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 2019

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HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2019, overall revenue of the Group was approximately HK$261.7 million and HK$55.9 million respectively, representing an increase of 23.7% and 19.4% respectively in comparison to the same periods of 2018.

- For the nine months and three months ended 30th September 2019, overall gross profit of the Group increased by 108.9% and 14.1% respectively to approximately HK$26.1 million and HK$9.6 million as compared with the same periods of last year.

- Profit attributable to owners of the Company for the nine months ended 30th September 2019 amounted to approximately HK$41.5 million (nine months ended 30th September 2018: loss attributable to owners of the Company of approximately HK$292.6 million), while the Group recorded a loss attributable to owners of the Company of approximately HK$48.8 million for the three months ended 30th September 2019 (three months ended 30th September 2018: approximately HK$53.4 million).

- Basic earnings per share for the nine months ended 30th September 2019 was HK$0.02 (nine months ended 30th September 2018: basic loss per share HK$0.16) and basic loss per share for the three months ended 30th September 2019 was HK$0.02 (three months ended 30th September 2018: HK$0.03).

- Total equity attributable to owners of the Company as at 30th September 2019 was approximately HK$2,100.3 million (31st December 2018: approximately HK$1,987.9 million) or net assets per share of approximately HK$1.0 (31st December 2018: approximately HK$1.1).

- The Board does not recommend the payment of any interim dividend for the nine months ended 30th September 2019 (nine months ended 30th September 2018: Nil).

NINE-MONTH RESULTS (UNAUDITED)

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 2019 together with the comparative unaudited figures for the same periods in 2018, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the nine months and three months ended 30th September 2019

		For the nine months ended 30th September		For the three months ended 30th September	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**261,670**	211,531	**55,937**	46,837
Cost of sales		**(235,592)**	(199,048)	**(46,312)**	(38,405)
Gross profit		**26,078**	12,483	**9,625**	8,432
Other revenue and net income/(loss)	*3*	**94,941**	(154,797)	**(29,120)**	(24,112)
Distribution and selling expenses		**(6,675)**	(11,011)	**(1,975)**	(3,743)
General and administrative expenses		**(63,198)**	(85,616)	**(25,282)**	(30,887)
Other operating expenses		**(4,460)**	(4,409)	**(667)**	(1,046)
Net changes in fair value of investment properties		**(522)**	20,358	**5**	(269)
Profit/(Loss) from operations		**46,164**	(222,992)	**(47,414)**	(51,625)
Finance costs		**(5,321)**	(69,396)	**(1,346)**	(1,747)
Profit/(Loss) before tax		**40,843**	(292,388)	**(48,760)**	(53,372)
Income tax (expenses)/credit	*4*	**(61)**	(162)	**1**	(2)
Profit/(Loss) for the period		**40,782**	(292,550)	**(48,759)**	(53,374)
Profit/(Loss) attributable to:					
Owners of the Company		**41,548**	(292,550)	**(48,758)**	(53,374)
Non-controlling interests		**(766)**	–	**(1)**	–
		40,782	(292,550)	**(48,759)**	(53,374)
		HK$	*HK$*	***HK$***	*HK$*
Earnings/(Loss) per share	*5*				
– Basic		**0.02**	(0.16)	**(0.02)**	(0.03)
– Diluted		**0.02**	(0.16)	**(0.02)**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months and three months ended 30th September 2019

	For the nine months ended 30th September		For the three months ended 30th September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(Loss) for the period	**40,782**	(292,550)	**(48,759)**	(53,374)
Other comprehensive loss:				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of PRC subsidiaries	**(20,939)**	(36,903)	**(19,071)**	(31,171)
Release of translation reserves upon disposal of a subsidiary	**250**	–	**–**	–
Other comprehensive loss for the period	**(20,689)**	(36,903)	**(19,071)**	(31,171)
Total comprehensive income/(loss) for the period	**20,093**	(329,453)	**(67,830)**	(84,545)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	**20,859**	(329,453)	**(67,829)**	(84,545)
Non-controlling interests	**(766)**	–	**(1)**	–
	20,093	(329,453)	**(67,830)**	(84,545)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30th September 2019

	Attributable to owners of the Company													
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*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 2019	45,077	133,249	8,668	234,621	55,612	–	–	24,540	16,752	–	1,469,413	1,987,932	–	1,987,932
Profit for the period	–	–	–	–	–	–	–	–	–	–	41,548	41,548	(766)	40,782
Other comprehensive loss:														
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	(20,939)	–	–	(20,939)	–	(20,939)
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	–	–	–	250	–	–	250	–	250
Total other comprehensive loss	–	–	–	–	–	–	–	–	(20,689)	–	–	(20,689)	–	(20,689)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(20,689)	–	41,548	20,859	(766)	20,093
Transactions with owners:														
Contributions and distributions														
Issue of new shares on subscription	6,750	74,250	–	–	–	–	–	–	–	–	–	81,000	–	81,000
Equity-settled share based payment	–	–	–	–	10,481	–	–	–	–	–	–	10,481	–	10,481
Share options lapsed	–	–	–	–	(5,511)	–	–	–	–	–	5,511	–	–	–
Change in ownership interest														
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	–	–	25	–	25	(25)	–
Total transactions with owners	6,750	74,250	–	–	4,970	–	–	–	–	25	5,511	91,506	(25)	91,481
As at 30th September 2019	**51,827**	**207,499**	**8,668**	**234,621**	**60,582**	**–**	**–**	**24,540**	**(3,937)**	**25**	**1,516,472**	**2,100,297**	**(791)**	**2,099,506**
As at 1st January 2018	45,077	133,249	8,668	234,621	69,439	276,848	37,676	18,835	52,208	–	1,538,958	2,415,579	–	2,415,579
Change in accounting policy on adoption of HKFRS 9	–	–	–	–	–	(276,848)	–	–	–	–	276,848	–	–	–
As at 1st January 2018 (as restated)	45,077	133,249	8,668	234,621	69,439	–	37,676	18,835	52,208	–	1,815,806	2,415,579	–	2,415,579
Loss for the period	–	–	–	–	–	–	–	–	–	–	(292,550)	(292,550)	–	(292,550)
Other comprehensive loss:														
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	(36,903)	–	–	(36,903)	–	(36,903)
Total other comprehensive loss	–	–	–	–	–	–	–	–	(36,903)	–	–	(36,903)	–	(36,903)
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(36,903)	–	(292,550)	(329,453)	–	(329,453)
Transactions with owners:														
Contributions and distributions														
Share options lapsed	–	–	–	–	(8,203)	–	–	–	–	–	8,203	–	–	–
Redemption of equity component of convertible bonds upon maturity	–	–	–	–	–	–	(37,676)	–	–	–	37,676	–	–	–
Total transactions with owners	–	–	–	–	(8,203)	–	(37,676)	–	–	–	45,879	–	–	–
As at 30th September 2018	45,077	133,249	8,668	234,621	61,236	–	–	18,835	15,305	–	1,569,135	2,086,126	–	2,086,126

NOTES:

1 Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2019 have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 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 2018. They have been prepared on the historical cost basis, except for investment properties and financial assets and liabilities 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 2018, except for the adoption of 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 2019 as described below.

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

The adoption of these amendments to HKFRSs and HKASs, except for HKFRS 16, did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest are recognised on the right-of-use assets and the lease liabilities respectively. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1st January 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("leases of low-value assets").

Impact of adoption of HKFRS 16

The Group leases various staff quarters and office premises. Rental contracts are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Applicable before 1st January 2019

Before the adoption of HKFRS 16, leases which did not transfer substantially all the risks and rewards of ownership to the lessee were classified as operating leases. Rental payable under operating leases (net of any incentives received from the lessor) was charged to profit or loss on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Applicable from 1st January 2019

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases under HKAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the amount equals to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

The Group also applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- reliance on previous assessments on whether leases are onerous;

- accounting for operating leases with remaining lease term of less than 12 months as at 1st January 2019 as short-term leases;

- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and

- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease.*

Based on the foregoing, as at 1st January 2019:

- Prepaid lease payments in respect of the land use rights in the People's Republic of China (the "PRC") was reclassified as right-of-use assets under HKFRS 16.
- Right-of-use assets and lease liabilities of approximately HK$2,005,000 were recognised on initial measurement respectively.
- There was no adjustment to the opening balance of components of equity as the cumulative effect of initial adoption was insignificant.

The Group applied single discount rate to a portfolio of leases with reasonably similar characteristics in Hong Kong and the PRC when measuring the present value of minimum lease payment. The weighted average incremental borrowing rates applied to the lease liabilities in Hong Kong and the PRC on 1st January 2019 were 2.65% and 5.58% respectively. The interest expense in respect of lease liabilities charged to profit or loss was approximately HK$146,000 and HK$48,000 respectively during the nine months and three months ended 30th September 2019. The depreciation of right-of-use assets charged to profit or loss was approximately HK$2,541,000 and HK$940,000 respectively during the nine months and three months ended 30th September 2019. The operating lease expenses on short-term leases and leases of low-value assets recognised in profit or loss during the nine months and three months ended 30th September 2019 amounted to approximately HK$1,946,000 and HK$110,000 respectively.

2 Revenue

Revenue, 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 Group is principally engaged in sales and distribution of information home appliances and complementary products to consumer markets.

3 Other revenue and net income/(loss)

	For the nine months ended 30th September		**For the three months ended 30th September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other revenue				
Dividend income from listed securities	**6,523**	9,289	**839**	6,181
Rental income from investment properties	**26,073**	27,258	**8,492**	8,579
Interest income calculated using the effective interest method:				
Interest income from bank deposits	**4,715**	5,391	**1,563**	1,517
Interest income from loans receivable	**7,346**	9,373	**3,043**	2,515
	44,657	51,311	**13,937**	18,792

	For the nine months ended 30th September		For the three months ended 30th September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other net income/(loss)				
Consultancy fee income	**1,544**	–	**503**	–
Compensation income	**–**	3,089	**–**	–
Foreign exchange (loss)/gain, net	**(1,512)**	10,951	**723**	(278)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**48,846**	(272,797)	**(44,479)**	(43,151)
Net fair value gains/(losses) on financial liabilities at fair value through profit or loss	**968**	4,567	**(11)**	–
Gain on derecognition of financial liabilities at fair value through profit or loss	**–**	45,490	**–**	–
Sundry income	**438**	2,592	**207**	525
	50,284	(206,108)	**(43,057)**	(42,904)
	94,941	(154,797)	**(29,120)**	(24,112)

4 **Income tax (expenses)/credit**

The taxation charged/(credited) to profit or loss represents:

	For the nine months ended 30th September		For the three months ended 30th September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC enterprise income tax	**61**	162	**(1)**	2

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 the nine months and three months ended 30th September 2019 and 2018 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 enterprise income tax. As a result, the effective CIT rate for the subsidiary is 15% for the nine months and three months ended 30th September 2019 (nine months and three months ended 30th September 2018: 9%). Certain subsidiaries of the Company have been designated as "Small and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 5% or 10% respectively subject to the taxable income were 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 2019 (nine months and three months ended 30th September 2018: effective preferential CIT rates of 10% on the taxable income were no more than RMB1.0 million).

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 2019 and 2018 as the Group did not have any assessable profit from Hong Kong for both periods.

5 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:

	For the nine months ended 30th September		For the three months ended 30th September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(Loss) attributable to owners of the Company	**41,548**	(292,550)	**(48,758)**	(53,374)

	For the nine months ended 30th September		For the three months ended 30th September	
	2019	2018	**2019**	2018
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,866,386**	1,803,089	**1,990,915**	1,803,089
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,866,386**	1,803,089	**1,990,915**	1,803,089
	HK$	*HK$*	***HK$***	*HK$*
Earnings/(Loss) per share:				
– Basic	**0.02**	(0.16)	**(0.02)**	(0.03)
– Diluted *(Note)*	**0.02**	(0.16)	**(0.02)**	(0.03)

Note:

Diluted earnings per share is the same as the basic earnings per share for the nine months ended 30th September 2019 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme has an anti-dilutive effect on the basic earnings per share for the period.

Diluted loss per share is the same as the basic loss per share for the three months ended 30th September 2019 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme has an anti-dilutive effect on the basic loss per share for the period.

Diluted loss per share was the same as the basic loss per share for the nine months and three months ended 30th September 2018 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share for the periods.

RESERVES

Movements in the reserves of the Group during the nine months ended 30th September 2019 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (nine months ended 30th September 2018: Nil).

FINANCIAL AND BUSINESS REVIEW

The Group's information home appliances ("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 set-top box ("STB"), hybrid dual mode STB, Over-the-top ("OTT")/Internet Protocol Television ("IPTV") STB, and STB equipped with an Android system, etc.. During the Period, the Group's overall revenue amounted to approximately HK$261.7 million, representing an increase of 23.7% as compared with the same period of last year. The increase in revenue is mainly due to the increase in revenue derived from the People's Republic of China (the "PRC") market as further discussed below. At the same time, the Group has outsourced production since the second half of last year to reduce production and operating costs. The overall gross profit margin of the Group improved to 10.0% for the Period (nine months ended 30th September 2018: 5.9%).

As the Hong Kong market is getting saturated, the Group's overall revenue in the Hong Kong market decreased by 32.6% to approximately HK$31.5 million for the Period as compared with the same period of last year.

In the overseas markets, the Group keeps on maintaining good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Brazil, Russia, Spain, etc.. At the same time, the Group is actively exploring new markets in Europe. Although sales orders from some overseas customers increased for the Period, the revenue from the Australian market decreased by 10.8% to approximately HK$110.7 million as compared with the same period of last year. As a result, the overall revenue of the overseas markets for the Period only increased by 3.0% to approximately HK$161.1 million as compared with the same period of last year.

In the PRC market, the Group's increased sales of raw materials to outsourced producers led to significant increase in the overall revenue in the PRC market to approximately HK$69.1 million for the Period (nine months ended 30th September 2018: approximately HK$8.5 million).

Despite an increase in the Group's overall revenue, the Group's distribution and selling expenses for the Period decreased by 39.4% to approximately HK$6.7 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses also decreased by 26.2% to approximately HK$63.2 million for the Period even though the Group recognised a non-cash expenses of approximately HK$10.5 million arising from the grant of share options by the Company to eligible participants during the Period. Moreover, no convertible bond was issued and outstanding during the Period. As a result, no imputed interest expenses were recorded for the Period (nine months ended 30th September 2018: approximately HK$62.8 million), which caused the finance costs of the Group to decrease significantly to approximately HK$5.3 million for the Period (nine months ended 30th September 2018: approximately HK$69.4 million).

The Group's other revenue and net income increased significantly to approximately HK$94.9 million for the Period (nine months ended 30th September 2018: other revenue and net loss of approximately HK$154.8 million), mainly because the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.8 million in spite of fluctuation of the stock markets during the Period (nine months ended 30th September 2018: net losses of approximately HK$222.7 million). This was also one of the major reasons for the turnaround to profit attributable to owners of the Company for the Period.

Other operating expenses of the Group increased to approximately HK$4.5 million for the Period (nine months ended 30th September 2018: approximately HK$4.4 million). This increase was mainly due to the Group's recognition of the net losses on the disposal of subsidiaries of approximately HK$1.2 million during the Period.

With respect to the internet data centre ("IDC") business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services. During the Period, the Group's rental income generated from leasing of IDC was approximately HK$20.6 million (nine months ended 30th September 2018: approximately HK$21.6 million). In respect of the Group's project on construction of its first IDC in the United States, the Group entered into a construction contract for phase one with a United States private company at a contract sum of approximately USD62.5 million (equivalent to approximately HK$487.5 million) in April 2019. The project is currently entering the construction stage with phase one expected to be delivered in March 2020 and phase two expected to be completed by the end of 2020. 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 Period. Based on 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 Period, although the stock markets fluctuated relatively, the Group still recognised net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.8 million (nine months ended 30th September 2018: net losses of approximately HK$222.7 million).

As a result of the foregoing, the Group recorded profit attributable to owners of the Company of approximately HK$41.5 million for the Period (nine months ended 30th September 2018: loss attributable to owners of the Company of approximately HK$292.6 million), while the Group recorded a loss attributable to owners of the Company of approximately HK$48.8 million for the three months ended 30th September 2019 (three months ended 30th September 2018: approximately HK$53.4 million).

Funding

Fundraising Activities

On 29th July 2019, the Company completed the issuance of 270,000,000 new shares at the subscription price of HK$0.30 per subscription share to two subscribers who are not connected persons of the Company (the "Subscription"). The net proceeds derived from the Subscription amounted to approximately HK$80.8 million and are intended to be used for the Group's IDC project in the United States. Details of the Subscription are set out in the Company's announcements dated 14th July 2019 and 29th July 2019. As at 30th September 2019, the Company has utilised approximately 70% of the net proceeds resulting from the Subscription for the Group's IDC project in the United States.

Significant Investments/Material Acquisitions and Disposals

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 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 PRC 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 uncertain impact on 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 leasing contracts signed by customers and rental income can meet the expectation will affect the progress of the IDC business of the Group. For the investing business, the frequent changes of market policies and regulations about the PRC 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 issue into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise the adverse environmental impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

The Company was listed on the Stock Exchange in 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 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.

BUSINESS PROSPECT

2019 is still challenging for the Group while the global economy and markets fall short of expectations and capital markets are subject to constant fluctuations, and the Group will be confronted with more severe challenges in the future. Being one of the earliest companies researching and developing in broadband STB products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products to adapt to new market opportunities, so as to maintain strong competitive edge. The Group vigorously expands the market of small and medium-sized overseas operators with an objective to increase its operating revenue and to boost the overall gross profit margin of its IHA business. The Group expects its IHA business to achieve better performance in near future.

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. In recent years, with economic globalisation and the implementation of China's "Belt and Road" strategy, the development of Chinese enterprises in overseas markets has accelerated significantly. The industries involved have been further expanded from traditional manufacturing industry to multimedia, games, video, mobile internet and other industries. Therefore, the overseas Chinese enterprises are expected to show strong demand for cloud computing and big data services locally. 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, and by proactively expanding internationally, the Group will develop global cloud computing data centres for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region.

As for the IDC business, which completed the tender for the first phase contractor in April 2019, it is currently entering the construction stage of which phase one is expected to be delivered in March 2020 and phase two is expected to be completed by end of 2020. The Group will start a feasibility study for a second data center in the United States thereafter. As further mentioned in an announcement of the Company dated 29th July 2019, 270,000,000 subscription shares have been successfully issued to two subscribers at the subscription price of HK$0.30 per subscription share with net proceeds of approximately HK$80.8 million which will be fully applied for construction of the Group's first IDC in the United States. The Group, through preparation of the construction of the Group's first IDC in the United States, will expand the IDC portfolio of the Group and explore new sources of revenue, so as to increase the Group's overall profitability in the near future. In future, the Group will also actively cooperate with various parties through new constructions or mergers and acquisitions in the PRC, Hong Kong and overseas markets, in order to develop into an internationally renowned and leading cloud computing enterprise in the era of big data.

The market outlook remains highly uncertain in 2019. Our management and all our staff will carry on with the spirit of dedication, diligence, passion, and entrepreneurship, focus on the objective and dare to shoulder responsibilities with assiduity and composure so as to provide customers with exquisite IHA products and high-quality IDC services "with the spirit of craftsmanship", and to create more value for shareholders and society.

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.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules during the Period.

UPDATE ON INFORMATION OF DIRECTORS PURSUANT TO RULE 17.50B OF THE GEM LISTING RULES

Changes in the information of Directors since the date of the 2018 annual report of the Company which are required to be disclosed pursuant to Rule 17.50B of the GEM Listing Rules are set out below:

1. Mr. Zhong Pengrong resigned as an independent non-executive Director, a member of each of the audit committee, the nomination committee and the remuneration committee of the Company with effect from 5th September 2019; and

2. Ms. Huo Qiwei had been appointed as an independent non-executive Director, a member of each of the audit committee, the nomination committee and the remuneration committee of the Company with effect from 5th September 2019.

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 COMPANY'S LISTED SECURITIES

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. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Required Standard of Dealings during the Period.

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

Hong Kong, 12th November 2019

* *For identification purposes only*

As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Gao Fei, Mr. Shi Guangrong and Mr. Zhu Jiang; 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 7 days from the date of its publication and on the website of the Company at www.yuxing.com.cn.