



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 2020

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THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2020

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2020, overall revenue of the Group was approximately HK\$246.5 million and HK\$127.7 million respectively, representing a decrease of 5.8% and an increase of 128.2% respectively in comparison to the same periods of 2019.
- For the nine months and three months ended 30th September 2020, the Group recorded the overall gross profit of approximately HK\$39.6 million and HK\$22.4 million respectively (nine months and three months ended 30th September 2019: approximately HK\$26.1 million and HK\$9.6 million respectively).
- Loss attributable to owners of the Company for the nine months ended 30th September 2020 amounted to approximately HK\$26.8 million (nine months ended 30th September 2019: profit attributable to owners of the Company of approximately HK\$41.5 million), while the Group recorded a profit attributable to owners of the Company of approximately HK\$25.7 million for the three months ended 30th September 2020 (three months ended 30th September 2019: loss attributable to owners of the Company of approximately HK\$48.8 million).
- Basic loss per share for the nine months ended 30th September 2020 was HK\$0.01 (nine months ended 30th September 2019: basic earnings per share HK\$0.02) and basic earnings per share for the three months ended 30th September 2020 was HK\$0.01 (three months ended 30th September 2019: basic loss per share HK\$0.02).
- Total equity attributable to owners of the Company as at 30th September 2020 was approximately HK\$2,091.7 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 nine months ended 30th September 2020 (nine months ended 30th September 2019: 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 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 nine months and three months ended 30th September 2020

| | Note | For the nine months ended 30th September | | For the three months ended 30th September | |
|---|------|---|----------------------|--|------------------------|
| | | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Revenue | 2 | 246,487 | 261,670 | 127,675 | 55,937 |
| Cost of sales | | <u>(206,928)</u> | <u>(235,592)</u> | <u>(105,231)</u> | <u>(46,312)</u> |
| Gross profit | | 39,559 | 26,078 | 22,444 | 9,625 |
| Other revenue and net (loss)/income | 3 | (8,740) | 94,941 | 22,663 | (29,120) |
| Distribution and selling expenses | | (6,075) | (6,675) | (2,981) | (1,975) |
| General and administrative expenses | | (43,868) | (63,198) | (14,482) | (25,282) |
| Other operating expenses | | (1,681) | (4,460) | (898) | (667) |
| Net changes in fair value of investment properties | | <u>(2,219)</u> | <u>(522)</u> | <u>(11)</u> | <u>5</u> |
| (Loss)/Profit from operations | | (23,024) | 46,164 | 26,735 | (47,414) |
| Finance costs | | <u>(2,349)</u> | <u>(5,321)</u> | <u>(696)</u> | <u>(1,346)</u> |
| (Loss)/Profit before tax | | (25,373) | 40,843 | 26,039 | (48,760) |
| Income tax (expenses)/credit | 4 | <u>(1,771)</u> | <u>(61)</u> | <u>(430)</u> | <u>1</u> |
| (Loss)/Profit for the period | | <u><u>(27,144)</u></u> | <u><u>40,782</u></u> | <u><u>25,609</u></u> | <u><u>(48,759)</u></u> |
| (Loss)/Profit attributable to: | | | | | |
| Owners of the Company | | (26,820) | 41,548 | 25,734 | (48,758) |
| Non-controlling interests | | <u>(324)</u> | <u>(766)</u> | <u>(125)</u> | <u>(1)</u> |
| | | <u><u>(27,144)</u></u> | <u><u>40,782</u></u> | <u><u>25,609</u></u> | <u><u>(48,759)</u></u> |
| | | HK\$ | HK\$ | HK\$ | HK\$ |
| (Loss)/Earnings per share | 6 | | | | |
| – Basic | | (0.01) | 0.02 | 0.01 | (0.02) |
| – Diluted | | <u>(0.01)</u> | <u>0.02</u> | <u>0.01</u> | <u>(0.02)</u> |

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

For the nine months and three months ended 30th September 2020

| | For the nine months ended 30th September | | For the three months ended 30th September | |
|---|---|-----------------|--|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/Profit for the period | (27,144) | 40,782 | 25,609 | (48,759) |
| Other comprehensive income/(loss): | | | | |
| Items that are reclassified or may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences arising on translation of PRC subsidiaries | 12,876 | (20,439) | 26,140 | (19,071) |
| Release of translation reserves upon disposal of a subsidiary | (1,015) | (250) | – | – |
| Other comprehensive income/(loss) for the period | 11,861 | (20,689) | 26,140 | (19,071) |
| Total comprehensive (loss)/income for the period | (15,283) | 20,093 | 51,749 | (67,830) |
| Total comprehensive (loss)/income attributable to: | | | | |
| Owners of the Company | (14,959) | 20,859 | 51,874 | (67,829) |
| Non-controlling interests | (324) | (766) | (125) | (1) |
| | (15,283) | 20,093 | 51,749 | (67,830) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months ended 30th September 2020

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|--|---------------------------------------|----------------|--------------------|---------------------|-----------------------|-------------------------------|----------------------|----------------|------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | Statutory reserves | Contributed surplus | Share option reserves | Property revaluation reserves | Translation reserves | Other reserves | Retained profits | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1st January 2020 | 51,827 | 207,499 | 8,668 | 234,621 | 60,582 | 26,113 | 885 | 25 | 1,516,408 | 2,106,628 | (823) | 2,105,805 |
| Loss for the period | - | - | - | - | - | - | - | - | (26,820) | (26,820) | (324) | (27,144) |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange differences arising on translation of the PRC subsidiaries | - | - | - | - | - | - | 12,876 | - | - | 12,876 | - | 12,876 |
| Release of reserves upon disposal of a subsidiary | - | - | - | - | - | - | (1,015) | - | - | (1,015) | - | (1,015) |
| Total other comprehensive income | - | - | - | - | - | - | 11,861 | - | - | 11,861 | - | 11,861 |
| Total comprehensive loss for the period | - | - | - | - | - | - | 11,861 | - | (26,820) | (14,959) | (324) | (15,283) |
| Transactions with owners: | | | | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | | | | |
| Share options lapsed | - | - | - | - | (50,159) | - | - | - | 50,159 | - | - | - |
| Total transactions with owners | - | - | - | - | (50,159) | - | - | - | 50,159 | - | - | - |
| As at 30th September 2020 | 51,827 | 207,499 | 8,668 | 234,621 | 10,423 | 26,113 | 12,746 | 25 | 1,539,747 | 2,091,669 | (1,147) | 2,090,522 |
| 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 the PRC subsidiaries | - | - | - | - | - | - | (20,439) | - | - | (20,439) | - | (20,439) |
| 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: | | | | | | | | | | | | |
| <i>Contributions and distributions</i> | | | | | | | | | | | | |
| 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 | - | - | - |
| <i>Change in ownership interest</i> | | | | | | | | | | | | |
| 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 |

NOTES:

1 Basis of preparation

The Group's unaudited condensed consolidated financial statements for the nine months ended 30th September 2020 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 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 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.

2 Revenue

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\$25,971,000 from the leasing of properties used as IDC and facilities used in IDC was recognised as revenue for the nine months ended 30th September 2020. During the nine months ended 30th September 2019, rental income of approximately HK\$20,583,000 from the leasing of properties used as IDC was recognised as other revenue and net income.

Disaggregation of revenue

| | For the nine months ended 30th September | | For the three months ended 30th September | |
|---|---|------------------|--|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| IHA: | | | | |
| Sales of goods | 220,516 | 261,670 | 117,949 | 55,937 |
| IDC: | | | | |
| Lease of properties used as IDC and facilities used in IDC | 25,971 | – | 9,726 | – |
| | <u>246,487</u> | <u>261,670</u> | <u>127,675</u> | <u>55,937</u> |

3 **Other revenue and net (loss)/income**

| | For the nine months ended 30th September | | For the three months ended 30th September | |
|---|---|------------------|--|------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Other revenue | | | | |
| Dividend income from listed securities | 5,028 | 6,523 | 329 | 839 |
| Rental income from investment properties | 5,608 | 26,073 | 1,987 | 8,492 |
| Interest income calculated using the effective interest method: | | | | |
| Interest income from bank deposits | 1,174 | 4,715 | 146 | 1,563 |
| Interest income from loans receivable | 12,387 | 7,346 | 4,172 | 3,043 |
| | <u>24,197</u> | <u>44,657</u> | <u>6,634</u> | <u>13,937</u> |
| Other net (loss)/income | | | | |
| Consultancy fee income | – | 1,544 | – | 503 |
| Foreign exchange (loss)/gain, net | (72) | (1,512) | 315 | 723 |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss | (36,298) | 48,846 | 14,068 | (44,479) |
| Net fair value gains/(losses) on financial liabilities at fair value through profit or loss | – | 968 | – | (11) |
| Gain on disposal of a subsidiary | 1,015 | – | – | – |
| Government subsidies | 1,217 | – | 898 | – |
| Sundry income | 1,201 | 438 | 748 | 207 |
| | <u>(32,937)</u> | <u>50,284</u> | <u>16,029</u> | <u>(43,057)</u> |
| | <u>(8,740)</u> | <u>94,941</u> | <u>22,663</u> | <u>(29,120)</u> |

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 | |
|---------------------------|---|------------------|--|-------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Current tax | | | | |
| PRC enterprise income tax | 37 | 61 | – | (1) |
| Overseas tax | <u>1,734</u> | <u>–</u> | <u>430</u> | <u>–</u> |
| | <u>1,771</u> | <u>61</u> | <u>430</u> | <u>(1)</u> |

The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the corporate income tax ("CIT") rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 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 nine months and three months ended 30th September 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 nine months and three months ended 30th September 2020 and 2019.

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30th September 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 nine months and three months ended 30th September 2020 (nine months and three months ended 30th September 2019: Nil).

5 Dividends

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

6 **(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 nine months ended 30th September | | For the three months ended 30th September | |
|---|---|-------------------------|--|-------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| (Loss)/Profit attributable to owners of the Company | <u>(26,820)</u> | <u>41,548</u> | <u>25,734</u> | <u>(48,758)</u> |
| | | | | |
| | For the nine months ended 30th September | | For the three months ended 30th September | |
| | 2020 | 2019 | 2020 | 2019 |
| | '000 | '000 | '000 | '000 |
| Issued ordinary shares at 1st January | 2,073,089 | 1,803,089 | – | – |
| Issued ordinary shares at 1st July | – | – | 2,073,089 | 1,803,089 |
| Issue of new shares | – | 63,297 | – | 187,826 |
| Weighted average number of ordinary shares for basic (loss)/earnings per share | 2,073,089 | 1,866,386 | 2,073,089 | 1,990,915 |
| Weighted average number of ordinary shares for diluted (loss)/earnings per share | <u>2,073,089</u> | <u>1,866,386</u> | <u>2,073,089</u> | <u>1,990,915</u> |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| (Loss)/Earnings per share: | | | | |
| – Basic | (0.01) | 0.02 | 0.01 | (0.02) |
| – Diluted (<i>Note</i>) | <u>(0.01)</u> | <u>0.02</u> | <u>0.01</u> | <u>(0.02)</u> |

Note:

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

RESERVES

Movements in the reserves of the Group during the nine months ended 30th September 2020 (the “Period”) are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

DIVIDENDS

The Board has not declared an interim dividend for the Period (nine months ended 30th September 2019: Nil).

FINANCIAL AND BUSINESS REVIEW

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.

In the third quarter of 2020, with the Coronavirus Disease 2019 (“COVID-19”) under effective control and economic activities recovered gradually, there was an increase in customer purchase orders as compared with the first half of 2020. The Group’s revenue from the IHA business amounted to approximately HK\$220.5 million and HK\$117.9 million respectively for the nine months and three months ended 30th September 2020, representing a decrease of 15.7% and an increase of 110.9% respectively as compared with the same periods of last year. Meanwhile, the gross profit of the IHA business decreased by 33.8% and increased by 48.1% respectively to approximately HK\$17.3 million and HK\$14.3 million for the nine months and three months ended 30th September 2020 as compared with the same periods of last year. For the IDC business, the Group recorded revenue of approximately HK\$26.0 million for the Period (nine months ended 30th September 2019: approximately HK\$20.6 million of rental income from the IDC business which was recorded as other revenue and net income). As a result, the Group’s overall revenue dropped by 5.8% to approximately HK\$246.5 million for the Period as compared with the same period of last year.

With a decline in the Group’s revenue from the IHA business, the Group’s distribution and selling expenses for the Period decreased by 9.0% to approximately HK\$6.1 million as compared with the same period of last year. At the same time, the Group’s general and administrative expenses for the Period also decreased by 30.6% to approximately HK\$43.9 million as compared with the same period of last year. Moreover, the finance costs of the Group decreased by 55.9% to approximately HK\$2.3 million for the Period. The decrease was mainly due to the decrease in bank borrowings and interest rate as compared with the same period of last year.

The Group recorded other revenue and net loss of approximately HK\$8.7 million for the Period, while the Group recorded other revenue and net income of approximately HK\$94.9 million for the nine months ended 30th September 2019. The decrease was mainly due to the net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$36.3 million resulted from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period (nine months ended 30th September 2019: net gains of approximately HK\$49.8 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.

Other operating expenses of the Group decreased to approximately HK\$1.7 million for the Period (nine months ended 30th September 2019: approximately HK\$4.5 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 (nine months ended 30th September 2019: net losses on the disposal of subsidiaries of approximately HK\$1.2 million).

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 completed a sale and leaseback arrangement with a lessee, which resulted in increased revenue from the IDC business. Therefore, the Group recorded revenue of approximately HK\$26.0 million for the Period, accounting for approximately 10.5% of the total revenue of the Group (nine months ended 30th September 2019: approximately HK\$20.6 million of rental income from the IDC business which was recorded as other revenue and net income). 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 in the first half of 2020, the progress of the IDC construction of the Group has been adversely affected. As a result, phase one is expected to be delivered by the end 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\$36.3 million (nine months ended 30th September 2019: net gains of approximately HK\$49.8 million).

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$26.8 million for the Period (nine months ended 30th September 2019: a profit attributable to owners of the Company of approximately HK\$41.5 million), while the Group recorded a profit attributable to owners of the Company of approximately HK\$25.7 million for the three months ended 30th September 2020 (three months ended 30th September 2019: a loss attributable to owners of the Company of approximately HK\$48.8 million).

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\$60.0 million and (ii) leaseback the leased assets from the Group for a term of 5 years. Details of the sale and leaseback arrangement are set out in the announcements of the Company dated 29th April 2020 and 5th May 2020 respectively. Save as disclosed in this announcement, the Group had no significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

Key Risks and Uncertainties

During the Period, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factors such as fierce market competition in the Mainland and overseas markets, rapid iteration of technological products, 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.

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 a 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.

As for the IDC business, it is currently entering into the construction stage of which phase one is expected to be delivered by the end 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 the 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 will 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”.

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.

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 9th November 2020

** 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.