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Jiu Rong Holdings Limited **久融控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

KEY HIGHLIGHTS

- The Group recorded turnover of approximately HK\$543,276,000, representing a significant increase of approximately 94% from approximately HK\$279,889,000 as compared with the last corresponding year.
- Profit for the year attributable to owners of the Company was approximately HK\$43,690,000 (2017: approximately HK\$31,641,000), representing a significant increase of approximately 38% as compared with the last corresponding year.
- The revenue from the New Energy Vehicles Business amounted to approximately HK\$271,205,000 (2017: approximately HK\$111,249,000), representing a significant increase of approximately 144% as compared with the last corresponding year. The relevant segment profit before tax amounted to approximately HK\$42,896,000 (2017: approximately HK\$19,828,000), representing a significant increase of approximately 116% as compared with the last corresponding year.
- The revenue from the Digital Video Business amounted to approximately HK\$256,988,000 (2017: approximately HK\$165,788,000), representing a significant increase of approximately 55% as compared with the last corresponding year. The relevant segment profit before tax amounted to approximately HK\$6,335,000 (2017: approximately HK\$4,913,000), representing an increase of approximately 29% as compared with the last corresponding year.
- As at 31 December 2018, the Group's total assets amounted to approximately HK\$1,798,346,000 (2017: approximately HK\$1,473,385,000), representing an increase of approximately 22% as compared with the last corresponding year.
- As at 31 December 2018, the Group's net assets amounted to approximately HK\$462,976,000 (2017: approximately HK\$437,389,000).
- The Company has been included as a constituent of MSCI Hong Kong Micro Cap Index by Morgan Stanley Capital International ("MSCI") with effective as of the close of 30 November 2018. The Directors believe the inclusion in the index indicating the acknowledgement and confidence on the performance of the Company in the capital market by the investors, and the recognition of investors on the satisfactory performances in terms of the market value, turnover, profit and stock liquidity of the Company, which will further enhance the corporate image of the Company and facilitate its business development. The Company is optimistic about the long term development of the businesses of the Group, especially the New Energy Vehicles Business, the Group will aim to be one of the largest new energy vehicles charging facilities operators in the PRC.

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 2018 (the “**Year**”) together with the comparative figures for the corresponding year of 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	4	543,276	279,889
Cost of sales		(420,895)	(201,673)
Gross profit		122,381	78,216
Other income and gains	5	23,108	30,594
Selling and distribution costs		(24,748)	(23,414)
Administrative expenses		(45,334)	(35,784)
Other operating expenses		(5,529)	(5,448)
Finance costs	6	(15,565)	(11,048)
Share of loss of an associate		(1,046)	–
PROFIT BEFORE TAX		53,267	33,116
Income tax expense	8	(9,577)	(1,475)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	7	43,690	31,641
Other comprehensive (loss)/income 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		(1,045)	–
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(17,058)	11,980
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(18,103)	11,980
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		25,587	43,621
EARNINGS PER SHARE (HK\$ cents)	10		
– Basic		0.80	0.60
– Diluted		0.80	0.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		344,294	293,880
Investment properties		349,187	72,352
Investment in an associate		163,989	–
Deferred tax assets		1,427	4,080
Equity investments at fair value through other comprehensive income		38,651	29,850
		897,548	400,162
CURRENT ASSETS			
Inventories		5,630	13,504
Properties for sale under development		–	583,114
Properties held for sale		361,812	–
Trade and notes receivables	11	245,530	116,806
Prepayments, deposits and other receivables		106,855	91,017
Investments at fair value through profit or loss		2,496	3,643
Pledged bank deposits		135,848	141,251
Cash and cash equivalents		42,627	123,888
		900,798	1,073,223
CURRENT LIABILITIES			
Trade and notes payables	12	326,381	125,653
Other payables and accruals		48,573	73,488
Contract liabilities		58,301	2,676
Bank and other loans		804,000	727,652
Deferred government grant		5,543	5,845
Tax payable		1,351	876
		1,244,149	936,190
NET CURRENT (LIABILITIES)/ASSETS		(343,351)	137,033
TOTAL ASSETS LESS CURRENT LIABILITIES		554,197	537,195
NON-CURRENT LIABILITIES			
Deferred government grant		41,722	46,762
Deferred tax liabilities		49,499	53,044
		91,221	99,806
NET ASSETS		462,976	437,389
EQUITY			
Equity attributable to owners of the Company			
Issued capital		547,200	547,200
Reserves		(84,224)	(109,811)
TOTAL EQUITY		462,976	437,389

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 and equity investments at fair value through other comprehensive income 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. GOING CONCERN BASIS

As at 31 December 2018, the Group had net current liabilities of approximately HK\$343,351,000. 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 that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. 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 financial statements and amounts reported for the current year and prior years except as stated below.

A. HKFRS 9 (2014) “Financial Instruments”

Financial assets at fair value through profit and loss are now classified as investments at fair value through profit and loss and equity investments at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 HK\$’000
Increase in equity investments at fair value through other comprehensive income	29,850
Increase in investments at fair value through profit or loss	3,643
Decrease in financial assets at fair value through profit and loss	(33,493)

B. HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 HK\$’000
Increase in contract liabilities	2,676
Decrease in other payables and accruals	(2,676)

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

4. 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 (2017: 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.
- (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	2018 HK\$'000	2017 HK\$'000
Sale of digital video products	256,988	165,788
Provision of new energy vehicles charging services income and sales of new energy vehicles spare parts	271,205	111,249
Provision of big data services income	4,956	2,227
Revenue from contracts with customers	533,149	279,264
Rental income	10,127	625
Total revenue	543,276	279,889

(i) *Business segments*

For the year ended 31 December 2018						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Business	Development	Investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	7,006	58,262
Depreciation of property, plant and equipment	(283)	(32,811)	(41)	-	(1)	(33,136)
Depreciation of investment properties	-	-	-	-	(10,162)	(10,162)
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)	-	-	(8,863)
Reversal of impairment of inventories	740	-	-	-	-	740
Share of loss of an associate	-	-	-	(1,046)	-	(1,046)
Additions to property, plant and equipment	130	111,504	119	-	40	111,793
At 31 December 2018						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Business	Development	Investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	193,905	556,970	4,502	361,812	357,086	1,474,275
Reportable segment liabilities	(147,960)	(500,589)	(18,110)	(293,334)	(293,334)	(1,253,327)
Investment in an associate	-	-	-	163,989	-	163,989

(i) *Business segments (continued)*

	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:						
Revenue from 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
Gain on disposal of investments at fair value through profit or loss	360	340	–	–	–	700
Fair value loss on investments at 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)

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

Year ended 31 December	2018 HK\$'000	2017 HK\$'000
Revenue		
Total revenue of reportable segments	543,276	279,889
Other revenue	–	–
Consolidated revenue	543,276	279,889
Profit or loss		
Total profit of reportable segments	58,262	23,748
Unallocated corporate (expenses)/income (net)	(4,995)	9,368
Consolidated profit before tax	53,267	33,116
At 31 December		
Assets		
Total assets of reportable segments	1,638,264	1,220,235
Unallocated amounts:		
Cash and cash equivalents	3,646	103,377
Pledged bank deposits	134,390	133,766
Other unallocated corporate assets	22,046	16,007
Consolidated total assets	1,798,346	1,473,385
Liabilities		
Total liabilities of reportable segments	(1,253,327)	(936,378)
Unallocated corporate liabilities	(82,043)	(99,618)
Consolidated total liabilities	(1,335,370)	(1,035,996)

(b) Geographical information

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

	Revenue from external customers	
	2018 HK\$'000	2017 HK\$'000
PRC	414,656	213,550
Cuba	128,620	66,339
Total	543,276	279,889

	Non-current assets	
	2018 HK\$'000	2017 HK\$'000
PRC	693,454	366,197
Hong Kong	27	35
	693,481	366,232

(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	2018 HK\$'000	2017 HK\$'000
Customer A	New Energy Vehicles Business		146,203	109,878
Customer B	Digital Video Business	(i)	N/A	35,579
Customer C	Digital Video Business	(ii)	58,002	N/A
Customer D	New Energy Vehicles Business	(ii)	55,988	N/A

Note:

(i) Revenue from these customers did not exceed 10% of total revenue in 2018.

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

(d) Disaggregation of revenue from contracts with customers

Segments	2018					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	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

2017

Segments	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Total HK\$'000
<u>Geographical markets</u>					
PRC	99,449	111,249	2,227	-	212,925
Cuba	66,339	-	-	-	66,339
Total	165,788	111,249	2,227	-	279,264
<u>Major products/service</u>					
Sale of digital video products	165,788	-	-	-	165,788
Provision of new energy vehicles charging services income and sales of new energy vehicles spare parts	-	111,249	-	-	111,249
Provision of big data services income	-	-	2,227	-	2,227
Total	165,788	111,249	2,227	-	279,264
<u>Timing of revenue recognition</u>					
At a point in time	165,788	111,249	2,227	-	279,264
Over time	-	-	-	-	-
Total	165,788	111,249	2,227	-	279,264

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. 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.

5. OTHER INCOME AND GAINS

	2018	2017
	HK\$'000	HK\$'000
Bank interest income	1,982	3,097
Gain on disposal of investments at fair value through profit or loss	–	982
Gain on bargain purchase	2,718	12,325
Compensation income	–	763
Loan interest income from third parties	3,488	3,915
Government grants	6,113	6,325
Reversal of impairment of inventories	740	3,138
Sales of raw materials	1,160	–
Waiver of amount due to former shareholder of an indirect subsidiary	6,693	–
Others	214	49
	23,108	30,594

6. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest expenses on borrowings:		
– Interest expenses on bank loans	10,665	6,550
– Interest on loans from third parties	55,652	13,400
Total borrowing cost	66,317	19,950
Amount capitalised	(50,752)	(8,902)
	15,565	11,048

7. PROFIT FOR THE YEAR

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

	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	420,895	201,673
Staff costs (including directors' remuneration):		
Wages and salaries	31,163	24,431
Pension scheme contributions		
– Defined contribution scheme	6,647	7,159
Other staff benefits	4,280	2,708
	42,090	34,298
Auditors' remuneration	760	700
Depreciation of property, plant and equipment	35,756	23,220
Depreciation of investment properties	10,162	45
Minimum lease payments under operating lease in respect of		
– Land and buildings	2,379	1,621
Exchange losses, net	703	2,640
Loss/(gain) on disposal of investments at fair value through profit or loss	2,283	(982)
Fair value loss on investments at fair value through profit or loss	124	1,569
Impairment of trade receivables	2,236	314
Reversal of impairment of inventories	(740)	(3,138)

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017:16.5%) on the estimated assessable profit for the year ended 31 December 2018.

PRC corporate income tax is calculated at a standard rate of 25% (2017: 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 2018, Soyea Jiu Rong has obtained the new high-tech enterprise certificate and entitled for a preferential tax rate of 15% (2017:15%). For the year ended 31 December 2018, Jiu Rong New Energy has obtained the new high-tech enterprise certificate and entitled for a preferential tax rate of 15% (2017: 25%).

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

	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax		
– Provision charge for the year	714	15
	714	15
Current – the PRC		
– Charge for the year	7,157	5,383
Deferred tax	1,706	(3,923)
	9,577	1,475

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

	2018 HK\$'000	2017 HK\$'000
Profit before tax	53,267	33,116
Tax calculated at the domestic tax rate of 16.5% (2017: 16.5%)	8,789	5,464
Effect of different tax rates of subsidiaries operating in other jurisdictions	(661)	1,426
Tax effect of revenue not taxable for tax purposes	(2,413)	(3,262)
Tax effect of expenses not deductible for tax purposes	2,071	1,012
Tax effect of tax losses not recognised	2,228	1,267
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	(437)	(509)
Income tax expense	9,577	1,475

At 31 December 2018, the Group has unused tax losses of approximately HK\$95,550,000 (2017: HK\$116,051,000) available for offset against future profits. The said unrecognised tax losses may be carried forward for five years or indefinitely depends on the respective tax jurisdictions. In year 2018, no tax assets has been recognised in respect of the unused tax loss of approximately HK\$87,177,000 (2017: HK\$88,916,000).

9. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2018 and 2017.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$43,690,000 (2017: HK\$31,641,000) and the weighted average number of approximately 5,472,000,000 (2017: 5,284,603,000) ordinary shares in issue during the year.

Diluted 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 (2017: No diluted effect).

11. TRADE AND NOTES RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	245,224	116,806
Notes receivables	306	–
	245,530	116,806

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 (2017: 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:

	2018 HK\$'000	2017 HK\$'000
Within 90 days	145,571	31,853
91 days to 180 days	40,489	28,077
181 days to 1 year	31,276	47,564
Over 1 year	27,888	9,312
	245,224	116,806

Reconciliation of loss allowance for trade receivables:

	2018 HK\$'000	2017 HK\$'000
At 1 January	3,044	2,730
Increase in loss allowance for the year	2,236	314
At 31 December	5,280	3,044

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 90 days past due	Over 180 days past due	Over 365 days past due	Total
At 31 December 2018						
Weighted average expected loss rate	0%	0%	0%	0%	93%	2%
Receivable amount (HK\$'000)	192,421	35,301	10,166	6,959	5,657	250,504
Loss allowance (HK\$'000)	-	-	-	-	(5,280)	(5,280)
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	51%	3%
Receivable amount (HK\$'000)	100,958	4,086	5,684	3,211	5,911	119,850
Loss allowance (HK\$'000)	-	-	-	-	(3,044)	(3,044)

12. TRADE AND NOTES PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	86,854	105,021
Notes payables	239,527	20,632
	326,381	125,653

As at 31 December 2018 and 2017, certain notes payables were secured by pledged bank deposits.

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

	2018 HK\$'000	2017 HK\$'000
Outstanding balances with ages:		
Within 180 days	58,778	34,577
181 days to 1 year	3,494	65,235
1 to 2 years	24,237	390
Over 2 years	345	4,819
	86,854	105,021

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the financial statements which mentions that as at 31 December 2018 the Group had net current liabilities of approximately HK\$343,351,000. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 annual report and audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**") to the shareholders of the Company.

For the year ended 31 December 2018, the Group achieved turnover of approximately HK\$543,276,000. Representing a significant increase of approximately 94% from approximately HK\$279,889,000 in last corresponding year. The Group recorded gross profit of approximately HK\$122,381,000, representing a significant increase of approximately 56% from approximately HK\$78,216,000 in last corresponding year. The Group achieved profit for the Year attributable to owners of the Company of approximately HK\$43,690,000 representing a significant increase of approximately 38% from approximately HK\$31,641,000 in last corresponding year. Basic profit per share of the Company was approximately HK0.80 cents while basic profit per share for the year ended 31 December 2017 was approximately HK0.60 cents. As at 31 December 2018, balance of cash and cash equivalents of the Group were approximately HK\$42,627,000 (2017: approximately HK\$123,888,000).

Turnover

For the Year under review, the Group recorded turnover of approximately HK\$543,276,000 which was mainly contributed by the Digital Video Business, the New Energy Vehicles Business, Cloud Ecological Big Data Business and Properties Investments.

In 2018, the Group's business has five (2017: five) reporting segments.

(i) Digital Video Business

The Group through its wholly owned subsidiary, Soyee Jiu Rong Technology Co., Ltd.* (數源久融技術有限公司) ("**Soyee 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* (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 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. 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 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 decreased from approximately 28% to 23%.

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 2018, the gearing ratio was 1.90 (2017: 3.46), 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 2018, the current ratio and quick ratio were approximately 1.15 and 0.51 respectively in 2017.

For the Year under review, the Group generated approximately HK\$163,663,000 (2017: used approximately HK\$351,640,000) of cash from its operations. As at 31 December 2018, the Group had cash and cash equivalents of approximately HK\$42,627,000 (2017: approximately HK\$123,888,000).

As at 31 December 2018, surplus in shareholders’ equity was approximately HK\$462,976,000 (2017: surplus in shareholders’ equity of approximately HK\$437,389,000). Current assets of the Group amounted to approximately HK\$900,798,000 (2017: HK\$1,073,223,000).

* For identification purpose only

As at 31 December 2018, the Group's net debts amounted to approximately HK\$1,155,544,000 (2017: net debts of approximately HK\$769,981,000). Trade and notes receivables increased from approximately HK\$116,806,000 as at 31 December 2017 to approximately HK\$245,530,000 as at 31 December 2018.

During the Year under review, the Group provided an impairment loss of approximately HK\$2,236,000 on trade receivables (2017: impairment of trade receivables approximately HK\$314,000).

Capital Expenditures

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK\$114,321,000 (2017: approximately HK\$282,165,000) which was mainly used for the business development of the New Energy Vehicles Business, including establishment of electric vehicles charging facilities stations in Hangzhou and Wuhan.

Pledged of Assets

As at 31 December 2018, the Group has pledged certain of its bank deposit of approximately HK\$135,848,000 (2017: approximately HK\$141,251,000 to secure its bank loans and 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 46% equity interest of Heilongjiang Xin Luzhou Real Estate Development Limited* (黑龙江新绿洲房地产开发有限公司) at a consideration of RMB142,600,000, for details of the acquisition, please refer to the announcement of the Company dated 12 October 2018.

Capital Structure

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

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 (2017: Nil). The Group had capital commitment of approximately HK\$252,460,000 in the Year under review (2017: approximately HK\$145,440,000).

Employees Benefit and Expenses

As at 31 December 2018, there were 307 employees (2017: 292 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK\$42,090,000 (2017: approximately HK\$34,298,000). 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**").

Leveraged on the successful operation of the above-mentioned business of the Group, the Group achieved profit attributable to shareholders of HK\$43,690,000 for the year ended 31 December 2018 (2017: HK\$31,641,000), representing a significant increase of approximately 38% 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\$256,988,000 for the year ended 31 December 2018 (2017: HK\$165,788,000), representing a significant increase of approximately 55% as compared with last year.

The development of the New Energy Vehicles Business in 2018 was promising and recorded turnover of HK\$271,205,000 for the year ended 31 December 2018 (2017: HK\$111,249,000), representing a significant increase of approximately 144% as compared with last year. As at 31 December 2018, the Group was operating 24 electric vehicles charging stations in Hangzhou with 2,779 alternating current chargers of 40KW/H, 18 alternating

current chargers of 7KW/H, 237 direct current chargers of 60KW/H, 190 direct current chargers of 80KW/H and 20 direct current chargers of 120KW/H in operation. The Group has established 2 electric vehicles charging stations in Wuhan with 15 alternating current chargers of 7KW/H and 16 alternating current chargers of 40KW/H in operation. The Group is establishing two new energy vehicles charging stations in Nanjing with 6 alternating current chargers of 7KW/H, 10 alternating current chargers of 40KW/H and 12 direct current chargers of 60KW/H and 32 direct current chargers of 120KW/H under construction. The Board is of the view that the PRC Government has emphasized on the use of new energy vehicles and reduction in carbon emissions and recently released “關於進一步完善新能源汽車推廣應用財政補貼政策的通知” which mentioned the 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 HK\$4,956,000 for the year ended 31 December 2018 (2017: HK\$2,227,000) from the Cloud Ecological Big Data Business, representing a significant increase of approximately 123% as compared with last year. 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.

INCLUSION IN MSCI HONG KONG MICRO CAP INDEX

The Directors are pleased to announce that the Company has been included as a constituent of MSCI Hong Kong Micro Cap Index by Morgan Stanley Capital International (“MSCI”) with effective as of the close of 30 November 2018.

The Board believes the inclusion in the index indicating the acknowledgement and confidence on the performance of the Company in the capital market by the investors, and the recognition of investors on the satisfactory performances in terms of the market value, turnover, profit and stock liquidity of the Company, which will further enhance the corporate image of the Company and facilitate its business development. The Company is optimistic about the long-term development of the businesses of the Group, especially the New Energy Vehicles Business, the Group will aim to be one of the largest new energy vehicles charging facilities operators in the PRC.

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.

* For identification purpose only

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 2018.

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 2018.

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 4 June 2018.

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 2018 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 2018. 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 2018 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 2018 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, 29 March 2019