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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Directors") (the "Board") of Jiu Rong Holdings Limited (the "Company") are pleased to present unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 (the "Period") together with the comparative figures for the corresponding period of 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
Revenue	4	226,246	245,432
Cost of sales		(175,842)	(184,974)
Gross profit		50,404	60,458
Other income and gains	5	14,469	14,886
Selling and distribution costs		(7,741)	(10,625)
Administrative expenses		(15,212)	(17,191)
Other operating expenses		(89)	(507)
Finance costs	6	(11,494)	(13,736)
Share of loss of an associate		(1,649)	(639)
Profit before income tax	7	28,688	32,646
Income tax expense	8	(6,934)	(3,659)
Profit after income tax for the period		21,754	28,987

		Unaudited	
		Six months ended 30 June	
		2020	2019
Notes		HK\$'000	HK\$'000
		(Restated)	
Other comprehensive (loss)/income for the period, 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	–	(884)
Items that may be reclassified to profit or loss:			
	Exchange differences on translation of foreign operations	(7,772)	(752)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(7,772)	(1,636)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		13,982	27,351
Earnings per share		9	
	– Basic and diluted	HK0.40 cents	HK0.53 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	424,630	412,547
Investment properties		576,646	592,018
Right-of-use assets		6,075	6,517
Investment in an associate		184,120	157,373
Deferred tax assets		285	119
Equity investments at fair value through other comprehensive income		35,281	35,968
Prepayments, deposits and other receivables		13,500	13,500
		1,240,537	1,218,042
CURRENT ASSETS			
Inventories		6,705	20,190
Properties held for sale		204,558	202,157
Trade and notes receivables	12	324,910	408,019
Prepayments, deposits and other receivables		142,584	48,452
Investments at fair value through profit or loss	3	9,334	20,643
Tax recoverable		–	360
Pledged bank deposits		–	23,392
Cash and cash equivalents		419,779	109,248
		1,107,870	832,461
CURRENT LIABILITIES			
Trade and notes payables	13	703,573	858,950
Other payables and accruals		18,260	26,107
Lease liabilities		1,477	1,685
Contract liabilities		302,048	251,362
Bank and other loans	14	656,078	279,912
Deferred government grant		8,192	5,960
Tax payable		5,790	–
		1,695,418	1,423,976
NET CURRENT LIABILITIES		(587,548)	(591,515)
TOTAL ASSETS LESS CURRENT LIABILITIES		652,989	626,527

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
NON-CURRENT LIABILITIES			
Deferred government grant		49,079	36,554
Deferred tax liabilities		64,694	65,423
Lease liabilities		5,246	4,562
		119,019	106,539
NET ASSETS			
		533,970	519,988
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	547,200	547,200
Reserves	17	(13,230)	(27,212)
TOTAL EQUITY			
		533,970	519,988

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Unaudited								Total equity
	Attributable to owners of the Company								
	Issued capital	Share premium account*	Contributed surplus*	Statutory surplus reserve*	Foreign currency translation reserve*	Equity investment revaluation reserve*	Share- based payment reserve*	Accumulated losses*	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
For the six months ended 30 June 2020 (unaudited)									
At 1 January 2020	547,200	179,968	4,990	5,876	(24,256)	(2,993)	27,359	(218,156)	519,988
Transfer to statutory surplus reserve	-	-	-	3,492	-	-	-	(3,492)	-
Total comprehensive income for the period	-	-	-	-	(7,772)	-	-	21,754	13,982
At 30 June 2020	547,200	179,968	4,990	9,368	(32,028)	(2,993)	27,359	(199,894)	533,970
For the six months ended 30 June 2019 (unaudited)									
At 1 January 2019	547,200	179,968	4,990	2,693	(17,420)	(1,045)	-	(253,410)	462,976
Transfer to statutory surplus reserve	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(752)	(884)	-	28,987	27,351
At 30 June 2019	547,200	179,968	4,990	2,693	(18,172)	(1,929)	-	(224,423)	490,327

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(89,648)	(138,367)
Net cash inflow/(outflow) from investing activities	621	(54,902)
Net cash inflow from financing activities	399,558	285,799
Net increase in cash and cash equivalents	310,531	92,530
Cash and cash equivalents at beginning of the period	109,248	42,627
Cash and cash equivalents at end of the period	419,779	135,157

The Board of Directors would like to elaborate the adjustments made to the interim results for the six months ended 30 June 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2019	
		Unaudited HK\$'000	Unaudited HK\$'000 (Restated)
REVENUE	1	595,605	245,432
Cost of sales	1	(535,147)	(184,974)
Gross profit		60,458	60,458
Other income and gains		14,886	14,886
Selling and distribution costs		(10,625)	(10,625)
Administrative expenses		(17,191)	(17,191)
Other operating expenses		(507)	(507)
Finance costs		(13,736)	(13,736)
Share of loss of an associate		(639)	(639)
PROFIT BEFORE TAX		32,646	32,646
Income tax expense		(3,659)	(3,659)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		28,987	28,987
Other comprehensive loss for the period, 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		(884)	(884)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(752)	(752)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(1,636)	(1,636)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		27,351	27,351

Note:

- For certain sales of spare parts related to new energy vehicle business, the Group's roles mainly include handling the sales and purchases orders and provide processing services. The Group acted as an agent's role instead of as a principal. As such, audit adjustments were proposed to record these sales and the corresponding costs of sales on a net basis instead of on a gross basis in 2019 annual, as a result, the Group adjusted the above impacts on the 2019 interim results and disclosed the restated comparative figures accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s financial information for the year ended 31 December 2019 except for the application of the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which have become effective in the current period.

The Group has not yet adopted any new and amendments to HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and amendments to HKFRSs on the Group’s results and financial position.

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

3. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2020:

Description	Fair value measurements using:			Total 2020 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Investment properties	–	576,646	–	576,646
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	9,334	–	–	9,334
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	24,600	–	–	24,600
Total recurring fair value measurements	33,934	576,646	–	610,580

(b) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using:			Total 2019 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Investment properties	–	592,018	–	592,018
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	20,643	–	–	20,643
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	25,080	–	–	25,080
Total recurring fair value measurements	45,723	592,018	–	637,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. SEGMENT INFORMATION

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

Reportable segments

The Group has five reportable segments during the Period (30 June 2019: five segments). The following summary describes the operations in the Group's reportable segments:

(i) *Digital Video Business*

The Group through its wholly owned subsidiary, Soyeya Jiu Rong Technology Co., Ltd.* (数源久融技术有限公司) ("Soyeya 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 telecommunication, 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.

(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.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. SEGMENT INFORMATION (continued)

(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.

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

Six months ended 30 June 2020	Digital Video	New Energy	Cloud	Properties	Properties	Total
	Business	Vehicles	Ecological			
	(Unaudited)	(Unaudited)	(Unaudited)	Development	Investments	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reporting segment revenue from external customers	99,381	95,171	4,312	-	27,382	226,246
Reporting segment profit/(loss) before income tax	7,681	32,955	2,707	-	(14,580)	28,763
Reporting segment assets	675,963	1,025,541	254,460	186,030	576,646	2,718,640
Six months ended 30 June 2019 (Restated)						
	Digital Video	New Energy	Cloud	Properties	Properties	Total
	Business	Vehicles	Ecological			
	(Unaudited)	(Unaudited)	(Unaudited)	Development	Investments	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reporting segment revenue from external customers	129,686	81,290	8,450	-	26,006	245,432
Reporting segment profit/(loss) before income tax	7,851	21,368	1,004	-	2,804	33,027
Reporting segment assets	441,023	865,490	3,878	361,508	365,813	2,037,712

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. SEGMENT INFORMATION (continued)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Profit		
Total reporting segment profit before income tax	28,763	33,027
Unallocated corporate income/(expenses)	(75)	(381)
Unallocated finance costs	-	-
Consolidated profit before income tax	28,688	32,646

Disaggregation of revenue from contracts with customers:

Segments	Six months ended 30 June 2020					
	Digital Video Business HK\$'000 (Unaudited)	New Energy Vehicles Business HK\$'000 (Unaudited)	Cloud Ecological Big Data Business HK\$'000 (Unaudited)	Properties Development HK\$'000 (Unaudited)	Properties Investments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Geographical markets						
HK	62,344	-	-	-	-	62,344
PRC	37,037	95,171	4,312	-	27,382	163,902
Total	99,381	95,171	4,312	-	27,382	226,246
Major products and services						
Sale of digital video products	99,381	-	-	-	-	99,381
Provision of New Energy Vehicles charging services income	-	95,171	-	-	-	95,171
Provision of big data services income	-	-	4,312	-	-	4,312
Rental and services income	-	-	-	-	27,382	27,382
Total	99,381	95,171	4,312	-	27,382	226,246
Timing of revenue recognition						
At a point in time	99,381	95,171	4,312	-	27,382	226,246
Over time	-	-	-	-	-	-
Total	99,381	95,171	4,312	-	27,382	226,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. SEGMENT INFORMATION (continued)

Segments	Six months ended 30 June 2019 (Restated)					Total HK\$'000 (Unaudited)
	Digital Video Business HK\$'000 (Unaudited)	New Energy Vehicles Business HK\$'000 (Unaudited)	Cloud Ecological Big Data Business HK\$'000 (Unaudited)	Properties Development HK\$'000 (Unaudited)	Properties Investments HK\$'000 (Unaudited)	
Geographical markets						
HK	75,515	-	-	-	-	75,515
PRC	11,560	81,290	8,450	-	26,006	127,306
Cuba	42,611	-	-	-	-	42,611
Total	129,686	81,290	8,450	-	26,006	245,432
Major products and services						
Sale of digital video products	129,686	-	-	-	-	129,686
Provision of New Energy Vehicles charging services income and sales of new energy vehicles spare parts	-	81,290	-	-	-	81,290
Provision of big data services income	-	-	8,450	-	-	8,450
Rental and services income	-	-	-	-	26,006	26,006
Total	129,686	81,290	8,450	-	26,006	245,432
Timing of revenue recognition						
At a point in time	129,686	81,290	8,450	-	26,006	245,432
Over time	-	-	-	-	-	-
Total	129,686	81,290	8,450	-	26,006	245,432

5. OTHER INCOME AND GAINS

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

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Bank interest income	1,120	729
Dividend income	6,603	-
Fair value change in investments at fair value through profit or loss	49	1,463
Loss on sale of investments at fair value through profit and loss	(861)	-
Government grant	4,124	3,211
Loan interest income	2,995	6,732
Net foreign exchange difference	-	1,607
Others	439	1,144
	14,469	14,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

6. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest on loans wholly repayable within five years		
– Bank loans	9,116	6,583
– Other loans	1,316	6,688
Interest expense on lease liabilities	1,062	465
	11,494	13,736

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	23,924	14,276
Depreciation of right-of-use assets	843	445
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	17,683	17,037
Pension scheme contributions	22	21
	42,472	31,779
Foreign exchange profit/(loss), net	(18)	1,607

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

8. INCOME TAX EXPENSE

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

The rate of corporate income tax of the People's Republic of China ("PRC") is calculated at a standard rate of 15% and 25% (30 June 2019: 15% and 25%) on the estimated assessable profits arising from its operation in the PRC.

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax for the Period – PRC	6,934	3,659
Deferred tax	–	–
	6,934	3,659

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the profit for the Period attributable to owners of the Company of HK\$21,754,000 (30 June 2019: HK\$28,987,000) and the weighted average number of approximately 5,472,000,000 (30 June 2019: 5,472,000,000) ordinary shares in issue during the Period.

The diluted earnings per share for both the six months ended 30 June 2020 and 2019 are the same as the respective basic loss per share as the impact of potential ordinary shares have an anti-dilutive effect on the basic earnings per share for these periods.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, approximately HK\$25,276,000 (30 June 2019: approximately HK\$29,748,000) was spent on of plant and equipment which was mainly spent on the establishment of electric vehicles charging facilities. There was no disposal of property, plant and equipment during the Period (30 June 2019: no disposal).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND NOTES RECEIVABLES

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Trade receivables	270,441	356,619
Note receivables	54,469	51,400
	324,910	408,019

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 0 to 360 days (2019: 0 to 360 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Within 90 days	68,910	135,316
91 days to 180 days	2,902	20,057
181 days to 1 year	16,094	57,437
Over 1 year	182,535	143,809
	270,441	356,619

13. TRADE AND NOTES PAYABLES

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Trade payables	185,865	350,951
Notes payables	517,708	507,999
	703,573	858,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

13. TRADE AND NOTES PAYABLES (continued)

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

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Outstanding balances with ages:		
Within 180 days	72,961	187,949
181 days to 1 year	51,296	133,463
1 to 2 years	29,623	7,225
Over 2 years	31,985	22,314
	185,865	350,951

14. BANK AND OTHER LOANS

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Bank loans	(i)	644,611	196,703
Other loans	(ii)	11,467	83,209
		656,078	279,912

Notes:

- (i) Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 4.35% to 6.00% per annum (31 December 2019: from 4.79% to 5.80% per annum).
- (ii) The other loans are unsecured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

15. SHARE CAPITAL

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
5,472,000,000 ordinary shares of HK\$0.1 each	547,200	547,200

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 16 to the Interim Financial Statements.

16. SHARE OPTION SCHEME

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

The purpose of the Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The schemes became effective on 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

16. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

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

During the Period, at 30 June 2019 and up to the date of approval of these Interim Financial Statements, 547,200,000 share options have been granted under the Scheme on 25 July 2019.

17. RESERVES

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

In accordance with the relevant regulation in the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and are subject to certain restrictions set out in the relevant regulations in PRC. These reserves can be used either to offset against accumulated losses or be capitalized as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above mentioned usages.

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group does not have any contingent liability or capital commitment in the Period under review (31 December 2019: HK\$Nil).

19. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the Interim Financial Statements, the Group had the following material transactions with related parties during the six months ended 30 June 2020:

- (a) During the Period, total compensation paid to the Directors of the Company was approximately HK\$780,000 (30 June 2019: approximately HK\$755,000).

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

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

This Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

For the six months ended 30 June 2020, the Group achieved approximately HK\$226,246,000 in turnover, representing a decrease of approximately 7.82% from that of approximately HK\$245,432,000 during the same period of last year. Gross profit was approximately HK\$50,404,000 comparing to the gross profit of approximately HK\$60,458,000 during the corresponding period of last year. The overall gross profit ratio decreased from approximately 24.63% to approximately 22.28%. Profit for the period attributable to owners of the Company was approximately HK\$21,754,000 (for the corresponding period of last year: approximately HK\$28,987,000), representing a decrease of approximately 24.95%. Basic profit per share was approximately HK0.40 cents (for the corresponding period of last year: approximately HK0.53 cents). As at 30 June 2020, the balance of cash and cash equivalents was approximately HK\$419,779,000 (31 December 2019: approximately HK\$109,248,000).

Turnover

For the Period under review, the Group recorded a turnover of approximately HK\$226,246,000 which is contributed by the Digital Video Business, the New Energy Vehicles Business, the Cloud Ecological Big Data Business and Properties Investments.

During the Period, the Group's business has five segments (30 June 2019: five segments). Details of the segment information are set out in note 3 of the Interim Financial Statements.

Gross Profit Margin

During the Period under review, the gross margin decreased from approximately 24.63% to approximately 22.28%.

Financial Position and Liquidity

As at 30 June 2020, the gearing ratio was 1.7 (31 December 2019 : 1.6), 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 30 June 2020 and 31 December 2019.

For the period under review, the Group used approximately HK\$89,648,000 (31 December 2019: generated approximately HK\$668,295,000) of cash from its operations. As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$419,779,000 (31 December 2019 : approximately HK\$109,248,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure and Foreign Exchange Risk

During the period under review, the Capital structure of the Group remained unchanged.

The Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB") and HK\$ (30 June 2019: RMB, HK\$). The Group is exposed to foreign exchange risk arising from the exposure of US\$ against RMB and HK\$. Considering that the HK\$ is pegged to the US\$, the Group believes its exposure to exchange risk will be confined to RMB against US\$. During the Period, the Group does not intend to hedge its exposure to foreign exchange fluctuations, but will constantly monitor the economic situation and its foreign exchange risk position, and will consider appropriate hedging measures in future as may be necessary and feasible.

Employees Benefit and Expenses

As at 30 June 2020, the total number of employees of the Group was 326 (31 December 2019: 311). The total amount of employee wages and salaries incurred during the Period was approximately HK\$17,683,000 (30 June 2019: approximately HK\$17,037,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade the knowledge, skills and overall caliber of its employees.

INTERIM DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: HK\$Nil).

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").

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the unfavourable global economic conditions as a result of the COVID-19 in the first half of 2020, the Group has recorded turnover from: (1) the Digital Video Business of approximately HK\$99,381,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$129,686,000), representing a decrease of approximately 23.37% as compared with last year's corresponding period; (2) the New Energy Vehicles Business of approximately HK\$95,171,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$81,290,000), representing an increase of approximately 17.08% as compared with last year's corresponding period; (3) the Cloud Ecological Big Data Business of approximately HK\$4,312,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$8,450,000), representing a decrease of 48.97% as compared with last year's corresponding period; and (4) the properties investments of approximately HK\$27,382,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$26,006,000), representing an increase of approximately 5.29% as compared with last year's corresponding period.

As at 30 June 2020, the Group was operating: (1) 48 electric vehicles charging stations in Hangzhou with 3,604 alternating current chargers of 40KW/H and 1,424 direct current chargers of 60KW/H in operation; (2) 5 electric vehicles charging stations in Wuhan with 61 alternating current chargers of 7KW/H and 16 direct current chargers of 60KW/H in operation; and (3) 5 electric vehicles charging stations in Nanjing with 22 alternating current chargers of 40KW/H and 89 direct current chargers of 60KW/H in operation. The Board is of the view that the PRC Government has emphasized on the use of new energy vehicles to reduce carbon emissions and 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 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as the Directors are aware, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or who is, directly or indirectly interested in 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Type of interests	Number of Shares	Percentage of interests
Alpha Century Assets Limited (Note 1)	Beneficial owner	600,000,000(L)	10.96%
Ms. Wong Sin Fung (Note 1)	Interest of controlled corporation	600,000,000(L)	10.96%
SOYEA Technology Co., Limited	Beneficial owner	493,206,000(L)	9.01%

Notes:

1. The interest in 600,000,000 shares is deemed corporate interest through Alpha Century Assets Limited.
2. The letter "L" denotes a long position and "S" denotes a short position.

Save as disclosed above, so far as the Directors are aware, no person was interested in or had a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of SFO as at 30 June 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2020, none of the Directors and Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Division 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

Directors' Compliance with Model Code

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards of the Model Code throughout the six months ended 30 June 2020.

Compliance on Corporate Governance Practices

For the Period, the Company complied with all the code provisions in the Corporate Governance Code. The Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Audit Committee

The Audit Committee has reviewed with the management of the Company the accounting principals and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Interim Financial Statements for the six months ended 30 June 2020 with the Directors.

Publication of Interim Results Announcement and Interim Report

The interim results announcement and interim report of the Group for the six months ended 30 June 2020 are available for viewing on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkex.com.hk and on the website of the Company at www.irasia.com/listco/hk/2358.

Board of Directors

As at the date of this announcement, the Executive Directors are Mr. Siu Chi Ming and Mr. Yin Jianwen, the Independent Non-executive Directors are Mr. Wang Ning, Mr. Chen Zheng and Mr. Yuan Qian Fei.

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