



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

Interim Report
2020

* for identification purposes only

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Yuxing InfoTech Investment Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS FOR THE SIX-MONTH PERIOD

- For the six months and three months ended 30th June 2020, overall revenue of the Group was approximately HK\$118.8 million and HK\$81.5 million respectively, representing a decrease of 42.2% and an increase of 3.4% respectively in comparison to the same periods of 2019. The Group recorded the overall gross profit of approximately HK\$17.1 million and HK\$7.7 million for the six months and three months ended 30th June 2020 respectively (six months and three months ended 30th June 2019: approximately HK\$16.5 million and HK\$7.5 million respectively).
- Loss attributable to owners of the Company for the six months ended 30th June 2020 amounted to approximately HK\$52.6 million (six months ended 30th June 2019: profit attributable to owners of the Company of approximately HK\$90.3 million), while the Group recorded a profit attributable to owners of the Company of approximately HK\$23.5 million for the three months ended 30th June 2020 (three months ended 30th June 2019: loss attributable to owners of the Company of approximately HK\$20.0 million).
- Basic loss per share for the six months ended 30th June 2020 was HK\$0.03 (six months ended 30th June 2019: basic earnings per share HK\$0.05) and basic earnings per share for the three months ended 30th June 2020 was HK\$0.01 (three months ended 30th June 2019: basic loss per share HK\$0.01).
- Total equity attributable to owners of the Company as at 30th June 2020 was approximately HK\$2,039.8 million (31st December 2019: approximately HK\$2,106.6 million) or net assets per share of approximately HK\$1.0 (31st December 2019: approximately HK\$1.0).
- The Board does not recommend the payment of interim dividend for the six months ended 30th June 2020 (six months ended 30th June 2019: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30th June 2020 together with the comparative unaudited figures for the same periods in 2019, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30th June 2020

	Note	For the six months ended 30th June		For the three months ended 30th June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	118,812	205,733	81,496	78,821
Cost of sales		(101,697)	(189,280)	(73,766)	(71,287)
Gross profit		17,115	16,453	7,730	7,534
Other revenue and net (loss)/income	4	(31,403)	124,061	34,566	(1,725)
Distribution and selling expenses		(3,094)	(4,700)	(1,701)	(2,503)
General and administrative expenses		(29,386)	(37,916)	(13,018)	(19,183)
Other operating expenses		(783)	(3,793)	(434)	(2,245)
Net changes in fair value of investment properties		(2,208)	(527)	(2,208)	(527)
(Loss)/Profit from operations		(49,759)	93,578	24,935	(18,649)
Finance costs	5	(1,653)	(3,975)	(698)	(2,076)
(Loss)/Profit before tax	5	(51,412)	89,603	24,237	(20,725)
Income tax expenses	6	(1,341)	(62)	(792)	(62)
(Loss)/Profit for the period		(52,753)	89,541	23,445	(20,787)
(Loss)/Profit attributable to:					
Owners of the Company		(52,554)	90,306	23,517	(20,022)
Non-controlling interests		(199)	(765)	(72)	(765)
		(52,753)	89,541	23,445	(20,787)
		HK\$	HK\$	HK\$	HK\$
(Loss)/Earnings per share	8				
– Basic		(0.03)	0.05	0.01	(0.01)
– Diluted		(0.03)	0.05	0.01	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2020

	For the six months ended 30th June		For the three months ended 30th June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit for the period	(52,753)	89,541	23,445	(20,787)
Other comprehensive loss:				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	(13,264)	(1,368)	212	(15,761)
Release of translation reserves upon disposal of a subsidiary	(1,015)	(250)	(1,015)	(250)
Other comprehensive loss for the period	(14,279)	(1,618)	(803)	(16,011)
Total comprehensive (loss)/income for the period	(67,032)	87,923	22,642	(36,798)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(66,833)	88,688	22,714	(36,033)
Non-controlling interests	(199)	(765)	(72)	(765)
	(67,032)	87,923	22,642	(36,798)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30th June 2020*

		(Unaudited) As at 30th June 2020 <i>HK\$'000</i>	(Audited) As at 31st December 2019 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Investment properties		419,462	430,614
Property, plant and equipment	<i>9</i>	687,569	550,611
Loans receivable	<i>10</i>	60,740	–
Prepayment for construction	<i>11</i>	74,879	156,000
Right-of-use assets		82,491	84,039
Financial assets at fair value through profit or loss	<i>12</i>	302,993	356,495
Deferred tax assets		4,921	5,018
		1,633,055	1,582,777
CURRENT ASSETS			
Inventories		12,726	3,748
Loans receivable	<i>10</i>	156,946	192,227
Trade and other receivables	<i>11</i>	103,328	97,805
Financial assets at fair value through profit or loss	<i>12</i>	275,177	288,421
Income tax recoverable		555	566
Pledged bank deposits	<i>16</i>	57,870	81,637
Cash and bank balances		104,386	272,891
		710,988	937,295

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30th June 2020

		(Unaudited) As at 30th June 2020 HK\$'000	(Audited) As at 31st December 2019 HK\$'000
	<i>Note</i>		
CURRENT LIABILITIES			
Trade and other payables	14	140,418	258,493
Dividend payables		31	31
Bank and other loans	15	131,575	123,025
Income tax payable		–	533
Lease liabilities		3,015	2,672
		<u>275,039</u>	<u>384,754</u>
NET CURRENT ASSETS		<u>435,949</u>	<u>552,541</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,069,004	2,135,318
NON-CURRENT LIABILITIES			
Deferred tax liabilities		27,862	28,409
Income tax payable		1,676	372
Lease liabilities		693	732
		<u>30,231</u>	<u>29,513</u>
NET ASSETS		<u>2,038,773</u>	<u>2,105,805</u>
CAPITAL AND RESERVES			
Share capital	17	51,827	51,827
Reserves		1,987,968	2,054,801
Equity attributable to owners of the Company		<u>2,039,795</u>	2,106,628
Non-controlling interests		<u>(1,022)</u>	<u>(823)</u>
TOTAL EQUITY		<u>2,038,773</u>	<u>2,105,805</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2020

	Attributable to owners of the Company											
	Share capital HK\$'000	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	Non-controlling interests HK\$'000	Total equity HK\$'000
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)	2,103,805
Loss for the period	-	-	-	-	-	-	-	-	(52,554)	(52,554)	(199)	(52,753)
Other comprehensive loss:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(13,264)	-	-	(13,264)	-	(13,264)
Release of reserves upon disposal of a subsidiary	-	-	-	-	-	-	(1,015)	-	-	(1,015)	-	(1,015)
Total other comprehensive loss	-	-	-	-	-	-	(14,279)	-	-	(14,279)	-	(14,279)
Total comprehensive loss for the period	-	-	-	-	-	-	(14,279)	-	(52,554)	(66,833)	(199)	(67,032)
Transactions with owners: Contributions and distributions												
Share options lapsed	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
Total transactions with owners	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
As at 30th June 2020	51,827	207,499	8,668	234,621	10,423	26,113	(13,394)	25	1,514,013	2,039,795	(1,022)	2,038,773

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

For the six months ended 30th June 2019

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	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	Retained profits HK\$'000			Total 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	-	-	-	-	-	-	-	90,306	90,306	(765)	89,541
Other comprehensive loss:											
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(1,368)	-	(1,368)	-	(1,368)
Release of reserves upon disposal of a subsidiary	-	-	-	-	-	-	(250)	-	(250)	-	(250)
Total other comprehensive loss	-	-	-	-	-	-	(1,618)	-	(1,618)	-	(1,618)
Total comprehensive income for the period	-	-	-	-	-	-	(1,618)	90,306	88,688	(765)	87,923
Transactions with owners:											
<i>Contributions and distributions</i>											
Share options lapsed	-	-	-	-	(5,324)	-	-	5,324	-	-	-
<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	-	-	-	-	(5,324)	-	-	5,324	-	(25)	(25)
As at 30th June 2019	45,077	133,249	8,668	234,621	50,288	24,540	15,134	1,565,043	2,076,620	(790)	2,075,830

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30th June 2020

	Note	For the six months ended 30th June 2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations		(16,061)	50,590
Income tax paid		<u>(561)</u>	<u>(69)</u>
Net cash (used in)/generated from operating activities		<u>(16,622)</u>	<u>50,521</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(246,745)	(42,094)
Decrease in prepayment for construction		81,121	–
Decrease in pledged bank deposits with original maturities over three months		–	92,370
Interest received		2,589	6,754
Grant of new loan		(87,370)	(119,347)
Repayment of loan		66,370	130,890
Dividend received from listed equity securities		4,699	5,684
Proceeds from disposal of property, plant and equipment		–	29
Net cash inflow on disposal of a subsidiary	18	<u>–</u>	<u>59</u>
Net cash (used in)/generated from investing activities		<u>(179,336)</u>	<u>74,345</u>
FINANCING ACTIVITIES			
New bank and other loans raised		8,758	10,799
Principal elements of lease payments		(1,735)	(1,332)
Repayment of bank loans		(209)	(97,740)
Interest paid		(1,653)	(3,975)
Net cash generated from/(used in) financing activities		<u>5,161</u>	<u>(92,248)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(190,797)</u>	<u>32,618</u>
Cash and cash equivalents at beginning of period		354,528	333,317
Effect of foreign exchange rate changes		<u>(1,475)</u>	<u>208</u>
Cash and cash equivalents at end of period		<u>162,256</u>	<u>366,143</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30th June 2020 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 interim financial statements are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated interim 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 2019. 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 interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31st December 2019, 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 2020 as described below.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of Business

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2 Fair value measurements

In the opinion of the Directors, the carrying amounts of financial assets approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these unaudited condensed consolidated interim financial statements on a recurring basis at 30th June 2020 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2 Fair value measurements (Continued)

Assets measured at fair value on a recurring basis

As at 30th June 2020

	Carrying amount HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	419,462	–	87,782	331,680
Financial assets at fair value through profit or loss (note 12)	578,170	507,677	–	70,493

As at 31st December 2019

	Carrying amount HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	430,614	–	91,404	339,210
Financial assets at fair value through profit or loss (note 12)	644,916	564,721	–	80,195

During the six months ended 30th June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

As at 31st December 2019, a private investment fund was transferred out from Level 2 to Level 3 fair value measurements since unobservable inputs were applied in valuation of the private investment fund.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2 Fair value measurements (Continued)

Valuation techniques and inputs in Level 2 fair value measurement

(a) Investment properties

The investment properties situated in the People's Republic of China ("PRC") of approximately HK\$87,782,000 were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach.

Movements in Level 3 fair value measurements

The details of the movements of the recurring fair value measurements categorised as Level 3 for the six months ended 30th June 2020 and 2019 are shown as follows:

	Investment properties HK\$'000	Financial assets at fair value through profit or loss HK\$'000
As at 1st January 2020	339,210	80,195
Exchange realignment	(7,199)	–
Net changes in fair value recognised in profit or loss	<u>(331)</u>	<u>(9,702)</u>
As at 30th June 2020	<u>331,680</u>	<u>70,493</u>

	Investment properties HK\$'000	Financial assets at fair value through profit or loss HK\$'000
As at 1st January 2019	344,945	272,181
Exchange realignment	(1,531)	–
Net changes in fair value recognised in profit or loss	<u>1,272</u>	<u>(11,989)</u>
As at 30th June 2019	<u>344,686</u>	<u>260,192</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2 Fair value measurements (Continued)

Valuation techniques and inputs in Level 3 fair value measurement

(a) Investment properties

The investment property situated in the PRC of approximately HK\$331,680,000 was revalued by Vigers Appraisal & Consulting Limited (“Vigers”), an independent professional qualified valuer, on the market value basis of capitalisation of net rental income derived from the existing tenancy with allowance for the reversionary income potential. The significant unobservable input used is the capitalisation rate ranging from 5.75% to 6.25% (30th June 2019: 5.75% to 6.25%).

As at 30th June 2020, if the capitalisation rate had been 1% (30th June 2019: 1%) higher/lower while all other variables were held constant, the Group’s net loss would be increased by approximately HK\$40,287,000 or decreased by approximately HK\$49,007,000 respectively (30th June 2019: net profit would be decreased by approximately HK\$42,794,000 or increased by approximately HK\$52,163,000 respectively).

(b) Financial assets at fair value through profit or loss: Private investment fund

The fair value of the private investment fund, mainly invested in cryptocurrencies, is valued based on the net asset value of each fund unit quoted by the investment manager with reference to quoted prices of the underlying investments (i.e. cryptocurrencies) on trading platforms using direct comparison approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount for lack of marketability.

As at 30th June 2020, if the expected discount rates for the lack of marketability had been 1% higher/lower while all other variables were held constant, the Group’s net loss would be increased/decreased by approximately HK\$71,000 respectively (30th June 2019: HK\$Nil).

(c) Financial assets at fair value through profit or loss: Unlisted equity securities

The fair value of the unlisted equity securities without an active market classified in Level 3 was valued by Vigers using direct comparison approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the price-to-earnings ratio.

As at 30th June 2020, if the expected price-to-earnings ratio had been 10% (30th June 2019: 10%) higher/lower while all other variables were held constant, the Group’s net loss would be decreased/increased by approximately HK\$3,107,000 respectively (30th June 2019: net profit would be increased/decreased by approximately HK\$2,348,000 respectively).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3 Revenue and 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 (loss)/ 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\$16,245,000 from the leasing of properties used as IDC and facilities used in IDC was recognised as revenue for the six months ended 30th June 2020. During the six months ended 30th June 2019, rental income of approximately HK\$13,879,000 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 unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3 Revenue and segment information (Continued)

Segment assets and liabilities (Continued)

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>

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia and other overseas markets.

The following table sets out information about the geographical location of (a) the Group's revenue from external customers; and (b) other revenue and net (loss)/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 other revenue and net (loss)/income is based on the location at which other revenue and net (loss)/income is generated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3 Revenue and segment information (Continued)

Geographical information (Continued)

(a) Revenue from external customers

	For the six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
The PRC	50,610	45,649
Hong Kong	7,806	27,013
Australia	48,469	88,780
Other overseas markets	11,927	44,291
	118,812	205,733

(b) Other revenue and net (loss)/income

	For the six months ended 30th June 2020					Consolidated HK\$'000
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	198	-	2,976	3,638	1,015	7,827
Hong Kong	-	-	(48,820)	36	-	(48,784)
Overseas	-	104	-	-	-	104
	198	104	(45,844)	3,674	1,015	(40,853)

	For the six months ended 30th June 2019					Consolidated HK\$'000
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	232	13,879	21,204	3,827	-	39,142
Hong Kong	-	-	77,552	-	-	77,552
	232	13,879	98,756	3,827	-	116,694

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

4 Other revenue and net (loss)/income

	For the six months ended 30th June		For the three months ended 30th June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other revenue				
Dividend income from listed securities	4,699	5,684	4,699	5,677
Rental income from investment properties	3,621	17,581	1,836	8,028
Interest income calculated using the effective interest method:				
Interest income from bank deposits	1,028	3,152	428	1,520
Interest income from loans receivable	8,215	4,303	4,333	1,922
	<u>17,563</u>	<u>30,720</u>	<u>11,296</u>	<u>17,147</u>
Other net (loss)/income				
Consultancy fee income	–	1,041	–	518
Foreign exchange loss, net	(387)	(2,235)	(197)	(2,072)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(50,366)	93,325	22,068	(17,516)
Net fair value gains/(losses) on financial liabilities at fair value through profit or loss	–	979	–	(5)
Gain on disposal of a subsidiary (note 18)	1,015	–	1,015	–
Government subsidies	319	–	319	–
Sundry income	453	231	65	203
	<u>(48,966)</u>	<u>93,341</u>	<u>23,270</u>	<u>(18,872)</u>
	<u>(31,403)</u>	<u>124,061</u>	<u>34,566</u>	<u>(1,725)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5 (Loss)/Profit before tax

(Loss)/Profit before tax has been arrived at after charging/(crediting) the following items:

	For the six months ended 30th June		For the three months ended 30th June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs				
Borrowing costs for bank and other loans	1,577	3,877	655	2,016
Imputed interest expenses on lease liabilities	76	98	43	60
	<u>1,653</u>	<u>3,975</u>	<u>698</u>	<u>2,076</u>
Other items				
Write-down/(Reversal of write-down) of inventories, net	1,942	(837)	1,597	(663)
Depreciation of right-of-use assets	3,414	1,602	1,712	983
Depreciation of property, plant and equipment	2,222	2,851	1,857	949
Net losses on disposal of subsidiaries	-	1,198	-	1,198
	<u>-</u>	<u>1,198</u>	<u>-</u>	<u>1,198</u>

6 Income tax expenses

The taxation charged to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC enterprise income tax	37	62	37	62
Overseas tax	1,304	-	755	-
	<u>1,341</u>	<u>62</u>	<u>792</u>	<u>62</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6 Income tax expenses (Continued)

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 six months and three months ended 30th June 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 the six months and three months ended 30th June 2020 and 2019. 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 on condition that the taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the six months and three months ended 30th June 2020 and 2019.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2020 and 2019 as the Group did not have any assessable profit from Hong Kong for both periods.

Under 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 six months and three months ended 30th June 2020 (six months and three months ended 30th June 2019: Nil).

7 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2020 (six months ended 30th June 2019: Nil).

8 (Loss)/Earnings per share

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

	For the six months ended 30th June		For the three months ended 30th June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to owners of the Company	<u>(52,554)</u>	<u>90,306</u>	<u>23,517</u>	<u>(20,022)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8 (Loss)/Earnings per share (Continued)

	For the six months ended 30th June		For the three months ended 30th June	
	2020 '000	2019 '000	2020 '000	2019 '000
Issued ordinary shares at 1st January	2,073,089	1,803,089	–	–
Issued ordinary shares at 1st April	–	–	2,073,089	1,803,089
Weighted average number of ordinary shares for basic (loss)/earnings per share	2,073,089	1,803,089	2,073,089	1,803,089
Weighted average number of ordinary shares for diluted (loss)/earnings per share	2,073,089	1,803,089	2,073,089	1,803,089
	HK\$	HK\$	HK\$	HK\$
(Loss)/Earnings per share:				
– Basic	(0.03)	0.05	0.01	(0.01)
– Diluted (Note)	(0.03)	0.05	0.01	(0.01)

Note:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9 Property, plant and equipment

During the period, the Group expended approximately HK\$79,273,000 and HK\$60,030,000 (six months ended 30th June 2019: approximately HK\$39,303,000 and HK\$2,791,000) on the construction in progress of the Group's IDC in the United States and the acquisition of property, plant and equipment for the expansion of the Group's operations respectively.

10 Loans receivable

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Loans receivable from third parties	217,686	192,227
Current portion	156,946	192,227
Non-current portion	60,740	–
	217,686	192,227

The loans receivable comprise:

- (i) RMB100,000,000 (equivalent to approximately HK\$109,481,000) loan to an independent third party borrower is secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of the borrower. The loan is interest-bearing at 8% per annum and repayable on or before 18th September 2020. At the end of the reporting period, the principal amount of approximately HK\$109,481,000 and accrued interest receivable of approximately HK\$4,652,000 were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcement dated 19th December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10 Loans receivable (Continued)

- (ii) HK\$80,000,000 loan to an independent third party borrower is secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan is interest-bearing at 8% per annum and repayable on or before 30th June 2020. During the period, the principal amount of HK\$39,000,000 and accrued interest of approximately HK\$1,240,000 were repaid. The maturity date of the remaining principal of HK\$41,000,000 and related accrued interest receivable has also been extended for six months to 31st December 2020 during the period.

At the end of the reporting period, the principal amount of HK\$41,000,000 and accrued interest receivable of approximately HK\$1,813,000 were recognised as loans receivable under current assets. Details of the loan and extension of loan were disclosed in the Company's announcements dated 9th December 2019, 12th December 2019 and 29th June 2020 respectively.

- (iii) HK\$60,000,000 loan to an independent third party borrower 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 amount of HK\$60,000,000 and accrued interest receivable of approximately HK\$740,000 were recognised as loans receivable under non-current assets. Details of the loan were disclosed in the Company's announcements dated 18th March 2020 and 17th June 2020 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11 Trade and other receivables and prepayment for construction

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Trade receivables	84,734	79,474
Less: Loss allowance	(15)	(15)
(a)	84,719	79,459
Other receivables, net of loss allowance	1,257	3,975
Prepayments and deposits	17,352	14,371
Prepayment for construction (b)	74,879	156,000
	178,207	253,805
Current portion	103,328	97,805
Non-current portion	74,879	156,000
	178,207	253,805

Notes:

- (a) The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
0 – 30 days	34,725	20,684
31 – 60 days	24,071	16,214
61 – 90 days	5,841	9,907
Over 90 days	20,082	32,654
	84,719	79,459

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11 Trade and other receivables and prepayment for construction (Continued)

Notes: (Continued)

- (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) in the escrow account until the amount due to the construction company is less than said amount. At the end of the reporting period, the Group maintains an amount of approximately US\$9,600,000 (equivalent to approximately HK\$74,879,000) (31st December 2019: US\$20,000,000 (equivalent to approximately HK\$156,000,000)) in the escrow account.

12 Financial assets at fair value through profit or loss

	Note	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Equity securities listed in Hong Kong	(a)	325,287	438,055
Equity securities listed outside Hong Kong	(a)	124,246	119,467
Money market funds	(a)	58,144	7,199
Private investment fund	(b)	8,404	10,998
Unlisted equity securities outside Hong Kong	(c)	62,089	69,197
		578,170	644,916
Current portion		275,177	288,421
Non-current portion		302,993	356,495
		578,170	644,916

Notes:

- (a) The fair value of listed equity securities and money market funds are based on quoted market prices in active markets as at the end of the reporting period.
- (b) The private investment fund invested in cryptocurrencies and unlisted equity investment. The valuation techniques and inputs applied for fair value measurement have been disclosed in note 2.
- (c) The investment in unlisted equity securities of a company incorporated in the Cayman Islands was not held for trading. The valuation techniques and inputs applied for fair value measurement have been disclosed in note 2.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13 Investment portfolio

The Group's ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 30th June 2020 and 31st December 2019, with brief description of the investee companies are as follows:

As at 30th June 2020

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK\$'000	Fair value as at 30th June 2020 HK\$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 30th June 2020 HK\$'000	Net gain/(loss) for the six months ended 30th June 2020 HK\$'000	Dividend received for the six months ended 30th June 2020 HK\$'000	Classification of financial assets
Listed equity securities										
2318	Ping An Insurance (Group) Company of China, Ltd. ("Ping An") (H shares)	(i)	3,000,000	0.04%	120,766	232,500	111,734	(43,800)	3,840	Fair value through profit or loss ("FVPL")
6060	ZhongAn Online P & C Insurance Co., Ltd. (H shares)		1,552,700	0.33%	43,718	59,546	15,828	15,915	-	FVPL
002075	Jiangsu Shagang Co., Ltd.		1,700,000	0.08%	77,994	46,539	(31,455)	4,443	176	FVPL
601238	Guangzhou Automobile Group Co., Ltd. (A shares)		2,626,773	0.04%	49,162	25,761	(23,401)	(8,299)	394	FVPL
8137	Honbridge Holdings Limited		46,774,000	0.47%	63,208	13,097	(50,111)	(10,290)	-	FVPL
002230	Iflytek Co., Ltd		150,000	0.01%	9,229	12,408	3,179	3,204	17	FVPL
CNG	China Nonferrous Gold Ltd		7,070,134	1.85%	21,708	9,813	(11,895)	(1,285)	-	FVPL
Money market funds										
	Fefan asset management zeng ti shang income increasing financial product* ("Zeng Ti Shang")	(ii)	N/A	N/A	34,486	34,522	36	36	-	FVPL
	Fefan asset management tian yi jin public institution type A* ("Tian Yi Jin")	(iii)	N/A	N/A	16,422	16,440	18	18	-	FVPL
Unlisted equity securities										
	APAL Holdings Limited ("APAL")	(iv)	100,000,000	9.47%	78,000	62,089	(15,911)	(7,108)	-	FVPL

The above investments represent in aggregate over 88.7% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 30th June 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13 Investment portfolio (Continued)

As at 31st December 2019

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost	Fair value as at 31st December 2019	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 30th June 2019	Net gain/ (loss) for the six months ended 30th June 2019	Dividend received for the six months ended 30th June 2019	Classification of financial assets
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Listed equity securities										
2318	Ping An (H shares)	(i)	3,000,000	0.04%	120,766	276,300	160,634	73,950	3,467	FVPL
6060	ZhongAn Online P & C Insurance Co., Ltd. (H shares)		1,552,700	0.33%	43,718	49,631	(10,413)	(5,590)	–	FVPL
601238	Guangzhou Automobile Group Co., Ltd. (A shares)		2,865,973	0.04%	51,956	36,399	(17,858)	1,622	828	FVPL
0880	SJM Holdings Limited		4,000,000	0.07%	37,087	35,480	(1,527)	6,360	840	FVPL
002199	Zhejiang East Crystal Electronic Co., Ltd.		3,332,000	1.37%	64,833	34,406	(10,681)	20,965	–	FVPL
0981	Semiconductor Manufacturing International Corporation		2,000,000	0.04%	20,377	23,880	(3,587)	4,459	–	FVPL
8137	Honbridge Holdings Limited		46,774,000	0.47%	63,208	23,387	(29,063)	(11,694)	–	FVPL
0966	China Taiping Insurance Holdings Company Limited		911,000	0.03%	23,156	17,601	(4,116)	(547)	–	FVPL
002075	Jiangsu Shigang Co., Ltd.		2,200,000	0.10%	25,921	15,252	(6,189)	(5,331)	71	FVPL
Unlisted equity securities										
	APAL	(iv)	100,000,000	9.47%	78,000	69,197	(21,471)	(11,215)	–	FVPL

The above investments represent in aggregate over 89.2% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 31st December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13 Investment portfolio (Continued)

Notes:

- (i) Ping An was incorporated in the PRC with its shares listed on the Shanghai Stock Exchange in the PRC (stock code: 601318) and the Stock Exchange (stock code: 2318). The principal activities of Ping An comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management and technology. For the year ended 31st December 2019, the audited profit attributable to owners of Ping An was approximately RMB149,407 million while the basic and diluted earnings per share were RMB8.41 and RMB8.38 respectively. As at 30th June 2020, the fair value of this investment amounted to approximately HK\$232,500,000 (31st December 2019: approximately HK\$276,300,000), which accounted for 9.9% (31st December 2019: 11.0%) of the total assets of the Group. The Group's investment strategy for this investment is collection of dividends and long-term asset appreciation.
- (ii) Zeng Zeng Ri Shang* (非凡資產管理增增日上收益遞增理財產品) administrated by China Minsheng Bank Corp., Ltd principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the six months ended 30th June 2020, the quoted annualised daily return rate ranging from 2.2% to 3.4% per annum.
- (iii) Tian Yi Jin* (非凡資產管理天溢金對公機構A款) administrated by China Minsheng Bank Corp., Ltd principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the six months ended 30th June 2020, the quoted annualised daily return rate ranging from 2.6% to 3.0% per annum.
- (iv) APAL is an exempt company incorporated in the Cayman Islands with limited liability. APAL and its subsidiaries are principally engaged in the business of global aircraft leasing, aircraft trading, securitised aircraft leasing financial products, aircraft parts trading, maintenance of aircraft, dismantling aircraft and other related consulting services. As at 30th June 2020, the fair value of the entire unlisted equity securities was approximately HK\$655,671,000 (31st December 2019: approximately HK\$730,730,000) by reference to the valuation provided by an independent professional qualified valuer using direct comparison approach with unobservable inputs.

* for identification purposes only

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14 Trade and other payables

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Trade payables (Note)	64,297	66,315
Contract liabilities	8,391	3,739
Other payables	17,040	21,438
Accruals	50,690	167,001
	140,418	258,493

Note:

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

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
0 – 30 days	28,746	13,898
31 – 60 days	6,488	33,793
61 – 90 days	25,972	18,391
Over 90 days	3,091	233
	64,297	66,315

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

15 Bank and other loans

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Current and secured		
Bank loan with a repayment on demand clause	128,758	120,000
Term loans from banks with repayment on demand clause	<u>2,817</u>	<u>3,025</u>
	<u>131,575</u>	<u>123,025</u>

As at 30th June 2020, the bank loans carried variable interest rates ranging from 1.54% to 4.90% (31st December 2019: 2.45% to 3.42%) per annum. The bank loans are secured by the assets of the Group as set out in note 16.

16 Pledge of assets

The Group had pledged the following assets to secure the loan facilities:

	30th June 2020 HK\$'000	31st December 2019 HK\$'000
(a) Investment properties	67,583	70,373
(b) Leasehold improvements	94	104
(c) Right-of-use assets	74,886	76,595
(d) Financial assets at fair value through profit or loss	232,500	276,300
(e) Bank deposits	<u>57,870</u>	<u>81,637</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

17 Share capital

	Number of shares		Amount	
	30th June 2020 '000	31st December 2019 '000	30th June 2020 HK\$'000	31st December 2019 HK\$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary shares of HK\$0.025 each	8,000,000	8,000,000	200,000	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK\$0.025 each	2,073,089	1,803,089	51,827	45,077
Issue of new shares	-	270,000	-	6,750
At end of the reporting period				
Ordinary shares of HK\$0.025 each	2,073,089	2,073,089	51,827	51,827

18 Disposal of a subsidiary

During the period, 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) ("Yi Zhang Wo") through deregistration which was completed in June 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

18 Disposal of a subsidiary (Continued)

	For the six months ended 30th 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 (<i>note 4</i>)	1,015
	<hr/>
Consideration received or receivable	–
	<hr/> <hr/>

19 Capital commitment

In April 2019, the Company's indirectly wholly-owned subsidiary, RiCloud Corp., and a United States private company entered into a construction contract at contract sum of approximately US\$62,495,000 (equivalent to approximately HK\$487,459,000) in respect of construction of phase one of the Group's IDC in the United States. At the end of the reporting period, the Group had remaining capital commitment for the aforesaid construction of approximately US\$4,176,000 (equivalent to approximately HK\$32,570,000) (31st December 2019: approximately US\$12,591,000 (equivalent to approximately HK\$98,212,000)).

20 Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved by the Board on 10th August 2020.

RESERVES

Movements in the reserves of the Group during the six months ended 30th June 2020 (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 interim dividend for the Period (six months ended 30th June 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 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 Period, the Group's revenue from IHA business amounted to approximately HK\$102.6 million, representing a decrease of 50.1% as compared with the same period of last year. Meanwhile, the gross profit of IHA business slashed by 81.7% to approximately HK\$3.0 million for the Period as compared with the same period of last year. For IDC business, the Group recorded revenue of approximately HK\$16.2 million for the Period (six months ended 30th June 2019: approximately HK\$13.9 million of rental income from IDC business which was recorded as other revenue and net income). As a result, the Group's overall revenue dropped significantly by 42.2% to approximately HK\$118.8 million while the Group's overall gross profit increased by 4.0% to approximately HK\$17.1 million for the Period as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results

Other Revenue and Net (Loss)/Income

The Group recorded other revenue and net loss of approximately HK\$31.4 million for the Period, while the Group recorded other revenue and net income of approximately HK\$124.1 million for the six months ended 30th June 2019. This decrease was mainly due to the net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$50.4 million resulting from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period (six months ended 30th June 2019: net gains of approximately HK\$94.3 million), in addition to the reclassification of rental income from the IDC business to revenue during the Period. This is also one of the main reasons that the Group recorded a significant loss attributable to owners of the Company for the Period.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation losses of approximately HK\$2.2 million on its investment properties for the Period (six months ended 30th June 2019: approximately HK\$0.5 million).

Operating Expenses

With a sharp decline in the Group's revenue from IHA business, the Group's distribution and selling expenses decreased to approximately HK\$3.1 million for the Period (six months ended 30th June 2019: approximately HK\$4.7 million). At the same time, the Group's general and administrative expenses also decreased by 22.5% to approximately HK\$29.4 million for the Period (six months ended 30th June 2019: approximately HK\$37.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Other Operating Expenses

Other operating expenses of the Group decreased to approximately HK\$0.8 million for the Period (six months ended 30th June 2019: approximately HK\$3.8 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 loss during the Period (six months ended 30th June 2019: net losses on the disposal of subsidiaries of approximately HK\$1.2 million).

Finance Costs

The finance costs of the Group decreased by 58.4% to approximately HK\$1.7 million for the Period. The decrease was mainly due to the decrease in bank borrowings and interest rates as compared with the same period of last 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\$52.6 million for the Period (six months ended 30th June 2019: profit attributable to owners of the Company of approximately HK\$90.3 million).

Liquidity and Financial Resources

As at 30th June 2020, the Group had net current assets of approximately HK\$435.9 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$104.4 million and HK\$57.9 million respectively. The Group's financial resources were funded mainly by bank and other loans and its shareholders' funds. As at 30th June 2020, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.6 times and the gearing ratio, as measured by total liabilities divided by total equity, was 15.0%. Hence, as at 30th June 2020, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Charges on Group Assets

Details of charges on the Group assets are set out in note 16 to the unaudited condensed consolidated interim financial statements in this report.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company for the Period are set out in note 17 to the unaudited condensed consolidated interim financial statements in this report.

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 report, the Group had no significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

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 during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

As far as IHA business is concerned, a significant decrease in customer purchase orders, including overseas markets, Hong Kong market and the Mainland market, resulted in a sharp decline in the IHA revenue to approximately HK\$102.6 million for the Period, accounting for approximately 86.3% of the total revenue of the Group and representing a decrease of 50.1% as compared with the same period of last year. Meanwhile, the gross profit of IHA business slashed by 81.7% to approximately HK\$3.0 million for the Period as compared with the same period of last year. Consequently, the loss incurred by the IHA segment increased to approximately HK\$9.6 million for the Period (six months ended 30th June 2019: approximately HK\$4.2 million).

For IDC business, the Group completed a sale and leaseback arrangement with a lessee during the Period, which resulted in increased revenue from IDC business. Therefore, the Group recorded revenue of approximately HK\$16.2 million for the Period, accounting for approximately 13.7% of the total revenue of the Group (six months ended 30th June 2019: approximately HK\$13.9 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\$8.8 million for the Period (six months ended 30th June 2019: approximately HK\$11.9 million). As this segment is still in 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 loss of approximately HK\$51.8 million for the Period (six months ended 30th June 2019: a profit of approximately HK\$94.4 million). The main reason was that the Group recorded net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$50.4 million (six months ended 30th June 2019: net gains of approximately HK\$94.3 million) resulting from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period. This is also one of the main reasons that the Group recorded a significant loss attributable to owners of the Company for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

The leasing segment of the Group comprises leasing out of properties. This segment recorded a loss of approximately HK\$0.6 million for the Period (six months ended 30th June 2019: approximately HK\$0.4 million) as the Group recognised a net revaluation loss of approximately HK\$1.9 million on its investment properties for the Period (six months ended 30th June 2019: approximately HK\$1.8 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 Period due to the Group recognised a gain on disposal of a subsidiary of approximately HK\$1.0 million (six months ended 30th June 2019: loss of approximately HK\$55,000).

The group mainly operates business in the PRC, Hong Kong, Australia and other overseas markets during the Period. The revenue in the Mainland market increased by 10.9% to approximately HK\$50.6 million for the Period as compared with the same period of 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 decreased by 45.4% to approximately HK\$48.5 million, which caused the overall revenue in the overseas markets to decrease by 54.6% to approximately HK\$60.4 million as compared with the same period of last year. Moreover, the revenue in the Hong Kong market also decreased by 71.1% to approximately HK\$7.8 million for the Period as compared with the same period of last year. As such, the overall revenue of the Group decreased by 42.2% to approximately HK\$118.8 million for the Period as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

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, British Pounds (“GBP”) and in Hong Kong dollars (“HKD”). The exchange rates for USD to HKD and GBP to HKD have been relatively stable for the Period. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the Period, depreciation in RMB against HKD resulted in the net exchange losses of approximately HK\$0.4 million (six months ended 30th June 2019: approximately HK\$2.2 million). As at 30th June 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 30th June 2020, the Group had over 150 (30th June 2019: over 160) full time employees, of which 20 (30th June 2019: 19) 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\$21.9 million for the Period (six months ended 30th June 2019: approximately HK\$26.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 set-top box ("STB"), hybrid dual mode STB, Over-the-top ("OTT")/Internet Protocol Television ("IPTV") STB, STB equipped with an Android system, etc.. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the Period, the Group's revenue from IHA business amounted to approximately HK\$102.6 million, representing a decrease of 50.1% as compared with the same period of last year. The decrease in revenue is mainly due to a significant decrease in the purchase orders from the customers.

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 Period, the Group's revenue generated from leasing of properties used as IDC and facilities used in IDC was approximately HK\$16.2 million (six months ended 30th June 2019: approximately HK\$13.9 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, the progress of the IDC construction of the Group has been adversely affected. As a result, phase one is expected to be delivered in the second half of 2020 and phase two is expected to be completed in 2021. As the IDC business is still at the investing stage, the Group will continue to deploy resources in this business.

With respect to the 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, the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions led to net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$50.4 million (six months ended 30th June 2019: net gains of approximately HK\$94.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

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, RMB exchange rate fluctuation, drop in selling price of products and increase in production cost may bring uncertainties 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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS PROSPECT

2020 is expected to be a year with rapidly changing and increasingly complex international environment and frequently emerging trade frictions in addition to the market upheavals and keen competition, and the Group will be confronted with more severe challenges in the future. Being one of the earliest companies researching and developing in broadband set-top boxes 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, exploring new market sectors and capturing emerging 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. We look forward to the continued growth and success for our IHA business.

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. The 5G era has arrived and the universal intelligent connectivity is already a reality. With its high bandwidth, massive connectivity and ultra-low latency communication, the 5G network will bring us faster and denser streams of data, and IDC will be its cornerstone. Powered by the new technologies such as artificial intelligence, cloud computing, internet of things, virtual reality etc., dataflow will be growing in an explosive way. There is strong demand for cloud computing, big data services and thus 5G-based IDC construction will advance rapidly. 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. The Group will ambitiously expand its IDC business in the core cities and regions, 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, with the aim of assisting local customers and overseas enterprises in achieving business innovation and commercial success.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS PROSPECT *(continued)*

As for the IDC business, it is currently entering into the construction stage of which phase one is expected to be delivered in the second half of 2020 and phase two is expected to be completed in 2021. The Group will start a feasibility study for a second data centre in the United States thereafter. 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. On 29th April 2020, the Group entered into a sale and leaseback agreement with a lessee which is beneficial for the Group to support the growth of its IDC business and enhance the Group's income base in the long term, and is consistent with the Group's business development strategy. In future, the Group will also actively cooperate with various parties through new constructions or mergers and acquisitions in the Mainland, Hong Kong and overseas markets, in order to develop into an internationally renowned and leading cloud computing enterprise in the era of big data.

2020 will be a challenging year. The outbreak of the COVID-19 is casting an adverse impact to the world with social and economic activities mostly halted in the seriously affected countries. Economic growth is facing a huge challenge. Despite this, management and staff in the Group would spare no effort and work pragmatically towards our desired objectives so as to provide customers with exquisite IHA products and high-quality IDC services "with the spirit of craftsmanship".

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the shareholders of the Company (the "Shareholders") at the special general meeting ("SGM") on 14th January 2015 (the "Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SHARE OPTION SCHEME *(Continued)*

The total number of shares of the Company (the “Share(s)”) which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the “Scheme Mandate”) unless the Company obtains an approval from the Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of Shares that may be allotted and issued under the Share Option Scheme would be 179,211,680 Shares, representing 10% of the total number of Shares in issue as at the Option Adoption Date and 8.64% of the total number of Shares in issue as at the date of this report.

On 16th January 2015, the Company offered to grant 186 eligible participants to subscribe for a total of 107,527,008 ordinary Shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$2.2 per Share (the “2015 Share Options”). The 2015 Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing 2015 Share Options which were outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such 2015 Share Options were therefore immediately vested with the consent of relevant 2015 Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested 2015 Share Options at the date of approval of removal of vesting period of the 2015 Share Options of approximately HK\$7,564,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31st December 2016. For details of the amendment of the terms of the 2015 Share Options, please refer to the Company’s announcement dated 18th May 2016 and the circular dated 23rd May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

On 30th August 2019, the Company offered to grant 11 eligible participants to subscribe for a total of 100,000,000 ordinary Shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$0.33 per Share (the "2019 Share Options"). The 2019 Share Options are exercisable up to three years from the date of grant. As there is no vesting condition for the 2019 Share Options, they were vested immediately at the date of grant. As a result, non-cash share-based compensation expenses in respect of all the 2019 Share Options of approximately HK\$10,481,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31st December 2019. For details of the terms of the 2019 Share Options, please refer to the Company's announcement dated 30th August 2019.

Details of the movements of the 2015 and 2019 Share Options granted to subscribe for the Shares were as follows:

For the six months ended 30th June 2020

Name of grantees	Date of grant	Exercise price per Share HK\$	Exercisable period*	Number of Shares issuable under the share options					
				Outstanding as at 1st January 2020	Granted during the Period	Reclassification of category during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30th June 2020
<i>2015 Share Options</i>									
Directors									
Mr. Shi Guangrong	16.01.2015	2.20	16.01.2015 – 15.01.2020	6,500,000	–	–	–	(6,500,000)	–
Mr. Zhu Jiang	16.01.2015	2.20	16.01.2015 – 15.01.2020	7,000,000	–	–	–	(7,000,000)	–
Ms. Shen Yan	16.01.2015	2.20	16.01.2015 – 15.01.2020	1,000,000	–	–	–	(1,000,000)	–
Continuous contract employees	16.01.2015	2.20	16.01.2015 – 15.01.2020	38,570,776	–	–	–	(38,570,776)	–
Suppliers of goods or services	16.01.2015	2.20	16.01.2015 – 15.01.2020	920,000	–	–	–	(920,000)	–
Other eligible participants	16.01.2015	2.20	16.01.2015 – 15.01.2020	13,584,232	–	–	–	(13,584,232)	–
				<u>67,575,008</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(67,575,008)</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

For the six months ended 30th June 2020 (Continued)

Name of grantees	Date of grant	Exercise price per Share /HK\$	Exercisable period*	Number of Shares issuable under the share options					
				Outstanding as at 1st January 2020	Granted during the Period	Reclassification of category during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30th June 2020
2019 Share Options									
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
Ms. 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	2,000,000	–	–	–	–	2,000,000
Continuous contract employees	30.08.2019	0.33	30.08.2019 – 29.08.2022	47,000,000	–	–	–	–	47,000,000
Other eligible participants	30.08.2019	0.33	30.08.2019 – 29.08.2022	20,000,000	–	–	–	(1,000,000)	19,000,000
				<u>100,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,000,000)</u>	<u>99,000,000</u>
				<u>167,575,008</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(68,575,008)</u>	<u>99,000,000</u>
Weighted average exercise price (HK\$)				<u>1.08</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2.17</u>	<u>0.33</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

For the six months ended 30th June 2019

Name of grantees	Date of grant	Exercise price per Share HK\$	Exercisable period*	Number of Shares issuable under the share options					
				Outstanding as at 1st January 2019	Granted during the Period	Reclassification of category during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30th June 2019
<i>2015 Share Options</i>									
Directors									
Mr. Shi Guangrong	16.01.2015	2.20	16.01.2015 – 15.01.2020	6,500,000	-	-	-	-	6,500,000
Mr. Zhu Jiang	16.01.2015	2.20	16.01.2015 – 15.01.2020	7,000,000	-	-	-	-	7,000,000
Ms. Shen Yan	16.01.2015	2.20	16.01.2015 – 15.01.2020	1,000,000	-	-	-	-	1,000,000
Mr. Zhong Pengrong	16.01.2015	2.20	16.01.2015 – 15.01.2020	1,000,000	-	-	-	-	1,000,000
Continuous contract employees	16.01.2015	2.20	16.01.2015 – 15.01.2020	39,998,776	-	(252,000)	-	(1,176,000)	38,570,776
Suppliers of goods or services	16.01.2015	2.20	16.01.2015 – 15.01.2020	920,000	-	-	-	-	920,000
Other eligible participants	16.01.2015	2.20	16.01.2015 – 15.01.2020	18,630,232	-	252,000	-	(6,046,000)	12,836,232
				<u>75,049,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,222,000)</u>	<u>67,827,008</u>
Weighted average exercise price (HK\$)				<u>2.20</u>	<u>-</u>	<u>2.20</u>	<u>-</u>	<u>2.20</u>	<u>2.20</u>

- * The 2015 Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants were subject to vesting conditions. However, the vesting period of all existing 2015 Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants which were outstanding and unvested had been removed with the approval of the Shareholders at the SGM held on 8th June 2016.

Note:

68,575,008 (six months ended 30th June 2019: 7,222,000) share options lapsed according to the terms of the Share Option Scheme during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

Save as disclosed above, at the date of approval of these unaudited condensed consolidated interim financial statements for the Period, no other share options were exercised subsequent to the end of the Period.

When the share options lapse after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

The fair value of the share options are subject to a number of assumptions and the limitation of the Binomial Model.

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

As at 30th June 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, 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	0.22%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.11%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.09%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.38%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

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

(Continued)

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

Pursuant to the Share Option Scheme approved by 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 June 2020 were as follows:

Name of grantees	Date of grant	Exercise price per Share HK\$	Exercisable period	Number of Shares issuable under the share options				
				Outstanding as at 1st January 2020	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30th June 2020
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	16.01.2015	2.20	16.01.2015 – 15.01.2020	6,500,000	–	–	(6,500,000)	–
	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	–	–	–	13,000,000
Mr. Zhu Jiang	16.01.2015	2.20	16.01.2015 – 15.01.2020	7,000,000	–	–	(7,000,000)	–
	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	–	–	–	13,000,000
Ms. Shen Yan	16.01.2015	2.20	16.01.2015 – 15.01.2020	1,000,000	–	–	(1,000,000)	–
	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	2,000,000	–	–	–	2,000,000
				47,500,000	–	–	(14,500,000)	33,000,000

Further details regarding the Share Option Scheme are set out under the heading “Share Option Scheme” in this report.

Save as disclosed above, as at 30th June 2020, 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 June 2020, 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
Honbridge Holdings Limited (Stock Code: 8137) ("Honbridge") (Notes 1, 2 & 3)	Corporate	450,357,200	Beneficial owner	21.72%
Hong Bridge Capital Limited ("Hong Bridge") (Notes 1, 2 & 3)	Corporate	450,357,200	Interest of a controlled corporation	21.72%
Mr. He Xuechu (Notes 1, 2 & 3)	Personal	450,357,200	Interest of a controlled corporation	21.72%
	Personal	300,000	Interest of spouse	0.01%
Ms. Foo Yatian (Notes 1, 2 & 3)	Personal	450,357,200	Interest of spouse	21.72%
	Personal	300,000	Beneficial owner	0.01%
Cedar Surplus Investments Limited ("Cedar Surplus") (Note 4)	Corporate	200,000,000	Beneficial owner	9.65%
Mr. Cong Yu (Note 4)	Personal	200,000,000	Interest of a controlled corporation	9.65%
Super Dragon Co., Ltd. ("Super Dragon") (Note 5)	Corporate	121,533,800	Beneficial owner	5.86%
Mr. Zhu Weisha (Notes 5 & 6)	Personal	121,533,800	Interest of a controlled corporation	5.86%
		30,824,000	Beneficial owner	1.49%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

1. The Board noted that two announcements were published by Honbridge on 16th July 2019 and 16th December 2019 respectively on the website of the Stock Exchange, claiming that Cloudrider Limited ("Cloudrider") failed to propose a proper repayment plan and Honbridge has completed the procedures for the enforcement of the relevant security (the "Enforcement"), including 450,357,200 Shares. The Enforcement took place in full and Cloudrider's shareholding interests in the Company has reduced from 21.72% to 0%. For details, please refer to the announcements of the Company dated 18th July 2019 and 16th December 2019 respectively.
2. According to the disclosure forms filed by Honbridge, Hong Bridge, Mr. He Xuechu and Ms. Foo Yatyan on 30th July 2019, Mr. He Xuechu holds more than one-third of the issued share capital of Hong Bridge which in turn holds more than one-third of the issued share capital of Honbridge. As such, Mr. He Xuechu and Hong Bridge are deemed interested in 450,357,200 Shares in which Honbridge has an interest. Besides, Ms. Foo Yatyan beneficially owns 300,000 Shares. Therefore, each of Mr. He Xuechu & Ms. Foo Yatyan is collectively deemed to be interested in 450,657,200 Shares because their respective interests are related to the interests of spouse.
3. According to the disclosure forms filed by Honbridge, Hong Bridge, Mr. He Xuechu and Ms. Foo Yatyan on 23rd June 2020, Honbridge, as seller, and Bronze Pony Investments Limited, as purchaser, entered into an agreement on 19th June 2020 in relation to the disposal of 400,000,000 ordinary Shares.
4. According to the disclosure forms filed by Cedar Surplus and Mr. Cong Yu on 4th June 2020, Cedar Surplus holds 200,000,000 Shares, representing 9.65% of the equity interest of the Company. As such, Mr. Cong Yu, the sole shareholder and director of Cedar Surplus, is deemed interested in 200,000,000 Shares.
5. Mr. Zhu Weisha, a former Director, holds these Shares through Super Dragon, a company in which Mr. Zhu holds the entire issued share capital and of which he is the sole director.
6. Mr. Zhu Weisha is deemed to be interested in 121,533,800 Shares through the interests in the relevant Shares owned by Super Dragon, a company beneficially owned by him. The remaining interests in 30,824,000 Shares are beneficially owned by Mr. Zhu Weisha, representing 11,824,000 Shares and 19,000,000 underlying shares in respect of the share options granted by the Company on 30th August 2019.

Save as disclosed above, as at 30th June 2020, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares 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.

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.

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.

AUDIT COMMITTEE *(Continued)*

The Group's unaudited condensed consolidated interim 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
Li Qiang
Chairman

Hong Kong, 10th August 2020

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 report 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.