



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2021

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THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2021

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months ended 30th September 2021, overall revenue of the Group was approximately HK\$123.5 million, representing a decrease of 49.9% compared with the same period of last fiscal year. The Group recorded the overall gross profit of approximately HK\$29.8 million for the nine months ended 30th September 2021 (30th September 2020: approximately HK\$39.6 million).
- Loss attributable to owners of the Company for the nine months ended 30th September 2021 amounted to approximately HK\$19.0 million (30th September 2020: approximately HK\$26.8 million).
- Basic loss per share for the nine months ended 30th September 2021 was HK\$0.01 (30th September 2020: HK\$0.01).
- Total equity attributable to owners of the Company as at 30th September 2021 was approximately HK\$2,238.4 million (31st December 2020: approximately HK\$2,173.7 million) or net assets per share of approximately HK\$0.90 (31st December 2020: approximately HK\$1.05).
- The Board does not recommend the payment of a dividend for the nine months ended 30th September 2021 (30th September 2020: Nil).

NINE-MONTH RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30th September 2021 together with comparative figures for the same periods in 2020, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Note	Three months ended 30th September		Nine months ended 30th September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	48,761	127,675	123,495	246,487
Cost of sales		(39,710)	(105,231)	(93,699)	(206,928)
Gross profit		9,051	22,444	29,796	39,559
Other revenue and net income/(loss)	4	12,441	22,663	(19,094)	(9,755)
Distribution and selling expenses		(2,165)	(2,981)	(5,361)	(6,075)
General and administrative expenses		(45,111)	(14,482)	(94,441)	(43,868)
Other operating expenses		(476)	(898)	(1,861)	(1,681)
Net changes in fair value of investment properties		(1)	(11)	(589)	(2,219)
Gain on disposal of subsidiaries	8	79,381	–	79,381	1,015
Profit/(Loss) from operations		53,120	26,735	(12,169)	(23,024)
Finance costs		(787)	(696)	(2,579)	(2,349)
Profit/(Loss) before tax		52,333	26,039	(14,748)	(25,373)
Income tax expenses	5	(1,708)	(430)	(4,548)	(1,771)
Profit/(Loss) for the period		<u>50,625</u>	<u>25,609</u>	<u>(19,296)</u>	<u>(27,144)</u>
Profit/(Loss) attributable to:					
Owners of the Company		50,679	25,734	(19,000)	(26,820)
Non-controlling interests		(54)	(125)	(296)	(324)
		<u>50,625</u>	<u>25,609</u>	<u>(19,296)</u>	<u>(27,144)</u>
		HK\$	HK\$	HK\$	HK\$
Earnings/(Loss) per share	7				
– Basic		0.02	0.01	(0.01)	(0.01)
– Diluted		<u>0.02</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.01)</u>

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)**

	Three months ended 30th September		Nine months ended 30th September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Profit/(Loss) for the period	50,625	25,609	(19,296)	(27,144)
Other comprehensive (loss)/income:				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	1,008	26,140	9,606	12,876
Release of translation reserves upon disposal of subsidiaries	(13,010)	—	(13,010)	(1,015)
Other comprehensive (loss)/income for the period (net of tax)	(12,002)	26,140	(3,404)	11,861
Total comprehensive income/(loss) for the period	<u>38,623</u>	<u>51,749</u>	<u>(22,700)</u>	<u>(15,283)</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	38,677	51,874	(22,404)	(14,959)
Non-controlling interests	(54)	(125)	(296)	(324)
	<u>38,623</u>	<u>51,749</u>	<u>(22,700)</u>	<u>(15,283)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2021	51,827	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,173,679	(1,315)	2,172,364
Loss for the period	-	-	-	-	-	-	-	-	(19,000)	(19,000)	(296)	(19,296)
Other comprehensive loss:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	9,606	-	-	9,606	-	9,606
Release of translation reserves upon disposal of subsidiaries	-	-	-	-	-	-	(13,010)	-	-	(13,010)	-	(13,010)
Total other comprehensive loss	-	-	-	-	-	-	(3,404)	-	-	(3,404)	-	(3,404)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,404)	-	(19,000)	(22,404)	(296)	(22,700)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of new shares (Note (a))	10,366	72,558	-	-	-	-	-	-	-	82,924	-	82,924
Share options lapsed	-	-	-	-	(1,475)	-	-	-	1,475	-	-	-
<i>Change in ownership interest</i>												
Change in ownership interest in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	4,176	-	4,176	(4,176)	-
Total transactions with owners	10,366	72,558	-	-	(1,475)	-	-	4,176	1,475	87,100	(4,176)	82,924
As at 30th September 2021	62,193	280,057	8,668	234,621	8,948	26,113	42,618	4,201	1,570,956	2,238,375	(5,787)	2,232,588
As at 1st January 2020	51,827	207,499	8,668	234,621	60,582	26,113	885	25	1,516,408	2,106,628	(823)	2,105,805
Loss for the period	-	-	-	-	-	-	-	-	(26,820)	(26,820)	(324)	(27,144)
Other comprehensive income:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	12,876	-	-	12,876	-	12,876
Release of translation reserves upon disposal of subsidiaries	-	-	-	-	-	-	(1,015)	-	-	(1,015)	-	(1,015)
Total other comprehensive income	-	-	-	-	-	-	11,861	-	-	11,861	-	11,861
Total comprehensive loss for the period	-	-	-	-	-	-	11,861	-	(26,820)	(14,959)	(324)	(15,283)
Transactions with owners:												
<i>Contributions and distributions</i>												
Share options lapsed	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
Total transactions with owners	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
As at 30th September 2020	51,827	207,499	8,668	234,621	10,423	26,113	12,746	25	1,539,747	2,091,669	(1,147)	2,090,522

Note:

(a) Issue of new shares

On 30th December 2020, the Company and the subscribers entered into the subscription agreements pursuant to which the Company issued 414,616,000 new shares at a price of HK\$0.20 per share (“Subscription”). The Subscription was completed on 13th January 2021 and the total proceeds of the Subscription amounted to approximately HK\$82,924,000, of which approximately HK\$10,366,000 was credited to share capital and the balance of approximately HK\$72,558,000 was credited to the share premium account. These shares rank pari passu with the existing shares in all respects.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Yuxing InfoTech Investment Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is Unit 5-6, 9/F, Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in the businesses of information home appliances (“IHA”), internet data centre (“IDC”), investing and leasing.

2. Basis of preparation

The Group’s unaudited condensed consolidated financial statements for the nine months ended 30th September 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st December 2020. They have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31st December 2020, except for the new adoption of the accounting policies on intangible assets and the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1st January 2021 as described below.

Intangible assets

The initial cost of hashrate capacity is capitalised. Hashrate capacity with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over the useful lives of 3 years.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16 Interest Rate Benchmark Reform – Phase 2

The adoption of these amendments to HKFRSs and HKASs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

3. Revenue

For management purposes, the current major operating businesses of the Group are IHA, IDC, investing and leasing.

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.

Disaggregation of revenue

	Three months ended		Nine months ended	
	30th September		30th September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
IHA:				
Sale of goods	40,717	117,949	95,059	220,516
IDC:				
Lease of properties used as IDC and facilities used in IDC	8,044	9,726	28,436	25,971
	48,761	127,675	123,495	246,487

4. **Other revenue and net income/(loss)**

	Three months ended		Nine months ended	
	30th September		30th September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other revenue				
Dividend income from listed securities	–	329	4,788	5,028
Rental income from investment properties	2,296	1,987	6,756	5,608
Interest income calculated using the effective interest method:				
Interest income from bank deposits	74	146	239	1,174
Interest income from loans receivable	3,948	4,172	11,746	12,387
	6,318	6,634	23,529	24,197
Other net income/(loss)				
Foreign exchange (losses)/gains, net	(198)	315	(1,903)	(72)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	5,984	14,068	(41,676)	(36,298)
Gain on disposal of property, plant and equipment	–	–	218	–
Loss on leases termination	–	–	(7)	–
Government subsidies	–	898	–	1,217
Sundry income	337	748	745	1,201
	6,123	16,029	(42,623)	(33,952)
	12,441	22,663	(19,094)	(9,755)

5. Income tax expenses

The taxation charged to profit or loss represents:

	Three months ended		Nine months ended	
	30th September		30th September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC corporate income tax	1,001	–	2,528	37
Overseas withholding tax	707	430	2,020	1,734
	<u>1,708</u>	<u>430</u>	<u>4,548</u>	<u>1,771</u>

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 2021 and 2020 as the Group did not have any assessable profit from Hong Kong for both periods.

The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the corporate income tax ("CIT") rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 2021 and 2020 based on existing legislation, interpretations and practices in respect thereof. 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 2.5% or 10% (30th September 2020: 5% or 10%) respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the nine months and three months ended 30th September 2021.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the nine months and three months ended 30th September 2021 and 2020, 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 nine months and three months ended 30th September 2021 and 2020.

6. Dividends

The Board does not recommend the payment of a dividend for the nine months ended 30th September 2021 (30th September 2020: Nil).

7. Earnings/(Loss) per share

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

	Three months ended 30th September		Nine months ended 30th September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Profit/(Loss) attributable to owners of the Company	<u>50,679</u>	<u>25,734</u>	<u>(19,000)</u>	<u>(26,820)</u>
	'000	'000	'000	'000
Issued ordinary shares at 1st January	–	–	2,073,089	2,073,089
Issue of new shares	–	–	396,391	–
Issued ordinary shares at 1st July	<u>2,487,705</u>	<u>2,073,089</u>	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share	2,487,705	2,073,089	2,469,480	2,073,089
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>16,735</u>	<u>–</u>	<u>24,391</u>	<u>–</u>
Number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>2,504,440</u>	<u>2,073,089</u>	<u>2,493,871</u>	<u>2,073,089</u>
	HK\$	HK\$	HK\$	HK\$
Earnings/(Loss) per share:				
– Basic	<u>0.02</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.01)</u>
– Diluted (Note)	<u>0.02</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.01)</u>

Note:

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the nine months and three months ended 30th September 2020 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 (loss)/earnings per share for the periods.

8. Disposal of subsidiaries

(a) Disposal of Shanghai Indeed Technology Co., Ltd.

On 28th April 2021, the Group entered into an agreement with Empress Investments Pte. Ltd. to dispose of 100% of the equity interest of Shanghai Indeed Technology Co., Ltd. (“Shanghai Indeed”) at an aggregate cash consideration of US\$68,000,000 (subject to adjustments). The disposal was completed on 3rd September 2021. Details are disclosed in the Company’s announcement dated 28th April 2021 and the circular dated 26th May 2021.

The assets and liabilities of Shanghai Indeed as at the date of disposal were as follow:

	<i>HK\$’000</i>
Net assets disposed of:	
Investment properties	369,147
Prepayment for construction	39,355
Other receivables	127,295
Cash and bank balances	5,559
Other payables	(14,658)
Deferred tax liabilities	<u>(10,904)</u>
	<u>515,794</u>
Gain on disposal of a subsidiary:	
Contingent consideration received or receivable	582,165
Net assets disposed of	(515,794)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	<u>13,010</u>
Gain on disposal	<u>79,381</u>

(b) Disposal of Shenzhen Shi Qian Hai Yi Zhang Wo Internet Technology Company Limited

During the nine months ended 30th September 2020, the Group disposed of the entire equity interests in a subsidiary in the PRC, Shenzhen Shi Qian Hai Yi Zhang Wo Internet Technology Company Limited* (深圳市前海易掌沃網絡科技有限公司) through deregistration which was completed in June 2020.

	<i>HK\$’000</i>
Net assets disposed of	–
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	(1,015)
Gain on disposal	<u>1,015</u>
Consideration received or receivable	<u>–</u>

9. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the Board on 9th November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND PROSPECT

IHA Business

During the nine months ended 30th September 2021 (the “Period”), the Group’s revenue from IHA business amounted to approximately HK\$95.1 million, representing a decrease of 56.9% compared with the same period of last fiscal year. The significant drop in the revenue was caused by the continuance of shortage of microchips as the raw materials in the production of set-top boxes.

Affected by the international chip supply chain, the supply of microchips in the IHA market has been tightened throughout the year. In light of the unstable market situation, the Group actively responded by taking various measures to reduce the impact of tight microchip supply, including purchasing chips worldwide and strengthening the microchips purchase management system.

IDC Business

The Group’s revenue generated from leasing of properties used as IDC and facilities used in IDC was increased by 9.5% from approximately HK\$26.0 million for the nine months ended 30th September 2020 to approximately HK\$28.4 million for the Period. The growth was attributed to the increase in rental revenue from leasing of facilities used in IDC located at Hong Kong Shatin.

To keep up the growth in IDC business, the Company has proactively urged to complete the construction progress of the IDC located in San Jose, the United States (the “US IDC”). The construction work has been completed by the third quarter of the year. The Group is undergoing the commissioning process on the infrastructure facilities, building and system connection of the US IDC. The inspection work is expected to be completed by the end of the fourth quarter of the year. Notwithstanding the delay as a result of the adverse impact of coronavirus disease 2019 (“COVID-19”), phase one of the US IDC is expected to be ready for operation in the first half of 2022. Following the completion of the construction of the US IDC, the Directors believe that the Group is able to source a stable revenue from the entrance of the United States market.

Investing Business

The Group's investing segment was principally engaged in the trading of securities and investing in financial instruments and digital assets.

In light of the adverse capital market conditions, the Group recorded net fair value loss on financial assets at fair value through profit or loss of approximately HK\$41.7 million (30th September 2020: approximately HK\$36.3 million) for the Period. Following the disposal of investments in listed securities of Ping An Insurance (Group) Company of China, Ltd. (H-shares) ("Ping An H-shares"), ZhongAn Online P&C Insurance Co., Ltd. (H-shares) ("ZhongAn H-shares"), Guangzhou Automobile Group Co., Ltd. (A-shares and H-shares) and Honbridge Holdings Limited, etc, and other financial instruments, the percentage of the investment portfolio of listed securities and other financial instruments to the total assets was decreased by around 18%. The disposal of listed securities of Ping An H-shares and ZhongAn H-shares have been disclosed in the Company's announcements dated 12th July 2021 and 24th August 2021, respectively. The disposals of other listed securities do not constitute disclosable transactions individually.

Following the rising digital economy and the strategic review on the macroeconomy, the Directors see more potential growth on digital assets by considering its wider application and more investment institutional participants. The Group has commenced stepping into crypto investment during the Period through the procurement of hashrate capacity. Details of the relevant investment have been disclosed in the Company's announcements dated 7th May 2021, 14th May 2021, 31st May 2021, 2nd June 2021 and 9th August 2021, respectively. In accordance of the relevant accounting standards under Hong Kong Financial Reporting Standards, the Group accounts for the investment in hashrate capacity and the crypto in return as intangible assets and adopts the cost model for the measurement. The fair value of the crypto invested is above its cost and no impairment loss is considered. The Group will continue to explore the possibility of other crypto-related investments, subject to the relevant laws and regulations. Considering the different positioning of regulations for blockchain technology and crypto assets, the Group will closely monitor the potential regulatory step-up and the market sentiment.

FINANCIAL REVIEW

Revenue and Gross Profit

Due to the worsening impact of the microchip shortage, the Group's overall revenue dropped significantly by 49.9% to approximately HK\$123.5 million and the Group's overall gross profit decreased in line by 24.7% to approximately HK\$29.8 million compared with the same period of last fiscal year.

Operating Results

Other Revenue and Net (Loss)/Income

The Group recorded other revenue and net loss of approximately HK\$19.1 million for the Period (30th September 2020: approximately HK\$9.8 million). This increase was mainly due to the net losses on financial assets at fair value through profit or loss of approximately HK\$41.7 million resulting from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period (30th September 2020: approximately HK\$36.3 million).

Operating Expenses

With a sharp decline in the Group's revenue from IHA business, the Group's distribution and selling expenses decreased by 11.8% to approximately HK\$5.4 million for the Period (30th September 2020: approximately HK\$6.1 million). On the other hand, the Group's general and administrative expenses, which mainly represented staff costs (including directors' emoluments), depreciation of property, plant and equipment and right-of-use assets, legal and professional fees and other administrative expenses, have significantly increased to approximately HK\$94.4 million for the Period (30th September 2020: approximately HK\$43.9 million), as a result of the operating costs pressure from IDC business and professional expenses related disposal of the equity interest of Shanghai Indeed Technology Co., Ltd. ("Shanghai Indeed").

Other Operating Expenses

Other operating expenses of the Group increased to approximately HK\$1.9 million for the Period (30th September 2020: approximately HK\$1.7 million). This increase was mainly due to the increase of miscellaneous costs during the Period.

Finance Costs

The finance costs of the Group increased by 9.8% to approximately HK\$2.6 million for the Period. This increase was mainly due to the increase in financing from other borrowings as compared with the same period of last fiscal year.

Loss for the Period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$19.0 million for the Period (30th September 2020: approximately HK\$26.8 million).

Liquidity and Financial Resources

As at 30th September 2021, the Group had net current assets of approximately HK\$1,098.5 million. The Group had cash and bank balances of approximately HK\$493.1 million. The Group's financial resources were funded mainly by bank and other loans and its shareholders' funds. As at 30th September 2021, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 4.4 times and the gearing ratio, as measured by total liabilities divided by total equity, was 15.4%. Hence, as at 30th September 2021, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Approximately HK\$142.4 million (31st December 2020: approximately HK\$498.5 million) of the assets of the Group have been pledged to secure the loan granted to the Group as at 30th September 2021.

Capital Structure

As at 30th September 2021, the Group had shareholder's capital of approximately HK\$62.2 million (31st December 2020: approximately HK\$51.8 million). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (31st December 2020: 2,073,088,800 shares).

Issue of Listed Securities of the Company and Use of Proceeds

A summary of the issue of listed securities by the Company during the Period and the relevant use of proceeds is set out below:

Date of announcement	30th December 2020
Date of completion	13th January 2021
Name of subscriber(s)	Cedar Surplus Investments Limited and Mr. Zhu Weisha
Number of shares issued	414,616,000
Class of shares issued	Ordinary shares
Issue price per share	HK\$0.20
Net price per share	HK\$0.199
Aggregate nominal value of share issued	HK\$10,365,400
Closing price per share on which the terms of the issue were fixed	HK\$0.199 (as at 30th December 2020)
Gross proceeds	Approximately HK\$82.9 million
Net proceeds	Approximately HK\$82.7 million
Reason for the issue	The Board considered that the issue of shares would provide a good opportunity to raise additional funds to be used for (i) the development of the major operating businesses of IDC; (ii) the development of the major operating businesses of IHA; and (iii) general working capital purposes.

Up to 30th September 2021, approximately HK\$72.7 million out of approximately HK\$82.7 million had been applied as follows:

	Intended use of proceeds HK\$'000	Actual use of proceeds HK\$'000	Remaining balance HK\$'000
IDC business	66,179	56,160	10,019
IHA business	8,272	8,272	–
General working capital	8,272	8,272	–
	<u>82,723</u>	<u>72,704</u>	<u>10,019</u>

The remaining approximately HK\$10.0 million which had not yet been utilised during the Period is expected to be utilised by the end of this year. All the unutilised balances have been placed in licensed banks in Hong Kong.

Saved as disclosed above, there was no other issue of listed securities of the Company during the Period.

Significant Investments/Material Acquisitions and Disposals

Disposal of Shanghai Indeed

On 28th April 2021, Indeed Holdings Limited, an indirect wholly-owned subsidiary of the Company (the “Vendor”), and the Company, as the Vendor’s guarantor, entered into a sale and purchase agreement with Empress Investments Pte. Ltd. (the “Purchaser”), in respect of the disposal of the entire equity interest of Shanghai Indeed, an indirect wholly-owned subsidiary of the Company to the Purchaser at a consideration of US\$68,000,000 (equivalent to approximately HK\$530,400,000) subject to adjustments (the “Disposal”). The details of the Disposal have been disclosed in the Company’s announcement dated 28th April 2021 and the circular dated 26th May 2021.

The Disposal has been completed on 3rd September 2021.

Procurement of hashrate capacity

On 14th May 2021, Grand Choice Development Limited, a direct wholly-owned subsidiary of the Company (the “Purchaser”) and Wuhan Quanyaotech Technology Co., Ltd.* (武漢全耀成科技有限公司) (the “Vendor”) entered into a procurement agreement (the “Procurement Agreement”) in respect of the procurement of hashrate capacity of the 2,416 sets of A10 pro 6G and 7G version machines for cryptocurrencies mining by the Purchaser from the Vendor for a term of three years at the total consideration of RMB290,000,000. As at 30th September 2021, the Vendor had delivered the corresponding hashrate capacity of RMB92,000,000 (equivalent to approximately HK\$108,876,000) to the Purchaser. Details of the Procurement Agreement have been disclosed in the Company’s announcements dated 14th May 2021, 31st May 2021 and 2nd June 2021 respectively.

The Company decided not to pay the third instalment of the consideration of RMB140,000,000 of the Procurement Agreement. Details of the termination have been disclosed in the Company’s announcement dated 9th August 2021.

Disposals of listed securities

During the period between 21st May 2021 and 2nd July 2021, the Company conducted a series of transactions in the open market to dispose of an aggregate of 3,000,000 Ping An H-shares (representing approximately 0.040% of the total issued Ping An H-shares and approximately 0.016% of the total issued shares of Ping An) at an average price of approximately HK\$77.25 per Ping An H-shares for an aggregate consideration of approximately HK\$231,740,000 (exclusive of transaction costs). As a result of the disposals of Ping An H-shares, the Group recognised a loss of approximately HK\$53,857,000, which is calculated based on the difference between the carrying amount of the disposed shares as at 31st December 2020 and the sales proceeds (after deduction of transaction costs). Details of the disposals have been disclosed in the Company’s announcement dated 12th July 2021.

During the period between 20th May 2021 and 24th August 2021, the Company conducted a series of transactions in the open market to dispose of an aggregate of 1,552,700 ZhongAn H-shares (representing approximately 0.109% of the total issued ZhongAn H-shares and approximately 0.106% of the total issued shares of ZhongAn) at an average price of approximately HK\$40.02 per ZhongAn H-shares for an aggregate consideration of approximately HK\$62,141,000 (exclusive of transaction costs). As a result of the disposals of ZhongAn H-shares, the Group recognised a gain of approximately HK\$5,750,000, which is calculated based on the difference between the carrying amount of the disposed shares as at 31st December 2020 and the sales proceeds (after deduction of transaction costs). Details of the disposals have been disclosed in the Company's announcement dated 24th August 2021.

Acquisition of machines

On 14th September 2021, Rich Universe International Limited, a direct wholly-owned subsidiary of the Company (the "Purchaser") and Inno Century Limited (the "Vendor") entered into a sale and purchase agreement pursuant to which the Purchaser has agreed to purchase 10,500 sets of cryptocurrency mining machines from the Vendor at the consideration of HK\$84,178,500 which was settled by transferring the equivalent value of USD Coin ("USDC"), a cryptocurrency, from the Purchaser. Details of the acquisition of machines have been disclosed in the Company's announcement dated 14th September 2021.

As at the date of this announcement, the Company has not yet conducted any activities related to Bitcoin mining. The Company will make further announcements regarding the Bitcoin mining-related activities in compliance with the GEM Listing Rules where appropriate.

Saved as disclosed in this announcement, the Group had no other significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

Key Risks and Uncertainties

During the Period, 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, Renminbi 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 minimize the adverse environmental impacts by encouraging 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 People's Republic of China (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 Period, 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.

RESERVES

Movements in reserves of the Group during the Period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

DIVIDENDS

The Board does not declared a dividend for the Period (30th September 2020: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2021, the interests or short positions of the Directors and chief executive of the Company in the shares (the "Share(s)"), underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long Positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.19%
Mr. Cong Yu	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.09%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	0.91%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.32%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.01%

(2) Long positions in the underlying shares of the Company

Pursuant to the share option scheme of the Company approved by the shareholders of the Company (the “Shareholders”) on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the Shares, details of which as at 30th September 2021 were as follows:

Name of grantees	Date of grant	Exercise price per Share <i>HK\$</i>	Exercisable period	Number of Shares issuable under the share options				Outstanding as at 30th September 2021
				Outstanding as at 1st January 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors								
Mr. Li Qiang	30.08.2019	0.33	30.08.2019 – 29.08.2022	2,000,000	-	-	-	2,000,000
Mr. Gao Fei	30.08.2019	0.33	30.08.2019 – 29.08.2022	2,000,000	-	-	-	2,000,000
Mr. Shi Guangrong	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	-	-	-	13,000,000
Mr. Zhu Jiang	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	-	-	-	13,000,000
Mr. Shen Yan	30.08.2019	0.33	30.08.2019 – 29.08.2022	1,000,000	-	-	-	1,000,000
Ms. Dong Hairong	30.08.2019	0.33	30.08.2019 – 29.08.2022	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
				<u>33,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,000,000</u>

Save as disclosed above, as at 30th September 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Based on the information provided to the Company in notices filed, as at 30th September 2021, the entities and/or persons or corporations who had any interests or short positions in the Shares and/or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name of Shareholders	Nature of interests	Number of Ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Unicorn Resources Inc. ("Unicorn") (Note 1)	Corporate	741,379,800	Beneficial owner	29.80%
Cedar Surplus Investments Limited ("Cedar Surplus") (Note 1)	Corporate	741,379,800	Interest of a controlled corporation	29.80%
Mr. Cong Yu (Note 1)	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Zhu Weisha (Note 2)	Personal	741,379,800	Interest of a controlled corporation	29.80%
		19,000,000	Beneficial owner	0.76%
Honbridge Holdings Limited (Stock Code: 8137) ("Honbridge") (Note 3)	Corporate	351,867,200	Beneficial owner	14.14%
Hong Bridge Capital Limited ("Hong Bridge") (Note 3)	Corporate	351,867,200	Interest of a controlled corporation	14.14%
Mr. He Xuechu (Note 4)	Personal	351,867,200	Interest of a controlled corporation	14.14%
		300,000	Interest of spouse	0.01%
Ms. Foo Yatyan (Note 4)	Personal	351,867,200	Interest of spouse	14.14%
		300,000	Beneficial owner	0.01%

Notes:

1. Unicorn is the beneficial owner of 741,379,800 Shares. Cedar Surplus holds 55% interest in Unicorn and it is deemed to be interested in the 741,379,800 Shares held by Unicorn. Mr. Cong Yu holds 100% interest in Cedar Surplus (which holds 55% interest in Unicorn) and he is therefore deemed to be interested in the 741,379,800 Shares held by Unicorn.
2. Mr. Zhu Weisha holds 45% interest in Unicorn and he is deemed to be interested in the 741,379,800 Shares held by Unicorn. The remaining interest in 19,000,000 Shares is beneficially owned by Mr. Zhu Weishu, representing 19,000,000 underlying shares in respect of the share options granted by the Company on 30th August 2019.
3. Honbridge is the beneficial owner of 351,867,200 Shares. Hong Bridge holds 41.25% interest in Honbridge and it is deemed to be interested in the 351,867,200 Shares held by Honbridge.
4. Mr. He Xuechu holds 51% interest in Hong Bridge (which holds 41.25% interest in Honbridge) and he is therefore deemed to be interested in the 351,867,200 Shares held by Honbridge. Ms. Foo Yatian is the beneficial owner of 300,000 Shares. As Ms. Foo Yatian is the spouse of Mr. He Xuechu, Ms. Foo Yatian is deemed to be interested in all the Shares in which Mr. He Xuechu is interested and Mr. He Xuechu is deemed to be interested in all the Shares in which Ms. Foo Yatian is interested.
5. Based on a total of 2,487,704,800 Shares as at 30th September 2021.

Save as disclosed above, as at 30th September 2021, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Period.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the Period.

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 Shareholders' interests.

During the Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules, except in relation to CG Code provisions E.1.2, as more particularly described below.

CG Code provision E.1.2

Pursuant to CG Code provision E.1.2, the Chairman of the Board should attend the annual general meeting ("AGM") and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Mr. Chen Biao, an executive Director, has been performing the above duties in lieu of Mr. Li Qiang, the Chairman of the Board, who had other pre-arranged business commitments on the day of the AGM.

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 auditors 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 auditors, 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.

The Group's unaudited condensed consolidated results for the Period have not been audited but have been reviewed by the Audit Committee pursuant to the relevant provisions contained in the CG Code. The Audit Committee was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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 Period.

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 Period in relation to their securities dealing, if any.

By order of the Board
Yuxing InfoTech Investment Holdings Limited
Cong Yu
Executive Director and Chief Executive Officer

Hong Kong, 9th November 2021

* *For identification purposes only*

As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Cong Yu, Mr. Gao Fei, Mr. Shi Guangrong, Mr. Zhu Jiang 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 the 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.