the year ended 31 December 2019 (2018: approximately HK\$256,988,000), representing an increase of approximately 121% as compared with last year. The New Energy Vehicles Business recorded turnover of approximately HK\$538,475,000 for the year ended 31 December 2019 (2018: approximately HK\$271,205,000), representing an increase of approximately 99% as compared with last year. As at 31 December 2019, the Group was operating 40 electric vehicles charging stations in Hangzhou with approximately 3,600 alternating current chargers of 40KW/H and approximately 1,200 direct current chargers of 60KW/H in operation. The Group was also operating 4 electric vehicles charging stations in Wuhan with 46 alternating current chargers of 7KW/H and 16 direct current chargers of 60KW/H in operation and 3 electric vehicles charging stations in Nanjing with 17 alternating current chargers of 40KW/H and 72 direct current chargers of 60KW/H. The Board is of the view that the PRC Government has emphasized on the use of new energy vehicles and reduction in carbon emissions with increase in support to the establishment of the new energy vehicles charging piles and its related operations and hence the New Energy Vehicles Business is with substantial growth potential. 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 approximately HK\$25,169,000 for the year ended 31 December 2019 (2018: approximately HK\$4,956,000) from the Cloud Ecological Big Data Business, representing an increase of approximately 408% as compared with last year.

The Group recorded turnover of approximately HK\$35,557,000 for the year ended 31 December 2019 (2018: approximately HK\$10,127,000) from the Properties Investment Business, representing an increase of approximately 251% as compared with last year.

Following the completion of the acquisition of 100% equity interest of Hangzhou Lu Yun Property Limited* (杭州绿云置业有限公司), the industrial park in Hangzhou West Lake District Yunqi Cloud-Town (云栖小镇) owned by Hangzhou Lu Yun Property Limited* (杭州绿云置业有限公司), 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 allintelligent 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; (4) consider fund raising opportunities which can strengthen the financial position; and (5) focus on product quality and cost control and strictly control capital expenditure in order to continuously maintain the Group’s competitiveness 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 2019.

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 2019.

* *For identification purpose only*

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 28 June 2019.

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 unaudited annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the quarantine requirements of travelers were imposed in various areas in China in an attempt to contain Coronavirus disease 2019, auditors of the Company are unable to conduct field works in China, as a result, the auditing process for the annual results for the year ended 31 December 2019 has not been completed. The unaudited annual results contained herein have not been agreed with the Company's auditors. At present, the Company is still hopeful for the alleviation of the Coronavirus disease 2019 in the near future such that the auditors of the Company can carry out audit field works and finish audit works.

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The relevant financial information will be subject to changes, reclassification and adjustments resulting from, among others, further review by the auditors and any adjustments that might be proposed by the auditors or any modification to the report thereto, if any as the audit has not yet completed. As such, the preliminary figures disclosed above are subject to change and may differ from those appear in audited consolidated financial statements of the Group.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2019 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>.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Siu Chi Ming
Mr. Yin Jianwen

Independent Non-executive Directors:

Mr. Wang Ning
Mr. Chen Zheng
Mr. Yuan Qian Fei

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

Hong Kong, 31 March 2020