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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 2020**

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 2020 (the “**Year**”) together with the comparative figures for the corresponding year of 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	4	722,214	608,698
Cost of sales		(596,234)	(501,323)
Gross profit		125,980	107,375
Other income and gains	5	36,200	25,960
Selling and distribution costs		(20,552)	(19,368)
Administrative expenses		(62,004)	(73,563)
Other operating expenses		(1,371)	(2,287)
Fair value changes of investment properties		22,293	46,736
Finance costs	6	(67,071)	(34,404)
Share of profit/(loss) of an associate		4,824	(2,524)

	Notes	2020 HK\$'000	2019 HK\$'000
PROFIT BEFORE TAX		38,299	47,925
Income tax expense	8	(15,395)	(21,684)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	7	22,904	26,241
Other comprehensive loss for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		(6,305)	(1,948)
Items that may be reclassified to profit or loss:			
Share of associates' exchange differences on translating foreign operations		8,208	(4,092)
Exchange differences on translation of foreign operations		17,578	(2,423)
		25,786	(6,515)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		19,481	(8,463)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		42,385	17,778
EARNINGS PER SHARE	9		
– Basic (HK cents)		0.42	0.48
– Diluted (HK cents)		0.42	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		483,114	412,547
Investment properties		790,107	592,018
Right-of-use assets		6,570	6,517
Investment in an associate		170,405	157,373
Deferred tax assets		119	119
Equity investments at fair value through other comprehensive income		31,888	35,968
Prepayments, deposits and other receivables		–	13,500
		1,482,203	1,218,042
CURRENT ASSETS			
Inventories		22,127	20,190
Properties held for sale		85,269	202,157
Trade and notes receivables	11	443,081	408,019
Prepayments, deposits and other receivables		258,714	48,452
Investments at fair value through profit or loss		22,369	20,643
Tax recoverable		–	360
Pledged bank deposits		–	23,392
Cash and cash equivalents		350,626	109,248
		1,182,186	832,461
CURRENT LIABILITIES			
Trade and notes payables	12	1,199,623	858,950
Other payables and accruals		92,212	26,107
Lease liabilities		1,625	1,685
Contract liabilities		2,275	251,362
Bank and other loans		233,389	279,912
Deferred government grant		9,257	5,960
Tax payable		3,466	–
		1,541,847	1,423,976
NET CURRENT LIABILITIES		(359,661)	(591,515)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,122,542	626,527
NON-CURRENT LIABILITIES			
Lease liabilities		5,785	4,562
Deferred government grant		51,832	36,554
Deferred tax liabilities		78,878	65,423
Bank and other loans		423,674	–
		560,169	106,539
NET ASSETS		562,373	519,988
EQUITY			
Equity attributable to owners of the Company			
Issued capital		547,200	547,200
Reserves		15,173	(27,212)
TOTAL EQUITY		562,373	519,988

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 investment properties, 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 2020, the Group had net current liabilities of approximately HK\$359,661,000. 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) the net cash inflow from the New Energy Vehicles Business in the next twelve months from the end of the financial year; and (iii) 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 consolidated 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 consolidated 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 2020. 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.

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

4. REVENUE AND OPERATING SEGMENT INFORMATION

(a) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has five (2019: 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 and sale of construction materials.
- (v) Properties Investment: properties investment for rental income in an industrial park.

The revenue is analysed as follows:

Revenue	2020	2019
	HK\$'000	HK\$'000
Sale of digital video products	373,456	355,363
Provision of new energy vehicles charging services income	192,035	180,175
Processing income related to new energy vehicles spare parts	17,387	12,434
Provision of big data services income	23,458	25,169
Sale of construction materials	96,773	19,355
Revenue from contracts with customers	703,109	592,496
Rental income	19,105	16,202
Total revenue	722,214	608,698

(i) *Business segments*

For the year ended 31 December 2020						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Business	Development	Investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue:						
Revenue from external customers	373,456	209,422	23,458	96,773	19,105	722,214
Reportable segment profit/(loss)	(13,738)	35,517	6,201	12,822	16,400	57,202
Depreciation of property, plant and equipment	(409)	(50,302)	(46)	-	(28)	(50,785)
Government grants	-	9,557	-	-	-	9,557
Gain on disposal of investments at fair value through profit or loss	379	6,852	-	-	-	7,231
Fair value loss on investments at fair value through profit or loss	-	(956)	(275)	-	-	(1,231)
Income tax credit/(expense)	179	(4,545)	(1,742)	-	(9,287)	(15,395)
Share of profit of an associate	-	-	-	4,824	-	4,824
Gain on fair value changes of investment properties	-	-	-	-	22,293	22,293
Additions to property, plant and equipment	20	70,989	4,562	-	19,405	94,976
At 31 December 2020						
	Digital	New Energy	Cloud			
	Video	Vehicles	Ecological	Properties	Properties	Total
	Business	Business	Business	Development	Investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	773,542	628,479	11,969	85,269	912,369	2,411,628
Reportable segment liabilities	(1,056,998)	(674,341)	(211,942)	(38,056)	(116,934)	(2,098,271)
Investment in an associate	-	-	-	170,405	-	170,405

For the year ended 31 December 2019

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

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

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

Year ended 31 December	2020 HK\$'000	2019 HK\$'000
Revenue		
Total revenue of reportable segments	722,214	608,698
Profit or loss		
Total profit of reportable segments	57,202	76,707
Unallocated corporate (expenses)/income (net)	(18,903)	(28,782)
Consolidated profit before tax	38,299	47,925
At 31 December		
	2020 HK\$'000	2019 HK\$'000
Assets		
Total assets of reportable segments	2,582,033	1,999,367
Unallocated amounts:		
Cash and cash equivalents	79,107	7,850
Pledged bank deposits	–	23,392
Other unallocated corporate assets	3,249	19,894
Consolidated total assets	2,664,389	2,050,503
Liabilities		
Total liabilities of reportable segments	(2,098,271)	(1,526,869)
Unallocated corporate liabilities	(3,745)	(3,646)
Consolidated total liabilities	(2,102,016)	(1,530,515)

(b) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets including property, plant and equipment and investment properties ("**Non-current assets**").

	Revenue from external customers	
	2020	2019
	HK\$'000	HK\$'000
PRC	578,945	324,672
Hong Kong	143,269	240,215
Cuba	–	43,811
Total	722,214	608,698

	Non-current assets	
	2020	2019
	HK\$'000	HK\$'000
PRC	1,273,179	1,004,527
Hong Kong	42	38
Total	1,273,221	1,004,565

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	Segment	Note	2020	2019
			HK\$'000	HK\$'000
Customer A	New Energy Vehicles Business		180,213	150,415
Customer B	Digital Video Business		122,981	138,052
Customer C	Digital Video Business	(i)	95,017	N/A

Note:

(i) Revenue from these customers did not exceed 10% of total revenue in 2019.

(d) Disaggregation of revenue from contracts with customers

Segments	2020				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	230,187	209,422	23,458	96,773	559,840
Hong Kong	143,269	-	-	-	143,269
Total	373,456	209,422	23,458	96,773	703,109
<u>Major products/service</u>					
Sale of digital video products	373,456	-	-	-	373,456
Provision of new energy vehicles charging services income	-	192,035	-	-	192,035
Processing income related to new energy vehicle spare parts	-	17,387	-	-	17,387
Provision of big data services income	-	-	23,458	-	23,458
Sale of construction materials	-	-	-	96,773	96,773
Total	373,456	209,422	23,458	96,773	703,109
<u>Timing of revenue recognition</u>					
At a point in time	373,456	209,422	23,458	96,773	703,109
Over time	-	-	-	-	-
Total	373,456	209,422	23,458	96,773	703,109

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
Total	355,363	192,609	25,169	19,355	592,496
<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
Total	355,363	192,609	25,169	19,355	592,496
<u>Timing of revenue recognition</u>					
At a point in time	355,363	192,609	25,169	19,355	592,496
Over time	-	-	-	-	-
Total	355,363	192,609	25,169	19,355	592,496

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 telecommunication, 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 charging service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service. The charging services incomes are normally made with credit terms of payment on demand.

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. Sales of construction materials are recognised when control of the products has transferred.

5. OTHER INCOME AND GAINS

	2020 HK\$'000	2019 HK\$'000
Bank interest income	4,352	2,146
Gain on disposal of investments at fair value through profit or loss	7,231	1,674
Compensation income	–	4,763
Loan interest income from third parties	6,556	4,741
Government grants	9,557	7,073
Reversal of impairment of trade receivables	4,734	–
Reversal of impairment of inventories	–	49
Exchange differences	1,053	1,679
Others	2,717	3,835
	36,200	25,960

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses on borrowings:		
– Interest expenses on bank loans	33,199	13,109
– Interest on amounts due to and loans from third parties	32,171	21,044
– Interest on lease liabilities	1,701	251
Total borrowing cost	67,071	34,404

7. PROFIT FOR THE YEAR

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

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	596,234	501,323
Staff costs (including directors' remuneration):		
Wages and salaries	35,035	32,565
Pension scheme contributions		
– Defined contribution scheme	3,093	8,819
Other staff benefits	5,242	4,788
Equity-settled share-based payments	–	27,359
	43,370	73,531
Auditors' remuneration	1,300	1,300
Depreciation of property, plant and equipment	50,810	43,722
Depreciation of right of use assets	2,551	1,428
Expenses related to short-term leases	47	535
Exchange losses, net	22	–
Gain on disposal of investments at fair value through profit or loss	(7,231)	(1,674)
Fair value loss on investments at fair value through profit or loss	1,231	1,139
(Reversal of)/impairment of trade receivables	(4,734)	471
Impairment/(reversal of impairment) of inventories	19	(49)

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year ended 31 December 2020.

PRC corporate income tax is calculated at a standard rate of 25% (2019: 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 2020, 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% (2019: 15%).

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

	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
– Provision charge for the year	–	143
	–	143
Current – the PRC		
– Charge for the year	6,990	6,409
Deferred tax	8,405	15,132
	15,395	21,684

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

	2020	2019
	HK\$'000	HK\$'000
Profit before tax	38,299	47,925
Tax calculated at the domestic tax rate of 16.5% (2019: 16.5%)	6,319	7,907
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,321	3,296
Tax effect of revenue not taxable for tax purposes	(852)	(3,865)
Tax effect of expenses not deductible for tax purposes	4,257	8,617
Tax effect of tax losses not recognised	3,350	5,729
Income tax expense	15,395	21,684

At 31 December 2020, the Group has unused tax losses of approximately HK\$133,095,000 (2019: HK\$112,708,000) available for offset against future profits. The said unrecognised tax losses may be carried forward for five years or indefinitely depends on the respective tax jurisdictions. In year 2020, no tax assets has been recognised in respect of the unused tax loss of approximately HK\$132,374,000 (2019: HK\$111,987,000).

9. 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\$22,904,000 (2019: HK\$26,241,000) and the weighted average number of approximately 5,472,000,000 (2019: 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 2020 and 2019 did not give rise to any dilution effect to the earnings per share.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2020 and 2019.

11. TRADE AND NOTES RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	350,532	356,619
Notes receivables	92,549	51,400
	443,081	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 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:

	2020	2019
	HK\$'000	HK\$'000
Within 90 days	75,950	135,316
91 days to 180 days	26,248	20,057
181 days to 1 year	28,348	57,437
Over 1 year	219,986	143,809
	350,532	356,619

As at 31 December 2020, approximately HK\$48,092,000 (2019: HK\$31,383,000) of trade receivables were pledged to a bank to secure bank loans.

Reconciliation of loss allowance for trade receivables:

	2020	2019
	HK\$'000	HK\$'000
At 1 January	5,751	5,280
(Decrease)/increase in loss allowance for the year	(4,734)	471
Exchange differences	93	–
At 31 December	1,110	5,751

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

	Current	Over 30 days past due	Over 90 days past due	Over 180 days past due	Over 365 days past due	Total
At 31 December 2020						
Weighted average expected						
loss rate	0%	0%	0%	0%	1%	0.3%
Receivable amount (HK\$'000)	140,354	3,996	251	60,044	146,997	351,642
Loss allowance (HK\$'000)	–	–	–	–	(1,110)	(1,110)
At 31 December 2019						
Weighted average expected						
loss rate	0%	0%	0%	0%	13%	2%
Receivable amount (HK\$'000)	229,269	43,075	31,883	15,188	42,955	362,370
Loss allowance (HK\$'000)	–	–	–	–	(5,751)	(5,751)

12. TRADE AND NOTES PAYABLES

	2020	2019
	HK\$'000	HK\$'000
Trade payables	369,716	350,951
Notes payables	829,907	507,999
	1,199,623	858,950

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

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

	2020	2019
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Within 180 days	173,536	187,949
181 days to 1 year	103,182	133,463
1 to 2 years	41,985	7,225
Over 2 years	51,013	22,314
	369,716	350,951

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Rong Holdings Limited (the “**Company**”) is pleased to present this annual report and audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) to the shareholders of the Company.

For the year ended 31 December 2020, the Group achieved turnover of approximately HK\$722,214,000, representing an increase of approximately 19% from approximately HK\$608,698,000 in last corresponding year. The Group recorded gross profit of approximately HK\$125,980,000, representing an increase of approximately 17% from approximately HK\$107,375,000 in last corresponding year. The Group achieved profit for the Year attributable to owners of the Company of approximately HK\$22,904,000. Basic profit per share of the Company was approximately HK0.42 cents while basic profit per share for the year ended 31 December 2019 was approximately HK0.48 cents. As at 31 December 2020, balance of cash and cash equivalents of the Group were approximately HK\$350,626,000 (2019: approximately HK\$109,248,000).

Turnover

For the Year under review, the Group recorded turnover of approximately HK\$722,214,000 which was mainly contributed by the Digital Video Business, the New Energy Vehicles Business, Cloud Ecological Big Data Business and Properties Investments.

In 2020, the Group’s business has five (2019: five) reporting segments.

Business Operations

(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.

* For identification purpose only

(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.

(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 slightly from approximately 18% to 17%.

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 2020, the gearing ratio was 1.5 (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 31 December 2020 and 2019.

For the Year under review, the Group used approximately HK\$72,302,000 (2019: generated approximately HK\$668,295,000) of cash in its operations. As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$350,626,000 (2019: approximately HK\$109,248,000).

As at 31 December 2020, surplus in shareholders' equity was approximately HK\$562,373,000 (2019: surplus in shareholders' equity of approximately HK\$519,988,000). Current assets of the Group amounted to approximately HK\$1,182,186,000 (2019: HK\$832,461,000).

As at 31 December 2020, the Group's net debts amounted to approximately HK\$1,747,924,000 (2019: net debts of approximately HK\$1,397,875,000). Trade and notes receivables increased from approximately HK\$408,019,000 as at 31 December 2019 to approximately HK\$443,081,000 as at 31 December 2020.

During the Year under review, the Group provided a reversal of impairment loss of approximately HK\$4,734,000 on trade receivables (2019: impairment of trade receivables approximately HK\$471,000).

Pledged of Assets

As at 31 December 2020, the Group did not pledge its bank deposit (2019: pledged bank deposit of approximately HK\$23,392,000), but pledged properties held for sale of approximately HK\$85,269,000 (2019: HK\$86,323,000), investment properties of approximately HK\$432,219,000 (2019: Nil) and trade receivables of approximately HK\$48,092,000 (2019: HK\$31,383,000) to secure bank loans and its notes payables.

Significant Investments

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

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.

Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2019: Nil). The Group had capital commitment of approximately HK\$276,961,000 in the Year under review (2019: approximately HK\$122,980,000).

Employees Benefit and Expenses

As at 31 December 2020, there were 378 employees (2019: 311 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK\$43,370,000 (2019: approximately HK\$73,531,000). 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**”).

The global economy has gone through fierce challenges under the COVID-19 and negative economic growth recorded worldwide in 2020. Among such negative economic conditions, the Group was still able to achieve profit attributable to shareholders of approximately HK\$22,904,000 for the year ended 31 December 2020 (2019: approximately HK\$26,241,000), representing a decrease of approximately 13% as compared with last year.

The Group has recorded an increase in turnover from the Digital Video Business to approximately HK\$373,456,000 for the year ended 31 December 2020 (2019: approximately HK\$355,363,000), representing an increase of approximately 5% as compared with last year.

The New Energy Vehicles Business recorded turnover of approximately HK\$209,422,000 for the year ended 31 December 2020 (2019: approximately HK\$192,609,000). As at 31 December 2020, the Group was operating 50 electric vehicles charging stations in Hangzhou with approximately 3,604 alternating current chargers of 40KW/H and approximately 2,224 direct current chargers of 60KW/H in operation. The Group was also operating 5 electric vehicles charging stations in Wuhan with 56 alternating current chargers of 7KW/H and 16 direct current chargers of 60KW/H in operation and 5 electric vehicles charging stations in Nanjing with 22 alternating current chargers of 40KW/H and 96 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\$23,458,000 for the year ended 31 December 2020 (2019: approximately HK\$25,169,000) from the Cloud Ecological Big Data Business, representing a decrease of approximately 7% as compared with last year.

The Group recorded turnover of approximately HK\$19,105,000 for the year ended 31 December 2020 (2019: approximately HK\$16,202,000) from the Properties Investment Business, representing an increase of approximately 18% 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 all intelligent perception, interoperability cloud ecological park. The Group will co-operate with the local authorities of West Lake District and Yunqi Cloud Town (云栖小镇) as well as famous cloud computing enterprises such as Aliyun (阿里云) and West Lake Electric (西湖电子) to establish big data industrial park and hence to expand the cloud data business market of the Group.

The Directors will continue to (1) closely evaluate the performance of the above mentioned businesses; (2) invest in the New Energy Vehicles Business, the Cloud Ecological Big Data Business and the properties development of big data industrial park; (3) actively explore new businesses or investments; (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 2020.

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 2020.

* 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, three independent non-executive Directors did not attend the annual general meeting (“**AGM**”) held on 30 June 2020.

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 2020 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 2020. 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 2020.

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 2020, 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 2020, 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\$189,666,000 (equivalent to approximately USD5,250,000 and Euro15,647,000) and HK\$177,737,000 (equivalent to approximately USD5,247,000 and Euro15,664,000) as at 31 December 2020 and 2019 respectively. 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 above might have a consequential effect on the consolidated financial performance for the year ended 31 December 2020 and 2019 and the consolidated financial position as at 31 December 2020 and 2019, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSA**s”) 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 2020 the Group had net current liabilities of approximately HK\$359,661,000. 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) the net cash inflow from the New Energy Vehicles Business in the next twelve months from the end of the financial year; and (iii) 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

References are made to the announcement of the Company dated 21 August 2020, despite our staff in Hangzhou office contacted the responsible officers for the Asia's division of Banco Nacional de Cuba through emails and our staff in Cuba office personally visited to Banco Nacional de Cuba for repayment on a monthly basis, yet, due to the shortage of the foreign currency and strict control of the usage of foreign currency by Cuba Government, the Group could only received Euro17,890 and US\$2,651 from the Banco Nacional de Cuba in 2020.

To response to the Group, the Banco Nacional de Cuba has issued its latest outstanding amounts confirmation as at 31 December 2020 to the Group. The Group also obtained outstanding amounts confirmation letter as at 30 June 2020 from Banco Nacional de Cuba and repayment undertaking letter from the current president of Banco Nacional de Cuba (the "**Undertaking Letter**") in July 2020 to replace the previous undertaking letter Issued by the former president of Banco Nacional de Cuba and the undertaking will continue in effect until Banco Nacional de Cuba fully repays the outstanding amounts.

Taken into account that (i) Banco Nacional de Cuba will continue to issue its confirmation on the outstanding amounts to the Group on a quarterly basis and the current president of Banco Nacional de Cuba undertake to repay its outstanding amounts; and (ii) Banco Nacional de Cuba will not be able to provide a repayment schedule due to the shortage of foreign currency and strict control of the use of foreign currency by the Cuba Government. Auditors do agree with the Group that impairment is not an appropriate way and will not solve the audit issues and leads to other audit qualifications unless Banco Nacional de Cuba indicates that it will not settle the outstanding amounts.

The Group really wants to recover all outstanding amounts and remove the audit qualifications and try all its means to liaise with Banco Nacional de Cuba, yet, the current foreign currency shortage of Cuba is a political issue which is out of the Group's control, the Group really cannot provide a specific timeline to address the audit issue. Further announcement(s) will be issued by the Company as and when necessary if there are material developments of the auditors' qualified opinion in relation to the trade receivables.

PUBLICATION OF RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2020 is available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and on the website of the Company at <http://www.irasia.com/listco/hk/2358>.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Siu Chi Ming

Mr. Yin Jianwen

Independent Non-executive Directors:

Mr. Wang Ning

Mr. Chen Zheng

Mr. Yuan Qian Fei

By Order of the Board

Jiu Rong Holdings

Limited

Siu Chi Ming

Executive Director

Hong Kong, 31 March 2021