



YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2020

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HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2020

- For the year ended 31st December 2020, overall revenue of the Group decreased by 5.5% to approximately HK\$307.4 million as compared with last year.
- For the year ended 31st December 2020, overall gross profit of the Group increased significantly by 44.4% to approximately HK\$51.3 million as compared with last year.
- Profit attributable to owners of the Company for the year ended 31st December 2020 amounted to approximately HK\$21.9 million (2019: approximately HK\$41.5 million).
- Basic earnings per share for the year ended 31st December 2020 was HK\$0.01 (2019: HK\$0.02).
- Total equity attributable to owners of the Company as at 31st December 2020 was approximately HK\$2,173.7 million (2019: approximately HK\$2,106.6 million) or net assets per share of HK\$1.05 (2019: HK\$1.02).
- The Board does not recommend the payment of a final dividend for the year ended 31st December 2020 (2019: Nil).

RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2020, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	4	307,378	325,312
Cost of sales		(256,056)	(289,776)
Gross profit		51,322	35,536
Other revenue and net income	4	67,478	132,920
Distribution and selling expenses		(9,076)	(7,760)
General and administrative expenses		(72,056)	(92,525)
Other operating expenses		(2,901)	(6,180)
Net changes in fair value of investment properties		(4,408)	(939)
Profit from operations	5	30,359	61,052
Finance costs	6	(3,129)	(6,425)
Profit before tax		27,230	54,627
Income tax expenses	7	(5,808)	(13,941)
Profit for the year		21,422	40,686
Profit attributable to:			
Owners of the Company		21,914	41,484
Non-controlling interests		(492)	(798)
		21,422	40,686
		HK\$	HK\$
Earnings per share	9		
– Basic		0.01	0.02
– Diluted		0.01	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>21,422</u>	<u>40,686</u>
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties		
– Gain on revaluation	–	2,862
– Effect of tax	–	(1,289)
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of the PRC subsidiaries	46,152	(15,617)
Release of translation reserves upon disposal of a subsidiary	<u>(1,015)</u>	<u>(250)</u>
Other comprehensive income/(loss) for the year (net of tax)	<u>45,137</u>	<u>(14,294)</u>
Total comprehensive income for the year	<u><u>66,559</u></u>	<u><u>26,392</u></u>
Total comprehensive income attributable to:		
Owners of the Company	67,051	27,190
Non-controlling interests	<u>(492)</u>	<u>(798)</u>
	<u><u>66,559</u></u>	<u><u>26,392</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31st December 2020*

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		455,912	430,614
Property, plant and equipment		751,668	550,611
Right-of-use assets		86,714	84,039
Deposits paid	<i>11</i>	1,506	–
Prepayment for construction	<i>11</i>	38,158	156,000
Financial assets at fair value through profit or loss		365,835	356,495
Deferred tax assets		–	5,018
		1,699,793	1,582,777
CURRENT ASSETS			
Inventories		11,203	3,748
Loans receivable	<i>10</i>	251,026	192,227
Trade and other receivables	<i>11</i>	94,894	97,805
Financial assets at fair value through profit or loss		255,086	288,421
Income tax recoverable		1,425	566
Pledged bank deposits		57,974	81,637
Cash and bank balances		122,841	272,891
		794,449	937,295
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	141,847	258,493
Dividend payables		31	31
Bank and other loans		139,907	123,025
Income tax payable		–	533
Lease liabilities		5,466	2,672
		287,251	384,754

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CURRENT ASSETS		507,198	552,541
TOTAL ASSETS LESS CURRENT LIABILITIES		2,206,991	2,135,318
NON-CURRENT LIABILITIES			
Deferred tax liabilities		28,505	28,409
Income tax payable		2,729	372
Lease liabilities		3,393	732
		34,627	29,513
NET ASSETS		2,172,364	2,105,805
EQUITY			
Share capital	<i>13</i>	51,827	51,827
Reserves	<i>14</i>	2,121,852	2,054,801
Equity attributable to owners of the Company		2,173,679	2,106,628
Non-controlling interests		(1,315)	(823)
TOTAL EQUITY		2,172,364	2,105,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The listing of Securities on GEM of the Stock Exchange.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year. The Group has also elected to early adopt amendments to HKFRS 16 in current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKASs 1 and 8	<i>Definition of Material</i>
Amendments to HKAS 39, HKFRSs 7 and 9	<i>Interest Rate Benchmark Reform – Phase 1</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus disease 2019 (“COVID-19”) pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30th June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1st June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in current year and use the transition practical expedient not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. The Group applied it consistently to all lease contracts with similar characteristics and in similar circumstances.

The adoption of the amendments has resulted in reduction in lease payments of approximately HK\$203,000 recognised in profit or loss in the current year.

Future Changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the current major operating businesses of the Group are information home appliances (“IHA”), internet data centre (“IDC”), investing and leasing.

Up to 31st December 2019, revenue derived from sale of goods of the IHA business was classified in the line item of revenue in the consolidated income statement, whereas income generated in other businesses was classified in the line item of other revenue and net income in the consolidated income statement. In order to be in line with the Group’s business development strategy, management has decided that revenue generated from (i) the IHA business; and (ii) the IDC business would be classified as revenue in the consolidated financial statements with effect from 1st January 2020.

The IHA business is principally engaged in sale and distribution of IHA and complementary products (including set-top boxes and raw materials). Revenue from the IHA business, which is stated net of value added tax where applicable, is recognised at a point in time at which the customers obtain the control of goods, which generally coincides with the time when goods are delivered to customers and the title is passed.

The IDC business comprises the development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC and facilities used in IDC. Revenue from the IDC business, including rental income from leasing of properties used as IDC and facilities used in IDC and service income from provision of IDC facilities for customers’ use, are recognised when the properties and facilities are let out and on a straight-line basis over the lease term, and as time lapsed or ratably over the term of the agreement respectively.

Rental income of approximately HK\$35,988,000 from the leasing of properties used as IDC and facilities used in IDC was recognised as revenue for the year ended 31st December 2020. During the year ended 31st December 2019, rental income of approximately HK\$27,257,000 from the leasing of properties used as IDC was recognised as other revenue and net income.

The investing segment comprises trading of securities and investing in financial instruments.

The leasing segment comprises leasing out of properties.

Other operations segment of the Group mainly comprises trading of miscellaneous materials.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive Directors assess segment profit or loss before tax without allocation of interest income from bank deposits, finance costs, legal and professional fees and other corporate administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates.

Business segments

An analysis of the Group's revenue, other revenue and net income, net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2020

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
Sale of goods	271,390	–	–	–	–	–	271,390
Lease of properties used as IDC and facilities used in IDC	–	35,988	–	–	–	–	35,988
OTHER REVENUE AND NET INCOME	(802)	232	39,041	8,493	1,015	(83)	47,896
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	(562)	–	(3,846)	–	–	(4,408)
Segment revenue	<u>270,588</u>	<u>35,658</u>	<u>39,041</u>	<u>4,647</u>	<u>1,015</u>	<u>(83)</u>	<u>350,866</u>
RESULTS							
Segment results	<u>(9,642)</u>	<u>14,009</u>	<u>25,641</u>	<u>(500)</u>	<u>1,050</u>	<u>–</u>	30,558
Unallocated corporate income							18,298
Interest income from bank deposits							1,284
Other unallocated corporate expenses							(19,781)
Finance costs							<u>30,359</u> (3,129)
Profit before tax							27,230
Income tax expenses							<u>(5,808)</u>
Profit for the year							<u>21,422</u>

As at 31st December 2020

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS							
Segment assets	120,121	1,159,423	711,151	111,933	373	–	2,103,001
Unallocated corporate assets						391,241	391,241
Consolidated total assets							<u>2,494,242</u>
LIABILITIES							
Segment liabilities	82,763	70,806	129,031	21,089	–	–	303,689
Unallocated corporate liabilities						18,189	18,189
Consolidated total liabilities							<u>321,878</u>
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	93	206,568	–	–	–	39	206,700
– Right-of-use assets	2,273	–	–	–	–	7,607	9,880
Depreciation							
– Property, plant and equipment	482	4,520	–	689	–	256	5,947
– Right-of-use assets	1,588	–	710	348	–	5,172	7,818
Write-down of inventories, net	551	–	–	–	–	–	551
Foreign exchange losses/(gains), net	2,040	–	–	–	–	(146)	1,894
Operating lease charges on premises	92	–	67	4	–	333	496
Net fair value gains on financial assets at fair value through profit or loss	<u>(376)</u>	<u>–</u>	<u>(31,591)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(31,967)</u>

For the year ended 31st December 2019

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
Sale of goods	325,312	–	–	–	–	–	325,312
OTHER REVENUE AND NET INCOME	2,341	27,257	77,567	7,860	908	(167)	115,766
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	2,612	–	(3,551)	–	–	(939)
Segment revenue	<u>327,653</u>	<u>29,869</u>	<u>77,567</u>	<u>4,309</u>	<u>908</u>	<u>(167)</u>	<u>440,139</u>
RESULTS							
Segment results	<u>4,954</u>	<u>22,192</u>	<u>70,821</u>	<u>(1,632)</u>	<u>121</u>	<u>–</u>	96,456
Unallocated corporate income							10,898
Interest income from bank deposits							6,256
Other unallocated corporate expenses							<u>(52,558)</u>
Finance costs							<u>61,052</u> <u>(6,425)</u>
Profit before tax							54,627
Income tax expenses							<u>(13,941)</u>
Profit for the year							<u>40,686</u>

As at 31st December 2019

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS							
Segment assets	132,068	1,060,296	815,233	107,695	1,939	–	2,117,231
Unallocated corporate assets						402,841	402,841
Consolidated total assets							<u>2,520,072</u>
LIABILITIES							
Segment liabilities	88,542	165,606	121,024	20,874	36	–	396,082
Unallocated corporate liabilities						18,185	18,185
Consolidated total liabilities							<u>414,267</u>
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	38	411,869	–	90	–	2,742	414,739
– Right-of-use assets	440	–	1,410	–	–	2,681	4,531
Depreciation							
– Property, plant and equipment	725	64	–	1,034	3	503	2,329
– Right-of-use assets	1,392	–	598	351	–	4,142	6,483
Reversal of write-down of inventories, net	(2,173)	–	–	–	–	–	(2,173)
Foreign exchange (gains)/losses, net	(223)	–	(5)	–	–	2,343	2,115
Operating lease charges on premises	463	–	186	4	–	1,585	2,238
Impairment loss on other receivables	–	–	–	–	89	–	89
Net fair value gains on financial assets at fair value through profit or loss	(531)	–	(68,761)	–	–	–	(69,292)
Net fair value gains on financial liabilities at fair value through profit or loss	<u>(961)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(961)</u>

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (the "PRC"), Hong Kong, Australia, the United States and other overseas markets in both 2020 and 2019.

The following tables set out information about the geographical location of (a) the Group's revenue and non-current assets other than financial assets at fair value through profit or loss and deferred tax assets; and (b) other revenue and net income other than unallocated corporate income and interest income from bank deposits. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets. The geographical location of other revenue and net income is based on the location at which other revenue and net income is generated.

(a) Revenue and non-current assets

	Revenue		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	118,336	87,562	473,644	449,722
Hong Kong	30,168	45,590	132,567	74,020
Australia	125,476	138,947	–	–
The United States	–	–	727,747	697,522
Other overseas markets	33,398	53,213	–	–
	<u>307,378</u>	<u>325,312</u>	<u>1,333,958</u>	<u>1,221,264</u>

(b) Other revenue and net income

	For the year ended 31st December 2020					
	IHA	IDC	Investing	Leasing	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	operations	HK\$'000
					HK\$'000	
The PRC	(802)	–	4,506	8,338	1,015	13,057
Hong Kong	–	–	34,535	72	–	34,607
The United States	–	232	–	–	–	232
	<u>(802)</u>	<u>232</u>	<u>39,041</u>	<u>8,410</u>	<u>1,015</u>	<u>47,896</u>

For the year ended 31st December 2019						
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
The PRC	2,341	27,257	4,075	7,693	908	42,274
Hong Kong	—	—	73,492	—	—	73,492
	<u>2,341</u>	<u>27,257</u>	<u>77,567</u>	<u>7,693</u>	<u>908</u>	<u>115,766</u>

Information about major customers

Revenue from customers individually contributing 10% or over of the total revenue of the Group, all of which were IHA customers, is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	125,476	138,947
Customer B	89,499	59,122
Customer C	—*	36,788
Customer D	—*	33,554
	<u>214,975</u>	<u>268,411</u>

* These customers individually contributed less than 10% of the total revenue.

4. REVENUE, OTHER REVENUE AND NET INCOME

	2020 HK\$'000	2019 HK\$'000
Revenue		
Sale of goods (<i>Note</i>)	271,390	325,312
Rental income from IDC properties and facilities (<i>note 3</i>)	<u>35,988</u>	<u>—</u>
	<u>307,378</u>	<u>325,312</u>
Other revenue		
Dividend income from listed securities	7,450	8,801
Rental income from other investment properties	7,723	7,292
Rental income from IDC properties (<i>note 3</i>)	—	27,257
Interest income calculated using the effective interest method:		
Interest income from bank deposits	1,284	6,256
Interest income from loans receivable	<u>16,694</u>	<u>11,197</u>
	<u>33,151</u>	<u>60,803</u>
Other net income		
Consultancy fee income	—	2,044
Foreign exchange losses, net	(1,894)	(2,115)
Net fair value gains on financial assets at fair value through profit or loss	31,967	69,292
Net fair value gains on financial liabilities at fair value through profit or loss	—	961
Gain on disposal of a subsidiary	1,015	—
Gain on disposal of property, plant and equipment	3	—
Government subsidies	1,696	—
Sundry income	<u>1,540</u>	<u>1,935</u>
	<u>34,327</u>	<u>72,117</u>
	<u>67,478</u>	<u>132,920</u>

Note:

The revenue from contracts with customers for sale of goods within HKFRS 15 is based on fixed price and recognised at a point in time.

The amount of revenue recognised for the year ended 31st December 2020 that was included in the contract liabilities at the beginning of the year is approximately HK\$2,549,000 (2019: approximately HK\$16,841,000).

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	1,550	1,550
Impairment loss on other receivables	–	89
Depreciation of property, plant and equipment**	5,947	2,329
Depreciation of right-of-use assets	7,818	6,483
Cost of inventories	227,207	279,448
(Gain)/Loss on disposal of property, plant and equipment	(3)	753
Write-down/(Reversal of write-down) of inventories, net*	551	(2,173)
Research and development costs	327	156
Direct operating expenses arising from investment properties that generating rental income from:		
– Leasing of IDC properties (included in cost of sales)	1,312	–
– Leasing of IDC properties (included in other operating expenses)	–	1,318
– Leasing of other investment properties (included in other operating expenses)	1,360	1,375
(Gain)/Loss on disposal of a subsidiary	(1,015)	1,223
Equity-settled share-based payment expenses to other eligible participants	–	2,058
	50,241	52,998
Staff costs (including Directors' emoluments):		
Salaries and allowances	50,241	52,998
Equity-settled share-based payment expenses	–	8,423
Retirement benefits scheme contributions	829	3,814
Severance payment	16	482
	51,086	65,717
Total staff costs	51,086	65,717

* The reversal of write-down of inventories arose from disposal of inventories which had been written down in previous years.

** Depreciation of property, plant and equipment included depreciation of IDC facilities of HK\$4,500,000 (2019: HK\$Nil) recognised as cost of sales for the year.

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Borrowing costs for bank and other loans	2,935	6,236
Imputed interest expenses on lease liabilities	194	189
	3,129	6,425

7. INCOME TAX EXPENSES

The taxation charged to profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
PRC corporate income tax		
Current year	38	562
Under-provision in prior year	–	42
Overseas tax		
Current year	2,357	372
	<u>2,395</u>	<u>976</u>
Deferred taxation		
Origination and reversal of temporary differences	(1,641)	(620)
Benefit of tax losses utilised	5,054	13,585
	<u>3,413</u>	<u>12,965</u>
Charge for the year	<u><u>5,808</u></u>	<u><u>13,941</u></u>

For the years ended 31st December 2020 and 2019, Hong Kong Profits Tax has not been provided as the Group either did not generate any assessable profit from Hong Kong or its estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years.

The income tax provision in respect of operations in the PRC is calculated at the corporate income tax (“CIT”) rate of 25% on the estimated assessable profits for 2020 and 2019 based on existing legislation, interpretations and practices in respect thereof. An operating subsidiary of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” which is exempted for part of PRC CIT. As a result, the effective CIT rate for the subsidiary is 15% for 2020 and 2019. Certain subsidiaries of the Company have been designated as “Small-Scale and Low-Profit Enterprises” which are charged at the effective preferential CIT rates of 5% or 10% respectively on condition that the taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for 2020 and 2019.

The United States operation of the Group is subject to the United States Federal and State Income Tax. For the years ended 31st December 2020 and 2019, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the years ended 31st December 2020 and 2019.

The Group has investment properties situated in the PRC which are stated at fair value. Deferred taxes are recognised on changes in fair value of investment properties in the PRC taking into account the PRC land appreciation tax and CIT payable upon sales of those investment properties.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31st December 2020 (2019: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2020 HK\$'000	2019 HK\$'000
Profit attributable to owners of the Company	<u>21,914</u>	<u>41,484</u>
	2020 '000	2019 '000
Issued ordinary shares at 1st January	2,073,089	1,803,089
Issue of new shares	<u>–</u>	<u>115,397</u>
Weighted average number of ordinary shares for basic earnings per share	2,073,089	1,918,486
Weighted average number of ordinary shares for diluted earnings per share	<u>2,073,089</u>	<u>1,918,486</u>
	HK\$	HK\$
Earnings per share:		
– Basic	0.01	0.02
– Diluted (Note)	<u>0.01</u>	<u>0.02</u>

Note:

Diluted earnings per share is the same as the basic earnings per share for the years ended 31st December 2020 and 2019 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic earnings per share for the years.

10. LOANS RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Loans receivable from third parties due within one year	<u>251,026</u>	<u>192,227</u>

The loans receivable comprise:

- (i) In December 2019, RMB100,000,000 loan was granted to an independent third party borrower which was secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of the borrower. The loan was interest-bearing at 8% per annum and repayable in September 2020. During the year, the principal of RMB10,000,000 and accrued interest of approximately HK\$7,373,000 were repaid with the remaining principal of RMB90,000,000 extended to be repayable in December 2021, with other terms remain unchanged.

At the end of the reporting period, the principal of RMB90,000,000 (equivalent to approximately HK\$106,939,000) (2019: RMB100,000,000 (equivalent to approximately HK\$111,632,000)) and accrued interest receivable of approximately HK\$2,495,000 (2019: approximately HK\$229,000) were recognised as loans receivable under current assets. Details of the loan and extension of loan were disclosed in the Company's announcements dated 19th December 2019, 18th September 2020 and 17th December 2020 respectively.

- (ii) In December 2019, HK\$80,000,000 loan was granted to an independent third party borrower which was secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan was interest-bearing at 8% per annum and repayable in June 2020. During the year, the principal of HK\$39,000,000 and accrued interest of approximately HK\$4,707,000 were repaid with the remaining principal of HK\$41,000,000 extended to be repayable in December 2021, with other terms remain unchanged.

At the end of the reporting period, the principal of HK\$41,000,000 (2019: HK\$80,000,000) and accrued interest receivable of HK\$Nil (2019: approximately HK\$366,000) was recognised as loans receivable under current assets. Details of the loan and extension of loan were disclosed in the Company's announcements dated 9th December 2019, 12th December 2019, 29th June 2020 and 31st December 2020 respectively.

- (iii) In April 2020, HK\$60,000,000 loan was granted to an independent third party borrower which is secured by corporate guarantees provided by two independent third parties. The loan is interest-bearing at 5% per annum and repayable in 18 months from the drawdown date (i.e. 2nd April 2020). At the end of the reporting period, the principal of HK\$60,000,000 and accrued interest receivable of approximately HK\$2,252,000 were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcements dated 18th March 2020 and 17th June 2020 respectively.

- (iv) In October and December 2020, loans with aggregate principal of RMB12,000,000 were granted to an independent third party borrower. The loans are unsecured and interest-bearing at 5% per annum. Principals of RMB2,000,000 and RMB10,000,000 are repayable in January 2021 and December 2021 respectively. At the end of reporting period, the principal of RMB12,000,000 (equivalent to approximately HK\$14,259,000) and accrued interest receivable of approximately RMB44,000 (equivalent to approximately HK\$53,000) were recognised as loans receivable under current assets.

Principal of RMB2,000,000 (equivalent to approximately HK\$2,376,000) and accrued interest receivable of RMB25,000 (equivalent to approximately HK\$30,000) were repaid in January 2021 in accordance with the terms of the loans agreements.

- (v) In July 2020, RMB22,000,000 loan was granted to an independent third party borrower which is unsecured, interest-bearing at 5% per annum and repayable in October 2020. Principal of RMB2,000,000 and accrued interest of approximately RMB277,000 were repaid on the repayment date with the remaining principal of RMB20,000,000 extended to be repayable in January 2021. At the end of the reporting period, the principal of RMB20,000,000 (equivalent to approximately HK\$23,764,000) and accrued interest receivable of approximately RMB222,000 (equivalent to approximately HK\$264,000) were recognised as loans receivable under current assets.

The principal together with accrued interest receivables were fully settled at maturity in January 2021.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION

	Note	2020 HK\$'000	2019 HK\$'000
Trade receivables		77,657	79,474
Less: Loss allowance		(15)	(15)
	(a)	77,642	79,459
Other receivables, net of loss allowance		7,035	3,975
Prepayments and deposits		11,723	14,371
Prepayment for construction	(b)	38,158	156,000
		134,558	253,805
Current portion		94,894	97,805
Non-Current portion		39,664	156,000
		134,558	253,805

Notes:

- (a) The Group grants its customers an average credit period from 30 days to 6 months (2019: 30 days to 18 months). The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0-30 days	15,096	20,684
31-60 days	16,376	16,214
61-90 days	17,873	9,907
Over 90 days	28,297	32,654
	77,642	79,459

- (b) In relation to the construction of the Group's IDC in the United States, the Group has entered into a holding escrow agreement with a bank in the United States and the construction company pursuant to which the Group agrees to maintain an amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) or the amount due to the construction company, whichever is lower, in the escrow account.

As at 31st December 2020, the Group maintained approximately US\$4,892,000 (equivalent to approximately HK\$38,158,000) (2019: US\$20,000,000 (equivalent to approximately HK\$156,000,000)) in the escrow account.

12. TRADE AND OTHER PAYABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade payables	(a)	47,240	66,315
Contract liabilities	(b)	5,827	3,739
Other payables		22,999	21,438
Accruals		65,781	167,001
		<u>141,847</u>	<u>258,493</u>

Notes:

(a) The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0-30 days	12,450	13,898
31-60 days	2,294	33,793
61-90 days	18,969	18,391
Over 90 days	13,527	233
	<u>47,240</u>	<u>66,315</u>

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1st January	3,739	17,484
Exchange realignment	41	(4)
Recognised as revenue	(2,549)	(16,841)
Receipt of advances or recognition of receivables	4,596	3,100
As at 31st December	<u>5,827</u>	<u>3,739</u>

As at 31st December 2020, the contract liabilities that are expected to be settled after more than 12 months are HK\$Nil (2019: HK\$Nil).

13. SHARE CAPITAL

	Number of shares		Amount	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK\$0.025 each	<u>2,073,089</u>	<u>1,803,089</u>	<u>51,827</u>	<u>45,077</u>
Issue of new shares (<i>Note</i>)	<u>–</u>	<u>270,000</u>	<u>–</u>	<u>6,750</u>
At end of the reporting period				
Ordinary shares of HK\$0.025 each	<u>2,073,089</u>	<u>2,073,089</u>	<u>51,827</u>	<u>51,827</u>

Note:

On 29th July 2019, 270,000,000 ordinary shares of HK\$0.025 each were issued at total consideration of HK\$81,000,000 as a result of subscription of new shares by two independent investors.

14. RESERVES

For the year ended 31st December 2020

	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st January 2019	133,249	8,668	234,621	55,612	24,540	16,752	–	1,469,413	1,942,855
Profit for the year	–	–	–	–	–	–	–	41,484	41,484
Other comprehensive loss:									
Revaluation of property, plant and equipment upon transfer to investment properties									
– Gain on revaluation	–	–	–	–	2,862	–	–	–	2,862
– Effect of tax	–	–	–	–	(1,289)	–	–	–	(1,289)
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	(15,617)	–	–	(15,617)
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	(250)	–	–	(250)
Total other comprehensive loss	–	–	–	–	1,573	(15,867)	–	–	(14,294)
Total comprehensive income for the year	–	–	–	–	1,573	(15,867)	–	41,484	27,190

	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Transactions with owners:									
<i>Contributions and distributions</i>									
Issue of new shares	74,250	–	–	–	–	–	–	–	74,250
Equity-settled share based payment	–	–	–	10,481	–	–	–	–	10,481
Share options lapsed	–	–	–	(5,511)	–	–	–	5,511	–
<i>Change in ownership interest</i>									
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	25	–	25
Total transactions with owners	<u>74,250</u>	<u>–</u>	<u>–</u>	<u>4,970</u>	<u>–</u>	<u>–</u>	<u>25</u>	<u>5,511</u>	<u>84,756</u>
As at 31st December 2019 and as at 1st January 2020	207,499	8,668	234,621	60,582	26,113	885	25	1,516,408	2,054,801
Profit for the year	–	–	–	–	–	–	–	21,914	21,914
Other comprehensive income:									
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	46,152	–	–	46,152
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	(1,015)	–	–	(1,015)
Total other comprehensive income	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45,137</u>	<u>–</u>	<u>–</u>	<u>45,137</u>
Total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45,137</u>	<u>–</u>	<u>21,914</u>	<u>67,051</u>
Transactions with owners:									
<i>Contributions and distributions</i>									
Share options lapsed	–	–	–	(50,159)	–	–	–	50,159	–
Total transactions with owners	<u>–</u>	<u>–</u>	<u>–</u>	<u>(50,159)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>50,159</u>	<u>–</u>
As at 31st December 2020	<u>207,499</u>	<u>8,668</u>	<u>234,621</u>	<u>10,423</u>	<u>26,113</u>	<u>46,022</u>	<u>25</u>	<u>1,588,481</u>	<u>2,121,852</u>

15. PLEDGE OF ASSETS

As at 31st December 2020, the Group had pledged the following assets to secure the loan facilities:

	2020 HK\$'000	2019 HK\$'000
(a) Investment properties	71,780	70,373
(b) Leasehold improvements	93	104
(c) Right-of-use assets	73,746	76,595
(d) Financial assets at fair value through profit or loss	294,909	276,300
(e) Bank deposits	57,974	81,637

16. EVENTS AFTER THE REPORTING PERIOD

Issuing of new shares

On 30th December 2020, the Company entered into two subscription agreements (the “Subscription Agreements”) with two independent third parties (the “Subscribers”) pursuant to which the Company had conditionally agreed to allot and issue and the Subscribers had conditionally agreed to subscribe for an aggregate of 414,616,000 new shares of the Company (the “Subscription Shares”) at the subscription price of HK\$0.20 per Subscription Share. On 13th January 2021, 414,616,000 new shares were issued to the Subscribers in accordance with the terms and conditions of the Subscription Agreements. The net proceeds, after deducting the relevant expenses, of approximately HK\$82,723,000 are intended to be used for the Group’s major operating businesses of IHA and IDC and for general working capital. Details of the subscriptions are set out in the Company’s announcements dated 30th December 2020 and 13th January 2021.

Design and service agreements and construction contract in respect of the investment properties in Shanghai

In January and February 2021, the Company’s indirectly wholly-owned subsidiary, Shanghai Yiding Electronic Technology Company Limited* (上海一鼎電子科技有限公司), and three PRC private companies entered into the design and service agreements and construction contract at contract sum of approximately RMB30,530,000 (equivalent to approximately HK\$36,276,000) for the expansion of the Group’s investment properties in Shanghai. The construction is expected to be completed in 2021.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31st December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Gross Profit

The Group is principally engaged in the businesses of information home appliances (“IHA”), internet data centre (“IDC”), investing and leasing.

In order to be in line with the Group’s business development strategy, management has decided that revenue generated from (i) the IHA business; and (ii) the IDC business would be classified as revenue in the consolidated financial statements with effect from 1st January 2020. Therefore, the Group derives revenue mainly from (i) sale and distribution of IHA and complementary products (including set-top boxes (“STB”) and raw materials); and (ii) rental income from leasing of properties used as IDC and facilities used in IDC and service income from provision of IDC facilities for customers’ use.

During the year under review, the Group’s revenue from IHA business amounted to approximately HK\$271.4 million for the year ended 31st December 2020 (the “Year”), representing a decrease of 16.6% as compared with last year. Meanwhile, the gross profit of IHA business slashed by 40.5% to approximately HK\$21.1 million for the Year as compared with last year. For IDC business, the Group recorded revenue of approximately HK\$36.0 million for the Year (2019: approximately HK\$27.3 million of rental income from IDC business which was recorded as other revenue and net income). As a result, the Group’s overall revenue only dropped by 5.5% to approximately HK\$307.4 million while the Group’s overall gross profit increased significantly by 44.4% to approximately HK\$51.3 million for the Year as compared with last year.

Operating Results

Other Revenue and Net Income

The Group’s other revenue and net income decreased significantly to approximately HK\$67.5 million for the Year (2019: approximately HK\$132.9 million), mainly because the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$32.0 million for the Year (2019: approximately HK\$70.3 million) and rental income from the IDC business was reclassified to revenue during the Year. Nevertheless, the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$68.3 million for the three months ended 31st December 2020 due to the rebound of the stock market in the fourth quarter. This was also one of the main reasons that the Group turned from a loss up to the third quarter to a profit attributable to owners of the Company for the full year in 2020.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation losses of approximately HK\$4.4 million on its investment properties for the Year (2019: approximately HK\$0.9 million).

Operating Expenses

Despite a decrease in the Group's revenue from IHA business, the Group's distribution and selling expenses increased by 17.0% to approximately HK\$9.1 million for the Year (2019: approximately HK\$7.8 million). At the same time, the Group's general and administrative expenses decreased by 22.1% to approximately HK\$72.1 million for the Year (2019: approximately HK\$92.5 million) as there were no non-cash expenses arising from the grant of share options by the Company to eligible participants during the Year (2019: approximately HK\$10.5 million).

Other Operating Expenses

Other operating expenses of the Group also decreased to approximately HK\$2.9 million for the Year (2019: approximately HK\$6.2 million). This decrease was mainly due to the reduction of miscellaneous costs and a gain on the disposal of a subsidiary of approximately HK\$1.0 million recorded as other revenue and net income for the Year (2019: loss on the disposal of a subsidiary of approximately HK\$1.2 million).

Finance Costs

The finance costs of the Group decreased by 51.3% to approximately HK\$3.1 million for the Year. The decrease was mainly due to the decrease in loan interest rate as compared with last year.

Profit for the Year

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately HK\$21.9 million for the Year (2019: approximately HK\$41.5 million).

Liquidity and Financial Resources

As at 31st December 2020, the Group had net current assets of approximately HK\$507.2 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$122.8 million and HK\$58.0 million respectively. The Group's financial resources were funded mainly by bank loans and its shareholders' funds. As at 31st December 2020, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.8 times and the gearing ratio, as measured by total liabilities divided by total equity, was 14.8%. Hence, as at 31st December 2020, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in note 15 to the consolidated financial statements in this announcement.

Capital Structure

The shares of the Company has been listed on GEM of the Stock Exchange since 31st January 2000. The changes in the capital structure of the Company for the Year are set out in note 13 to the consolidated financial statements in this announcement.

Significant Investments/Material Acquisitions and Disposals

On 29th April 2020, the Group entered into a sale and leaseback agreement with a lessee, pursuant to which the lessee agreed to (i) sell the leased assets to the Group at a consideration of HK\$60 million and (ii) leaseback the leased assets from the Group for a term of 5 years. Details of the sale and leaseback arrangement are set out in the announcements of the Company dated 29th April 2020 and 5th May 2020 respectively. Save as disclosed in this announcement, the Group had no significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

Segment Information

The Group is principally engaged in the businesses of IHA, IDC, investing and leasing. As a result of the outbreak of the Coronavirus disease 2019 (“COVID-19”) in the first half of 2020, the Group’s businesses were severely affected. With the COVID-19 under effective control and economic activities recovered gradually, the performance of the Group’s businesses has improved in the second half of 2020 but the profit attributable to owners of the Company for the full year still decreased as compared with last year.

As far as IHA business is concerned, although there was an increase in customer purchase orders as compared with the first half of 2020, the Group’s revenue from the IHA business decreased by 16.6% to approximately HK\$271.4 million for the Year as compared with last year, accounting for 88.3% of the total revenue of the Group. Meanwhile, the gross profit of the IHA business also decreased by 40.5% to approximately HK\$21.1 million for the Year as compared with the last year. Consequently, the IHA segment recorded a loss of approximately HK\$9.6 million for the Year (2019: a profit of approximately HK\$5.0 million).

For IDC business, the Group completed a sale and leaseback arrangement with a lessee during the Year, which resulted in increased revenue from the IDC business. Therefore, the Group recorded revenue of approximately HK\$36.0 million for the Year, accounting for 11.7% of the total revenue of the Group (2019: approximately HK\$27.3 million of rental income from IDC business which was recorded as other revenue and net income). As a result, this segment recorded a profit of approximately HK\$14.0 million for the Year (2019: approximately HK\$22.2 million). As this segment is still at the investing stage, the Group will continue to deploy resources in this segment.

The Group’s investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a profit of approximately HK\$25.6 million for the Year (2019: approximately HK\$70.8 million). The decrease in profit was because the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$32.0 million (2019: approximately HK\$70.3 million) and an increase in allocating resources to this segment during the Year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a loss of approximately HK\$0.5 million for the Year (2019: approximately HK\$1.6 million) as the Group recognised net revaluation losses of approximately HK\$3.8 million for the Year (2019: approximately HK\$3.6 million). The other operations segment of the Group comprises trading of miscellaneous materials. This segment recorded a profit of approximately HK\$1.1 million for the Year (2019: approximately HK\$0.1 million) because the Group recognised a gain on disposal of a subsidiary of approximately HK\$1.0 million.

The Group mainly operates the businesses in the People's Republic of China (the "PRC"), Hong Kong, Australia and other overseas markets during the Year. The revenue in the Mainland market increased by 35.1% to approximately HK\$118.3 million for the Year as compared with last year mainly because the Group reclassified the rental income from the IDC business to revenue. However, due to the global recession, the revenue in the Australian market and other overseas markets decreased by 9.7% and 37.2% to approximately HK\$125.5 million and HK\$33.4 million, respectively, which caused the overall revenue in the overseas markets to drop by 17.3% to approximately HK\$158.9 million as compared with last year. In respect of the Hong Kong market, despite the increase in revenue generated by the Group's IDC business, the overall revenue in the Hong Kong market still decreased by 33.8% to approximately HK\$30.2 million as compared with last year. As such, the overall revenue of the Group decreased by 5.5% to approximately HK\$307.4 million for the Year as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and in United States dollars ("USD"). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in USD and Hong Kong dollars ("HKD"). The exchange rates for USD to HKD have been relatively stable for the Year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD and USD. During the Year, the Group recorded net exchange losses of approximately HK\$1.9 million (2019: approximately HK\$2.1 million). As at 31st December 2020, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31st December 2020, the Group had over 160 (2019: over 160) full time employees, of which 23 (2019: 20) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK\$51.1 million for the Year (2019: approximately HK\$65.7 million) as no non-cash expenses arising from the grant of share options by the Company to its Directors and employees during the Year (2019: approximately HK\$8.4 million). The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary and benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to basic salaries, staff benefits also include medical scheme, various insurance schemes and share option scheme.

BUSINESS REVIEW

The Group's IHA business is principally engaged in sales and distribution of IHA and complementary products. Products launched by the Group in the markets include high digital STB, hybrid dual mode STB, Over-the-top ("OTT")/Internet Protocol Television ("IPTV") STB, STB equipped with an Android system, etc.. The Group has extensive experience in the design and manufacture of networked audio and video products, from hardware to software, from operating systems to business integration, covering a wide range of vertical applications. During the Year, the Group's revenue from IHA business amounted to approximately HK\$271.4 million, representing a decrease of 16.6% as compared with last year.

With respect to the IDC business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services. During the Year, the Group completed a sale and leaseback arrangement with a lessee, which resulted in increased revenue from the IDC business. As a result, the Group's revenue generated from leasing of properties used as IDC and facilities used in IDC was approximately HK\$36.0 million (2019: approximately HK\$27.3 million). In respect of the Group's project on construction of its first IDC in the United States, the project is currently entering into the construction stage. Due to the shelter-in-place order handed down by the United States government in response to the COVID-19 during the Year, the progress of the IDC construction of the Group has been adversely affected. As a result, phase one of the project will be ready for operation in the first half of 2021. As the IDC business is still at the investing stage, the Group will continue to deploy resources in this business.

With respect to investment business, the Group made some investments in the secondary market and private investment funds during the Year. Based on the value investing strategy, the Group only selected investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment goals. Maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. During the Year, the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$32.0 million in spite of fluctuation of the stock markets during the Year (2019: approximately HK\$70.3 million).

Key Risks and Uncertainties

During the Year, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factors such as fierce market competition in the Mainland and overseas markets, rapid iteration of technological products, RMB exchange rate fluctuation, drop in selling price of products and increase in production cost may bring uncertainties to the development of the IHA business of the Group. For the IDC business, factors such as whether the construction and layout of the project can be completed as scheduled, and whether the service contracts signed with customers and service income can meet the expectation may affect the progress of the IDC business of the Group. For the investing business, the frequent changes of market policies and regulations relating to the Mainland stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

Environmental Policies and Performance

The Group is committed to building an environmentally-friendly corporation and always takes the environmental protection issues into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollutants. The Group also strives to minimise the adverse environmental impacts by encouraging the employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

The Company has been listed on GEM of the Stock Exchange since 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and the United States. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the United States accordingly. During the Year, the Group has complied with all applicable laws and regulations in the PRC, Hong Kong and the United States in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in the PRC, Hong Kong and the United States and adhere to them to ensure compliance.

BUSINESS PROSPECT

2020 was an extraordinary year, during which COVID-19 suddenly broke out, the global economy experienced severe recession, the international trade recorded sharp decline, and the external environment was turbulent. The future is full of unknowns with potential and challenges coexisting. We managed to steadily promote the business development of the Group during the year, reflecting the effectiveness of our strategies.

In respect of our IDC business, we achieved a steady growth of revenue in 2020. During the year, the Group completed a sale and leaseback arrangement with a lessee, which contributed to increase revenue from the IDC business. Due to the adverse impact of COVID-19, the construction progress of our IDC project in San Jose, the United States was behind our original schedule. The phase one of the project will be ready for operation in the first half of 2021 and will contribute to the continuous improvement of revenue from IDC business. The Group will start a feasibility study for a second data centre in the United States thereafter. With the robust development of digital economy and the continuous implementation of 5G commercialisation, due to a concentrated burst of demand for online office, online education and live broadcasting, high-traffic scenarios such as ultra-high-definition videos and virtual reality/augmented reality continue to increase. The surge of data traffic brings new challenges to IDC service providers on network transmission rate, rapid deployment and computing capability, but it also provides new opportunities for the development of IDC industry at the same time. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to provide safe and reliable data centre facilities and services for renowned domestic and overseas enterprises. In future, under the trend of large-scale, intensive and green development in the IDC industry, the Group will proactively build the intelligentized IDC with characteristics of high performance, easy maintenance, and flexible expansion in core cities and regions, and will improve the competitiveness of the Group's IDC business through green and refined operation and maintenance, to help our customers achieve digital transformation and commercial success.

As for our IHA business, the Group strived to become the world's leading terminal technology solution provider in respect of broadband audio-visual multimedia. Leveraging on our technology know-how and independent research and development ("R&D") capabilities accumulated over the years, we realised customisation of multifunctional product forms based on customers' needs. Despite the fierce market competition, customer purchase orders of the Group resumed gradually in the second half of 2020. In future, the Group will maintain its strong market competitiveness through consistent investment in technology and R&D innovation and will continue to improve the profitability of our IHA business. We look forward to the continued growth and success for our IHA business.

Looking forward to 2021, uncertainty on market prospect remains. Our management and all our staff will begin with the end in mind and acquire knowledge through practice, continuously provide high-quality services with wisdom, hard work and perseverance, so as to create long-term value for our customers, staff, shareholders, partners and the society.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held four meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31st December 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the Year. The work performed by Mazars 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 Mazars CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Required Standard of Dealings for the year ended 31st December 2020 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising the interests of the shareholders of the Company.

The Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules during the Year.

By order of the Board
Yuxing InfoTech Investment Holdings Limited
Li Qiang
Chairman

Hong Kong, 19th March 2021

* *For identification purposes only*

As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Gao Fei, Mr. Shi Guangrong, Mr. Zhu Jiang, Mr. Cong Yu and Mr. Chen Biao; the independent non-executive Directors are Ms. Shen Yan, Ms. Dong Hairong and Ms. Huo Qiwei.

This announcement will remain on the “Latest Company Announcements” page of GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company’s website at www.yuxing.com.cn.