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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 2019**

KEY HIGHLIGHTS

- The Group recorded turnover of approximately HK\$595,605,000 for the six months ended 30 June 2019, representing a significant increase of approximately 245% from approximately HK\$172,522,000 as compared with the last corresponding period.
- Profit for the six months ended 30 June 2019 attributable to owners of the Company was approximately HK\$28,987,000 (six months ended 30 June 2018: approximately HK\$14,588,000), representing a significant increase of approximately 98.7% as compared with the last corresponding period.
- The revenue from the New Energy Vehicles Business amounted to approximately HK\$259,020,000 (six months ended 30 June 2018: approximately HK\$74,641,000), representing a significant increase of approximately 247% as compared with the last corresponding period.
- The revenue from the Digital Video Business amounted to approximately HK\$302,129,000 (six months ended 30 June 2018: approximately HK\$93,098,000), representing a significant increase of approximately 224% as compared with the last corresponding period.

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 2019 (the "Period") together with the comparative figures for the corresponding period of 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Unaudited	
		Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
Revenue	4	595,605	172,522
Cost of sales		(535,147)	(120,900)
Gross profit		60,458	51,622
Other income and gains	5	14,886	8,917
Selling and distribution costs		(10,625)	(11,648)
Administrative expenses		(17,191)	(17,105)
Other operating expenses		(507)	(663)
Finance costs	6	(13,736)	(12,336)
Share of loss of an associate		(639)	–
Profit before income tax	7	32,646	18,787
Income tax expense	8	(3,659)	(4,199)
Profit after income tax for the period		28,987	14,588
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		(752)	(4,664)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(1,636)	(4,664)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		27,351	9,924
Earnings per share	9		
– Basic and diluted		HK0.53 cents	HK0.27 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	359,766	344,294
Investment properties		391,715	349,187
Investment in an associate		162,964	163,989
Right-of-use assets		3,358	–
Deferred tax assets		1,426	1,427
Equity investments at fair value through other comprehensive income		37,735	38,651
		956,964	897,548
CURRENT ASSETS			
Inventories		60,193	5,630
Properties held for sale		361,508	361,812
Trade and notes receivables	12	581,961	245,530
Prepayments, deposits and other receivables		276,798	106,855
Investments at fair value through profit or loss	3	15,927	2,496
Pledged bank deposits		–	135,848
Cash and cash equivalents		135,157	42,627
Tax refund		3,297	–
		1,434,841	900,798
CURRENT LIABILITIES			
Trade and notes payables	13	759,136	326,381
Other payables and accruals		49,126	48,573
Lease liabilities		882	–
Contract liabilities		42,113	58,301
Bank and other loans	14	953,951	804,000
Deferred government grant		5,539	5,543
Tax payable		–	1,351
		1,810,747	1,244,149
NET CURRENT LIABILITIES		(375,906)	(343,351)
TOTAL ASSETS LESS CURRENT LIABILITIES		581,058	554,197

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
NON-CURRENT LIABILITIES			
Deferred government grant		38,756	41,722
Deferred tax liabilities		49,457	49,499
Lease liabilities		2,518	–
		90,731	91,221
NET ASSETS			
		490,327	462,976
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	547,200	547,200
Reserves	17	(56,873)	(84,224)
TOTAL EQUITY			
		490,327	462,976

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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*	Accumulated losses*	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
For the six months ended 30 June 2018								
(unaudited)								
At 1 January 2018	547,200	179,968	4,990	1,048	(362)	-	(295,455)	437,389
Transfer to statutory surplus reserve	-	-	-	1,713	-	-	(1,713)	-
Total comprehensive income for the period	-	-	-	-	(4,664)	-	14,588	9,924
At 30 June 2018	547,200	179,968	4,990	2,761	(5,026)	-	(282,580)	447,313

* 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 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(138,367)	(10,465)
Net cash outflow from investing activities	(54,902)	(58,293)
Net cash inflow from financing activities	285,799	26,368
Net increase/(decrease) in cash and cash equivalents	92,530	(42,390)
Cash and cash equivalents at beginning of the period	42,627	123,888
Cash and cash equivalents at end of the period	135,157	81,498

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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.

These unaudited condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the 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 (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 16 “Leases”

The impact of the adoption of HKFRS 16 “Leases” (“HKFRS 16”) on the Group’s financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

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 HK(IFRIC)-int 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group’s leases are mainly office properties. 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. The adjustments recognized are as follows:

1 January 2019
HK\$’000

At 1 January 2019:

Increase in right-of-use assets	3,958
Increase in lease liabilities	3,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

	HK'000
Operating lease commitments disclosed as at 31 December 2018	6,043
Less: Recognition exemption – short-terms leases	273
Gross operating lease obligation at 1 January 2019	5,770
Discounting	(1,812)
Lease liabilities as at 1 January 2019	3,958
Analyses as:	
Current	825
Non-current	3,133
	3,958

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 2019

3. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 30 June 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:				
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	15,927	–	–	15,927
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	26,533	–	–	26,533
Total recurring fair value measurements	42,460	–	–	42,460

(b) Disclosures of level in fair value hierarchy at 31 December 2018:

Description	Fair value measurements using:			Total 2018 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	2,496	–	–	2,496
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	27,557	–	–	27,557
Total recurring fair value measurements	30,053	–	–	30,053

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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 2018: 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 Changyun Lu Yun Property Limited* (杭州长运绿云置业有限公司) carries out the properties development of big data industrial park in Hangzhou. It is expected that the park will establish a "Cloud Ecological System" to build a new generation of information technology (such as AR/VR, face recognition, digital maps, etc.) and communication technology, such as Internet of Things, big data, cloud computing, (such as 5G, LTE-V, NB-IOT, etc.) throughout the cloud industry park in all aspects, to create the country's first all-intelligent perception, interoperability cloud ecological park. The Group completed the acquisition of 46% equity interests of Heilongjiang Xin Luzhou Real Estate Development Limited* (黑龙江新绿洲房地产开发有限公司) ("Xin Luzhou") in 2018, Xin Luzhou will be an associate of the Company to principally engage in the development of industrial park, commercial and residential properties in Limin Avenue, Limin Development Zone, Harbin, the PRC.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

4. SEGMENT INFORMATION (continued)

Reportable segments (continued)

(v) Properties Investments

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

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 2019

	Digital Video Business (Unaudited) HK\$'000	New Energy Vehicles Business (Unaudited) HK\$'000	Cloud Ecological Big Data Business (Unaudited) HK\$'000	Properties Development (Unaudited) HK\$'000	Properties Investments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reporting segment revenue from external customers	302,129	259,020	8,450	-	26,006	595,605
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

Six months ended 30 June 2018

	Digital Video Business (Unaudited) HK\$'000	New Energy Vehicles Business (Unaudited) HK\$'000	Cloud Ecological Big Data Business (Unaudited) HK\$'000	Properties Development (Unaudited) HK\$'000	Properties Investments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Reporting segment revenue from external customers	93,098	74,641	2,844	-	1,939	172,522
Reporting segment profit/(loss) before income tax	1,168	19,292	452	-	(524)	20,388
Reporting segment assets	178,006	504,790	4,126	583,481	127,548	1,397,951

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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	
	2019	2018
	HK\$'000	HK\$'000
Profit		
Total reporting segment profit before income tax	33,027	20,388
Unallocated corporate income/(expenses)	(381)	84
Unallocated finance costs	–	(1,685)
Consolidated profit before income tax	32,646	18,787

Disaggregation of revenue from contracts with customers:

Segments	Six months ended 30 June 2019					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	184,003	259,020	8,450	–	26,006	477,479
Cuba	42,611	–	–	–	–	42,611
Total	302,129	259,020	8,450	–	26,006	595,605
Major products and services						
Sale of digital video products	302,129	–	–	–	–	302,129
Provision of New Energy Vehicles charging services income and sales of new energy vehicles spare parts	–	259,020	–	–	–	259,020
Provision of big data services income	–	–	8,450	–	–	8,450
Rental and services income	–	–	–	–	26,006	26,006
Total	302,129	259,020	8,450	–	26,006	595,605
Timing of revenue recognition						
At a point in time	302,129	259,020	8,450	–	26,006	595,605
Over time	–	–	–	–	–	–
Total	302,129	259,020	8,450	–	26,006	595,605

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

4. SEGMENT INFORMATION (continued)

Segments	Six months ended 30 June 2018						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						
PRC	76,243	74,641	2,844	-	1,939	155,667	
Cuba	16,855	-	-	-	-	16,855	
Total	93,098	74,641	2,844	-	1,939	172,522	
Major products and services							
Sale of digital video products	93,098	-	-	-	-	93,098	
Provision of New Energy Vehicles charging services income and sales of new energy vehicles spare parts	-	74,641	-	-	-	74,641	
Provision of big data services income	-	-	2,844	-	-	2,844	
Rental and services income	-	-	-	-	1,939	1,939	
Total	93,098	74,641	2,844	-	1,939	172,522	
Timing of revenue recognition							
At a point in time	93,098	74,641	2,844	-	1,939	172,522	
Over time	-	-	-	-	-	-	
Total	93,098	74,641	2,844	-	1,939	172,522	

5. OTHER INCOME AND GAINS

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

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Bank interest income	729	1,324
Fair value change in investments at fair value through profit or loss	1,463	-
Government grant	3,211	3,827
Loan interest income	6,732	2,620
Net foreign exchange difference	1,607	-
Sales of raw materials	-	710
Others	1,144	436
Total	14,886	8,917

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

6. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest on loans wholly repayable within five years		
– Bank loans	6,583	5,473
– Other loans	6,688	6,863
Interest expense on lease liabilities	465	–
	13,736	12,336

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Depreciation of property, plant and equipment	14,276	14,500
Depreciation of right-of-use assets	445	–
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	17,037	10,425
Pension scheme contributions	21	19
	31,779	24,944
Foreign exchange profit/(loss), net	1,607	355

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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 25% (30 June 2018: 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	
	2019	2018
	HK\$'000	HK\$'000
Current tax for the Period – PRC	3,659	4,199
Deferred tax	–	–
	3,659	4,199

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\$28,987,000 (30 June 2018: HK\$14,588,000) and the weighted average number of approximately 5,472,000,000 (30 June 2018: 5,472,000,000) ordinary shares in issue during the Period.

The diluted earnings per share for both the six months ended 30 June 2019 and 2018 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 2019 (30 June 2018: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, approximately HK\$29,748,000 (30 June 2018: approximately HK\$83,621,000) 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 2018: no disposal).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

12. TRADE AND NOTES RECEIVABLES

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Trade receivables	581,961	245,224
Note receivables	–	306
	581,961	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 15 to 185 days (2018: 15 to 185 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 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Within 90 days	387,384	145,571
91 days to 180 days	25,704	40,489
181 days to 1 year	120,482	31,276
Over 1 year	48,391	27,888
	581,961	245,244

13. TRADE AND NOTES PAYABLES

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Trade payables	152,904	86,854
Notes payables	606,232	239,527
	759,136	326,381

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Outstanding balances with ages:		
Within 180 days	96,530	58,778
181 days to 1 year	5,296	3,494
1 to 2 years	35,182	24,237
Over 2 years	15,896	345
	152,904	86,854

14. BANK AND OTHER LOANS

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Bank loans	(i)	205,369	184,133
Other loans	(ii)	748,582	619,867
		953,951	804,000

Notes:

- (i) Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 4.79% to 5.13% per annum (31 December 2018: from 4.4% to 5.4% per annum).
- (ii) The other loans are unsecured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15. SHARE CAPITAL

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 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 2019

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 2018: 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 2019:

- (a) During the Period, total compensation paid to the Directors of the Company was approximately HK\$755,000 (30 June 2018: approximately HK\$780,000).

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 26 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

For the six months ended 30 June 2019, the Group achieved approximately HK\$595,605,000 in turnover, representing a significant increase of approximately 245.23% from that of approximately HK\$172,522,000 during the same period of last year. Gross profit was approximately HK\$60,458,000 comparing to the gross profit of approximately HK\$51,622,000 during the corresponding period of last year. The overall gross profit ratio decreased from approximately 29.92% to approximately 10.15%. Profit for the period attributable to owners of the Company was approximately HK\$28,987,000 (for the corresponding period of last year: approximately HK\$14,588,000), representing a significant increase of approximately 98.7%. Basic profit per share was approximately HK0.53 cents (for the corresponding period of last year: approximately HK0.27 cents). As at 30 June 2019, the balance of cash and cash equivalents was approximately HK\$135,157,000 (31 December 2018: approximately HK\$42,627,000).

Turnover

For the Period under review, the Group recorded a turnover of approximately HK\$595,605,000 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 2018: 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 29.92% to approximately 10.15%.

Financial Position and Liquidity

As at 30 June 2019, the gearing ratio was 1.45 (31 December 2018 : 1.90), 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 2019 and 31 December 2018.

For the period under review, the Group used approximately HK\$138,367,000 (31 December 2018: generated approximately HK\$163,663,000) of cash from its operations. As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$135,157,000 (31 December 2018 : approximately HK\$42,627,000).

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 2018: 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 2019, the total number of employees of the Group was 301 (31 December 2018: 307). The total amount of employee wages and salaries incurred during the Period was approximately HK\$17,037,000 (30 June 2018: approximately HK\$10,425,000). 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 2019 (30 June 2018: 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").

Leveraged on the successful operation of the above-mentioned business of the Group, the Group achieved profit attributable to shareholders of HK\$28,987,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$14,588,000), representing a significant increase of approximately 98.7% as compared with last year's corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the unfavourable economic conditions in the first half of 2019, the Group has recorded turnover from: (1) the Digital Video Business of approximately HK\$302,129,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$93,098,000), representing a significant increase of approximately 224% as compared with last year's corresponding period; (2) the New Energy Vehicles Business of approximately HK\$259,020,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$74,641,000), representing a significant increase of approximately 247% as compared with last year's corresponding period; (3) the Cloud Ecological Big Data Business of approximately HK\$8,450,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$2,844,000), representing a significant increase of 197% as compared with last year's corresponding period; and (4) the properties investments of approximately HK\$26,006,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$1,939,000), representing a significant increase of approximately 1,241% as compared with last year's corresponding period.

As at 30 June 2019, the Group was operating: (1) 36 electric vehicles charging stations in Hangzhou with 3,704 alternating current chargers of 40KW/H and 932 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) 2 electric vehicles charging stations in Nanjing with 10 alternating current chargers of 40KW/H and 44 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; and (4) consider fund raising opportunities which can strengthen the financial position of the Group in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

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

As at 30 June 2019, 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 2019.

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

As at 30 June 2019, 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 2019.

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 2019.

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 2019 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 2019 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