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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 2019

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 2019 (the “**Year**”) together with the comparative figures for the corresponding year of 2018.

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

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>REVENUE</b>	5	<b>608,698</b>	543,276
Cost of sales		<b>(501,323)</b>	(420,895)
<b>Gross profit</b>		<b>107,375</b>	122,381
Other income and gains	6	<b>25,960</b>	23,108
Selling and distribution costs		<b>(19,368)</b>	(24,748)
Administrative expenses		<b>(46,204)</b>	(35,165)
Other operating expenses		<b>(2,287)</b>	(5,529)
Equity-settled share option expenses		<b>(27,359)</b>	–
Fair value changes of investment properties		<b>46,736</b>	3,835
Finance costs	7	<b>(34,404)</b>	(15,565)
Share of loss of an associate		<b>(2,524)</b>	(1,046)

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>PROFIT BEFORE TAX</b>		<b>47,925</b>	67,271
Income tax expense	9	<b>(21,684)</b>	(13,078)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8	<b>26,241</b>	54,193
<b>Other comprehensive loss for the year, net of tax:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value changes of equity investments at fair value through other comprehensive income		<b>(1,948)</b>	(1,045)
<b>Items that may be reclassified to profit or loss:</b>			
Share of associates' exchange differences on translating foreign operations		<b>(4,092)</b>	(1,683)
Exchange differences on translation of foreign operations		<b>(2,423)</b>	(15,766)
		<b>(6,515)</b>	(17,449)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(8,463)</b>	(18,494)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>17,778</b>	35,699
<b>EARNINGS PER SHARE</b>	11		
– Basic (HK cents)		<b>0.48</b>	0.99
– Diluted (HK cents)		<b>0.48</b>	0.99

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)	1 January 2018 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
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	–	–
		<b>1,218,042</b>	913,325	402,496
<b>CURRENT ASSETS</b>				
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
		<b>832,461</b>	900,798	1,073,223
<b>CURRENT LIABILITIES</b>				
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		251,362	58,301	2,676
Bank and other loans		279,912	804,000	727,652
Deferred government grant		5,960	5,543	5,845
Tax payable		–	1,351	876
		<b>1,423,976</b>	1,244,149	936,190
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(591,515)</b>	(343,351)	137,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>626,527</b>	569,974	539,529
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities		4,562	–	–
Deferred government grant		36,554	41,722	46,762
Deferred tax liabilities		65,423	53,401	53,615
		<b>106,539</b>	95,123	100,377
<b>NET ASSETS</b>		<b>519,988</b>	474,851	439,152
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Issued capital		547,200	547,200	547,200
Reserves		(27,212)	(72,349)	(108,048)
<b>TOTAL EQUITY</b>		<b>519,988</b>	474,851	439,152

## 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 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), the directors 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 consolidated financial statements as follows:

	<b>As at 1 January 2019 HK\$’000</b>
Increase in right-of-use assets	<b>3,958</b>
Increase in lease liabilities	<b>3,958</b>

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

	<b>HK\$’000</b>
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	<b>3,958</b>
Analyses as:	
Current	<b>454</b>
Non-current	<b>3,504</b>
	<b>3,958</b>

### 4. RETROSPECTIVE RESTATEMENTS

During the course of preparation of the 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)
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
<b>Other comprehensive loss for the year:</b>			
<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>			
Share of associates exchange differences on translating foreign operations	(1,683)	–	(1,683)
Exchange differences on translation of foreign operations	(15,375)	(391)	(15,766)
<b>Other comprehensive loss for the year, net of tax:</b>	(18,103)	(391)	(18,494)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>25,587</b>	<b>10,112</b>	<b>35,699</b>
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)
<b>Non-current assets</b>			
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
<b>Current assets</b>			
Inventories	5,630	–	5,630
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
<b>Current liabilities</b>			
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
<b>Net current liabilities</b>	(343,351)	–	(343,351)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	554,197	15,777	569,974
<b>Non-current liabilities</b>			
Deferred government grants	41,722	–	41,722
Deferred tax liabilities	49,499	3,902	53,401
	91,221	3,902	95,123
<b>NET ASSETS</b>	462,976	11,875	474,851
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	547,200	–	547,200
Reserves	(84,224)	11,875	(72,349)
<b>TOTAL EQUITY</b>	462,976	11,875	474,851

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)
<b>Non-current assets</b>			
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
<b>Current assets</b>			
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
<b>Current liabilities</b>			
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
<b>Net current assets</b>	137,033	–	137,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	537,195	2,334	539,529
<b>Non-current liabilities</b>			
Deferred government grants	46,762	–	46,762
Deferred tax liabilities	53,044	571	53,615
	99,806	571	100,377
<b>NET ASSETS</b>	437,389	1,763	439,152
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	547,200	–	547,200
Reserves	(109,811)	1,763	(108,048)
<b>TOTAL EQUITY</b>	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.
- (ii) New Energy Vehicles Business: construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems and processing services in relation to 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:

<b>Revenue</b>	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Sale of digital video products	<b>355,363</b>	256,988
Provision of new energy vehicles charging services income	<b>180,175</b>	271,205
Processing income related to new energy vehicle spare parts	<b>12,434</b>	–
Provision of big data services income	<b>25,169</b>	4,956
Sale of construction materials	<b>19,355</b>	–
Revenue from contracts with customers	<b>592,496</b>	533,149
Rental income	<b>16,202</b>	10,127
Total revenue	<b>608,698</b>	543,276

(i) *Business segments*

For the year ended 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 revenue:						
Revenue from external customers	355,363	192,609	25,169	19,355	16,202	608,698
Reportable segment profit/(loss)	(3,141)	33,507	5,996	288	40,057	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)	-	(13,749)	(21,604)
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	105,096	5	-	14,759	119,929
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)	(62,758)	(105,583)	(1,526,869)
Investment in an associate	-	-	-	157,373	-	157,373

For the year ended 31 December 2018 (Restated)

	Cloud					Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment 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)

	Cloud					Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment HK\$'000	
Reportable segment assets	193,905	556,970	4,502	361,812	372,863	1,490,052
Reportable segment liabilities	(147,960)	(500,589)	(18,110)	(299,374)	(291,196)	(1,257,229)
Investment in an associate	-	-	-	163,989	-	163,989

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

<b>Year ended 31 December</b>	<b>2019 HK\$'000</b>	2018 HK\$'000 (Restated)
<b>Revenue</b>		
Total revenue of reportable segments	<b>608,698</b>	543,276
Other revenue	–	–
<b>Consolidated revenue</b>	<b>608,698</b>	543,276
<b>Profit or loss</b>		
Total profit of reportable segments	<b>76,707</b>	72,266
Unallocated corporate (expenses)/income (net)	<b>(28,782)</b>	(4,995)
<b>Consolidated profit before tax</b>	<b>47,925</b>	67,271
<b>At 31 December</b>		
<b>Assets</b>		
Total assets of reportable segments	<b>1,999,367</b>	1,654,041
Unallocated amounts:		
Cash and cash equivalents	<b>7,850</b>	3,646
Pledged bank deposits	<b>23,392</b>	134,390
Other unallocated corporate assets	<b>19,894</b>	22,046
<b>Consolidated total assets</b>	<b>2,050,503</b>	1,814,123
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>(1,526,869)</b>	(1,257,229)
Unallocated corporate liabilities	<b>(3,646)</b>	(82,043)
<b>Consolidated total liabilities</b>	<b>(1,530,515)</b>	(1,339,272)

(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**").

	<b>Revenue from external customers</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000 (Restated)
PRC	<b>324,672</b>	356,654
Hong Kong	<b>240,215</b>	58,002
Cuba	<b>43,811</b>	128,620
Total	<b>608,698</b>	543,276

  

	<b>Non-current assets</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000 (Restated)
PRC	<b>1,004,527</b>	709,231
Hong Kong	<b>38</b>	27
	<b>1,004,565</b>	709,258

## (c) Disaggregation of revenue from contracts with customers

Segments	2019				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	71,337	192,609	25,169	19,355	308,470
Hong Kong	240,215	-	-	-	240,215
Cuba	43,811	-	-	-	43,811
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>
<u>Major products/service</u>					
Sale of digital video products	355,363	-	-	-	355,363
Provision of new energy vehicles charging services income	-	180,175	-	-	180,175
Processing income related to new energy vehicle spare parts	-	12,434	-	-	12,434
Provision of big data services income	-	-	25,169	-	25,169
Sale of construction materials	-	-	-	19,355	19,355
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>
<u>Timing of revenue recognition</u>					
At a point in time	355,363	192,609	25,169	19,355	592,496
Over time	-	-	-	-	-
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>

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	70,366	271,205	4,956	-		346,527
Hong Kong	58,002	-	-	-		58,002
Cuba	128,620	-	-	-		128,620
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>		<b>533,149</b>
<u>Major products/service</u>						
Sale of digital video products	256,988	-	-	-		256,988
Provision of new energy vehicles charging services income	-	271,205	-	-		271,205
Provision of big data services income	-	-	4,956	-		4,956
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>		<b>533,149</b>
<u>Timing of revenue recognition</u>						
At a point in time	256,988	271,205	4,956	-		533,149
Over time	-	-	-	-		-
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>		<b>533,149</b>

#### *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 processing services in relation to new energy vehicles spare parts. The New Energy Vehicles charging services income and processing services are recognised when the services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

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**

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



## 7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
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)
	<b>34,404</b>	15,565

## 8. PROFIT FOR THE YEAR

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

	2019 HK\$'000	2018 HK\$'000 (Restated)
Cost of inventories sold	501,323	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
Equity-settled share-based payments	27,359	–
	<b>73,531</b>	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
(Gain)/loss 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:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
Current tax – Hong Kong Profits Tax		
– Provision charge for the year	<b>143</b>	714
	<b>143</b>	714
Current – the PRC		
– Charge for the year	<b>6,409</b>	7,157
Deferred tax	<b>15,132</b>	5,207
	<b>21,684</b>	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:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
Profit before tax	<b>47,925</b>	67,271
Tax calculated at the domestic tax rate of 16.5% (2018: 16.5%)	<b>7,907</b>	11,100
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>3,296</b>	529
Tax effect of revenue not taxable for tax purposes	<b>(3,865)</b>	(2,413)
Tax effect of expenses not deductible for tax purposes	<b>8,617</b>	2,071
Tax effect of tax losses not recognised	<b>5,729</b>	2,228
Tax effect of utilisation of tax losses not previously recognised	–	(437)
Income tax expense	<b>21,684</b>	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 profit for the year attributable to owners of the Company of approximately HK\$26,241,000 (2018 (restated): 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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>356,619</b>	245,224
Notes receivables	<b>51,400</b>	306
	<b>408,019</b>	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:

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

### 13. TRADE AND NOTES PAYABLES

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>350,951</b>	86,854
Notes payables	<b>507,999</b>	239,527
	<b>858,950</b>	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:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Outstanding balances with ages:		
Within 180 days	<b>187,949</b>	58,778
181 days to 1 year	<b>133,463</b>	3,494
1 to 2 years	<b>7,225</b>	24,237
Over 2 years	<b>22,314</b>	345
	<b>350,951</b>	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 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\$608,698,000, representing an increase of approximately 12% 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\$26,241,000. Basic profit per share of the Company was approximately HK0.48 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\$608,698,000 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.

#### (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 and processing services in relation to new energy vehicles spare parts.

#### (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 18%.

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\$519,988,000 (2018: surplus in shareholders’ equity of approximately HK\$474,851,000). 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\$1,397,875,000 (2018: net debts of approximately HK\$1,159,446,000). 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).

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 and processing services in relation to new energy vehicles spare parts (“**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\$26,241,000 for the year ended 31 December 2019 (2018: approximately HK\$54,193,000), representing a decrease of approximately 52% 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\$355,363,000 for the year ended 31 December 2019 (2018: approximately HK\$256,988,000), representing an increase of approximately 38% as compared with last year. The New Energy Vehicles Business recorded turnover of approximately HK\$192,609,000 for the year ended 31 December 2019 (2018: approximately HK\$271,205,000). 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\$16,202,000 for the year ended 31 December 2019 (2018: approximately HK\$10,127,000) from the Properties Investment Business, representing an increase of approximately 60% 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 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 2019 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 2019. 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.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from audited financial report of the Company prepared by ZHONGHUI ANDA CPA Limited, the auditor of the Company, for the year ended 31 December 2019.

## QUALIFIED OPINION

We have audited the consolidated financial statements of Jiu Rong Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 39 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR QUALIFIED OPINION

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade receivables of approximately HK\$177,737,000 as at 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements. Any adjustment to this figure might have a consequential effect on the consolidated financial performance for the year ended 31 December 2019 and the consolidated financial position as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 December 2019 the Group had net current liabilities of approximately HK\$591,515,000. 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.

## **EXTRACT FROM NOTE 2 TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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), the directors are satisfied that the Group will have sufficient working capital for its present requirements.

## **EXPLANATION OF THE QUALIFIED OPINION IN RELATION TO THE TRADE RECEIVABLES**

The Group commenced electronics trading business to Cuba since 2017, before commencement of the electronics trading business to Cuba, the managements of the electronics trading business have done due diligence checks. The Group received US dollar or Euro dollar letter of credit issued by the Banco Nacional de Cuba, then deliver goods to customers in Cuba.

However, due to the impact of natural disasters such as hurricanes and the increasingly severe economic sanctions imposed by the United States in recent years, Cuba's foreign exchange income has declined sharply, and foreign exchange is very scarce.

As a result, the letter of credit issued by the Banco Nacional de Cuba could not be cashed. The Company actively seeking recovery of the trade receivables from the Banco Nacional de Cuba. The President of the Banco Nacional de Cuba issues an official letter to acknowledge the liabilities and undertakes to settle the debts.

As at the date of this announcement, the Company is still actively communicating with the Banco Nacional de Cuba to recover the funds including to find out whether it is possible to use RMB or CUC (Cuba currency) to settle the outstanding amount.

## **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](http://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, 21 May 2020