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## **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)**

### **MAJOR TRANSACTION**

### **IN RELATION TO THE ENTRY OF THE CONSTRUCTION AGREEMENT**

#### **THE CONSTRUCTION AGREEMENT**

The Board announces that on 4 April 2019, RiCloud, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with Concept CSI in relation to the construction of Phase I of the IDC in the U.S.A. at an aggregate consideration of US\$62,494,800 (equivalent to approximately HK\$487,460,000).

#### **GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the entry of the Construction Agreement exceeds 25% but is less than 100%, the transactions contemplated under the Construction Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the transactions contemplated under the Construction Agreement, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the transactions contemplated under the Construction Agreement.

The Company did not make disclosure of the entry of the Construction Agreement and sought for Shareholders' approval at the time because the Company did not consider that the entry of the Construction Agreement constitutes a notifiable transaction under the GEM Listing Rules and was therefore unaware that the requirements under Chapter 19 of the GEM Listing Rules are applicable.

A SGM will be convened and held by the Company for the Shareholders to approve and ratify the transactions contemplated under the Construction Agreement.

A circular containing, among other things, further information on the Construction Agreement and the transactions contemplated thereunder, other information as required under the GEM Listing Rules and a notice of the SGM will be despatched to the Shareholders in accordance with the GEM Listing Rules.

## **INTRODUCTION**

The Board announces that on 4 April 2019, RiCloud, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with Concept CSI in relation to the construction of Phase I of the IDC in the U.S.A. at an aggregate consideration of US\$62,494,800 (equivalent to approximately HK\$487,460,000).

## **PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENT**

Date	:	4 April 2019
Parties	:	(1) RiCloud as the owner; and (2) Concept CSI as the main contractor
Subject matter	:	Concept CSI shall be responsible for the construction of Phase I of the IDC, including but not limited to the provision of electrical work, steel and metal work and heating, ventilation and air-conditioning installation.
Subcontractors	:	Concept CSI shall engage subcontractors and sub-subcontractors for the purpose of execution of the construction work.
Consideration	:	The Consideration of the construction work shall be an aggregate sum of US\$62,494,800 (equivalent to approximately HK\$487,460,000).  US\$20,000,000 shall be paid within 14 days from the date of the Construction Agreement and RiCloud shall make such deposit to an escrow account to maintain a constant balance of no less than US\$20,000,000 until such time as both RiCloud and Concept CSI acknowledge that the amount due under the Construction Agreement is less than US\$20,000,000. RiCloud shall make the deposits to the escrow account within 14 days of each withdrawal from the escrow account so as to maintain a constant account balance of no less than US\$20,000,000 until the amount due under the Construction Agreement is less than US\$20,000,000.
Use of escrow fund	:	The escrow fund shall be used solely for payment of the monies due to Concept CSI pursuant to the terms of the Construction Agreement and for no other purpose.  The escrow funds shall remain in the escrow account until the balance due to Concept CSI has been paid in full. No monies shall be withdrawn from the escrow account without the prior written consent of both RiCloud and Concept CSI.
Construction commencement date	:	Pre-construction works commenced on 11 February 2019.

Payment terms : RiCloud shall make progress payments on account of the Consideration to Concept CSI. Application for payment shall be made by Concept CSI to an architect who is retained by RiCloud (the “**Architect**”) and RiCloud’s representative during the construction duration, no later than 25th day of the month, for work completed through that date less any previous applications for payment.

RiCloud shall make payment of the amount certified to Concept CSI no later than the end of the following calendar month. The applications for payment shall show the percentage of completion of each portion of the work as of the end of the period covered by the application for payment.

Final payment of the Consideration, constituting the entire unpaid balance under the Construction Agreement, shall be made by RiCloud to Concept CSI when (i) Concept CSI had fully performed the Construction Agreement except for its responsibility to correct any defective work; and (ii) a final certificate for payment has been issued by the Architect and RiCloud’s representative. The final payment shall be made no later than 30 days after the issuance of the certificate for payment.

### **Basis of Consideration**

The Consideration was arrived at from a tender process whereby invitation to bid for the construction of the IDC was solicited by RiCloud and the tender submitted by Concept CSI was considered the most appropriate after taking into account the tender price and payment terms. Accordingly, the Directors consider that the Consideration is fair and reasonable.

The Consideration shall be satisfied by the internal resources of the Group and if necessary obtaining external financing by way of debt, equity or otherwise.

### **INFORMATION ON RICLOUD AND THE GROUP**

RiCloud is a company incorporated in the U.S.A. with limited liability and is an indirect wholly-owned subsidiary of the Company. RiCloud is principally engaged in the operation of IDC.

The Company is an investment holding company and the Group is principally engaged in the businesses of information home appliances, IDC, investing and leasing.

### **INFORMATION ON CONCEPT CSI**

Concept CSI is a company incorporated in the U.S.A. with limited liability and is an exclusive, full-service technical builder, specializing in complex design driven projects.

To the best knowledge information and belief of the Directors having made all reasonable enquires, Concept CSI and its ultimate beneficial owner(s) are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE ENTRY OF THE CONSTRUCTION AGREEMENT**

As disclosed in the annual report of the Company for the year ended 31 December 2018, the Group considered that IDC is an important carrier of information technology infrastructure and cloud computing in the era of big data. The Group has planned to continue to internationalize its IDC business through new constructions or mergers and acquisitions in core cities and regions to provide targeted, customizable and high value-added services, establish an international cloud computing data centre for large enterprises and provide small and medium-sized enterprises in Greater China with integrated international cloud computing solutions.

Due to the shelter-in-place order handed down by the government of the U.S.A. in response to the Coronavirus Disease 2019 pandemic, the progress of the construction of Phase I of the IDC has been adversely affected. Phase I of the project will be ready for operation in the first half of 2021. Due to the delay in the progress of the construction of Phase I of the IDC, the consideration paid to Concept CSI in relation to the construction of Phase I of the IDC is expected to be adjusted and the Company expects that the total adjusted consideration will not be more than US\$71,000,000 (equivalent to approximately HK\$553,800,000). Upon completion of the construction of Phase I of the IDC, it is expected that revenue base and the IDC portfolio of the Group will be expanded.

## **GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the entry of the Construction Agreement exceeds 25% but is less than 100%, the transactions contemplated under the Construction Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the transactions contemplated under the Construction Agreement, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the transactions contemplated under the Construction Agreement.

The Company did not make disclosure of the entry of the Construction Agreement and sought for Shareholders' approval at the time because the Company did not consider that the entry of the Construction Agreement constitutes a notifiable transaction under the GEM Listing Rules and was therefore unaware that the requirements under Chapter 19 of the GEM Listing Rules are applicable.

A SGM will be convened and held by the Company for the Shareholders to approve and ratify the transactions contemplated under the Construction Agreement.

A circular containing, among other things, further information on the Construction Agreement and the transactions contemplated thereunder, other information as required under the GEM Listing Rules and a notice of the SGM will be despatched to the Shareholders in accordance with the GEM Listing Rules.

## IMPLEMENTATION PLANS

While the delay in disclosure was inadvertent and unintentional, the Company had immediately strengthened its internal control and implemented certain plans to avoid recurrence of similar incidents. In particular, the Company will:

- (i) engage an independent consultant to conduct a review of the Company's internal control and compliance system regarding disclosure of information;
- (ii) engage professional advisors to provide the Directors and senior management with regular training on the requirements under the GEM Listing Rules, with emphasis on the compliance with Chapter 19 of the GEM Listing Rules;
- (iii) provide training materials to the relevant staff members of the Group in order to strengthen their existing knowledge with respect to the relevant requirements under GEM Listing Rules, and provide ongoing trainings to the staff members of the Group to reinforce their legal and regulatory requirements applicable to the business operations of the Group as well as the internal control of the Group; and
- (iv) engage an external legal advisor on an annual retainer basis to advise the Company on compliance with the GEM Listing Rules. The Company will work closely with the external legal advisor so as to comply with the GEM Listing Rules and consult external legal advisor before entry of any possible notifiable transactions.

Going forward, the Company will comply strictly with the relevant requirements of the GEM Listing Rules and monitor the internal control measures adopted by the Group.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Company”	Yuxing InfoTech Investment Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on GEM (Stock Code: 8005)
“Concept CSI”	Concept Construction Services, Inc., a company incorporated in the U.S.A. with limited liability
“Consideration”	the total consideration for the construction of Phase I of the IDC payable by RiCloud to Concept CSI pursuant to the Construction Agreement
“Construction Agreement”	the agreement dated 4 April 2019 entered into between RiCloud and Concept CSI in relation to the construction of Phase I of the IDC
“Directors”	the directors of the Company
“GEM”	GEM of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“IDC”	internet data centre
“Independent Third Party”	person(s) who, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“RiCloud”	RiCloud Corp., a company incorporated in the U.S.A. with limited liability and an indirect wholly-owned subsidiary of the Company
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve and ratify the transactions contemplated under the Construction Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the U.S.A.
“U.S.A.”	United States of America

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

Hong Kong, 1 June 2021

\* *For identification purpose only*

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

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.yuxing.com.cn).*