



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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2021

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HIGHLIGHTS FOR THE SIX-MONTH PERIOD

- For the six months ended 30th June 2021, overall revenue of the Group was approximately HK\$74.7 million, representing a decrease of 37.1% compared to the same period of last fiscal year. The Group recorded the overall gross profit of approximately HK\$20.7 million for the six months ended 30th June 2021 (30th June 2020: approximately HK\$17.1 million).
- Loss attributable to owners of the Company for the six months ended 30th June 2021 amounted to approximately HK\$69.7 million (30th June 2020: approximately HK\$52.6 million).
- Basic loss per share for the six months ended 30th June 2021 was HK\$0.03 (30th June 2020: HK\$0.03).
- Total equity attributable to owners of the Company as at 30th June 2021 was approximately HK\$2,195.5 million (31st December 2020: approximately HK\$2,173.7 million) or net assets per share of approximately HK\$0.89 (31st December 2020: approximately HK\$1.05).
- The Board does not recommend the payment of interim dividend for the six months ended 30th June 2021 (30th June 2020: Nil).

INTERIM RESULTS

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 2021 together with the comparative figures for the same periods in 2020, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Note	Three months ended 30th June		Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	34,605	81,496	74,734	118,812
Cost of sales		(23,177)	(73,766)	(53,989)	(101,697)
Gross profit		11,428	7,730	20,745	17,115
Other revenue and net (loss)/income	4	(46,889)	34,566	(31,535)	(31,403)
Distribution and selling expenses		(1,507)	(1,701)	(3,196)	(3,094)
General and administrative expenses		(26,143)	(13,018)	(49,330)	(29,386)
Other operating expenses		(936)	(434)	(1,385)	(783)
Net changes in fair value of investment properties		(588)	(2,208)	(588)	(2,208)
(Loss)/Profit from operations		(64,635)	24,935	(65,289)	(49,759)
Finance costs	5	(1,094)	(698)	(1,792)	(1,653)
(Loss)/Profit before tax	6	(65,729)	24,237	(67,081)	(51,412)
Income tax expenses	7	(942)	(792)	(2,840)	(1,341)
(Loss)/Profit for the period		<u>(66,671)</u>	<u>23,445</u>	<u>(69,921)</u>	<u>(52,753)</u>
(Loss)/Profit attributable to:					
Owners of the Company		(66,506)	23,517	(69,679)	(52,554)
Non-controlling interests		(165)	(72)	(242)	(199)
		<u>(66,671)</u>	<u>23,445</u>	<u>(69,921)</u>	<u>(52,753)</u>
		HK\$	HK\$	HK\$	HK\$
(Loss)/Earnings per share	9				
– Basic		(0.03)	0.01	(0.03)	(0.03)
– Diluted		(0.03)	0.01	(0.03)	(0.03)

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

	Three months ended 30th June		Six months ended 30th June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/Profit for the period	(66,671)	23,445	(69,921)	(52,753)
Other comprehensive income/(loss):				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	10,623	212	8,598	(13,264)
Release of translation reserves upon disposal of a subsidiary	<u>—</u>	<u>(1,015)</u>	<u>—</u>	<u>(1,015)</u>
Other comprehensive income/(loss) for the period (net of tax)	<u>10,623</u>	<u>(803)</u>	<u>8,598</u>	<u>(14,279)</u>
Total comprehensive (loss)/income for the period	<u>(56,048)</u>	<u>22,642</u>	<u>(61,323)</u>	<u>(67,032)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(55,883)	22,714	(61,081)	(66,833)
Non-controlling interests	<u>(165)</u>	<u>(72)</u>	<u>(242)</u>	<u>(199)</u>
	<u>(56,048)</u>	<u>22,642</u>	<u>(61,323)</u>	<u>(67,032)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June 2021	31st December 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Investment properties		92,261	455,912
Property, plant and equipment		764,917	751,668
Right-of-use assets		84,819	86,714
Intangible assets	10	106,053	–
Deposits paid	11	3,086	1,506
Prepayment for construction	11	28,597	38,158
Financial assets at fair value through profit or loss	13	83,261	365,835
		1,162,994	1,699,793
CURRENT ASSETS			
Cryptocurrencies		2,823	–
Inventories		17,947	11,203
Loans receivable	12	233,747	251,026
Trade and other receivables	11	104,596	94,894
Financial assets at fair value through profit or loss	13	131,733	255,086
Income tax recoverable		1,432	1,425
Pledged bank deposits		217,079	57,974
Cash and bank balances		262,023	122,841
		971,380	794,449
Assets classified as held-for-sale	16	407,844	–
		1,379,224	794,449
CURRENT LIABILITIES			
Trade and other payables	14	105,335	141,847
Dividend payables		31	31
Bank and other loans	15	190,147	139,907
Lease liabilities		5,481	5,466
		300,994	287,251
Liabilities associated with assets classified as held-for-sale	16	22,701	–
		323,695	287,251
NET CURRENT ASSETS		1,055,529	507,198
TOTAL ASSETS LESS CURRENT LIABILITIES		2,218,523	2,206,991
NON-CURRENT LIABILITIES			
Deferred tax liabilities		17,939	28,505
Income tax payable		4,042	2,729
Lease liabilities		2,577	3,393
		24,558	34,627
NET ASSETS		2,193,965	2,172,364
EQUITY			
Share capital	18	62,193	51,827
Reserves		2,133,329	2,121,852
Equity attributable to owners of the Company		2,195,522	2,173,679
Non-controlling interests		(1,557)	(1,315)
TOTAL EQUITY		2,193,965	2,172,364

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserves <i>HK\$'000</i>	Property revaluation reserves <i>HK\$'000</i>	Translation reserves <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2021	51,827	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,173,679	(1,315)	2,172,364
Loss for the period	-	-	-	-	-	-	-	-	(69,679)	(69,679)	(242)	(69,921)
Other comprehensive income:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	8,598	-	-	8,598	-	8,598
Total other comprehensive income	-	-	-	-	-	-	8,598	-	-	8,598	-	8,598
Total comprehensive loss for the period	-	-	-	-	-	-	8,598	-	(69,679)	(61,081)	(242)	(61,323)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of new shares (Note 18(a))	10,366	72,558	-	-	-	-	-	-	-	82,924	-	82,924
Share options lapsed	-	-	-	-	(1,475)	-	-	-	1,475	-	-	-
Total transactions with owners	10,366	72,558	-	-	(1,475)	-	-	-	1,475	82,924	-	82,924
As at 30th June 2021	<u>62,193</u>	<u>280,057</u>	<u>8,668</u>	<u>234,621</u>	<u>8,948</u>	<u>26,113</u>	<u>54,620</u>	<u>25</u>	<u>1,520,277</u>	<u>2,195,522</u>	<u>(1,557)</u>	<u>2,193,965</u>
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	-	-	-	-	-	-	-	-	(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:												
<i>Contributions and distributions</i>												
Share options lapsed	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
Total transactions with owners	-	-	-	-	(50,159)	-	-	-	50,159	-	-	-
As at 30th June 2020	<u>51,827</u>	<u>207,499</u>	<u>8,668</u>	<u>234,621</u>	<u>10,423</u>	<u>26,113</u>	<u>(13,394)</u>	<u>25</u>	<u>1,514,013</u>	<u>2,039,795</u>	<u>(1,022)</u>	<u>2,038,773</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

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

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

2. Basis of preparation

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30th June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated 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 2020. They have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

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

Intangible assets

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

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform – Phase 2

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

3. Revenue and segment information

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

The IHA business is principally engaged in sale and distribution of IHA and complementary products (including set-top boxes and raw materials). Revenue from the IHA business, which is stated net of value added tax where applicable, is recognised at a point in time at which the customers obtain the control of goods, which generally coincides with the time when goods are delivered to customers and the title is passed.

The IDC business comprises the development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC and facilities used in IDC. Revenue from the IDC business, including rental income from leasing of properties used as IDC and facilities used in IDC and service income from provision of IDC facilities for customers' use, are recognised when the properties and facilities are let out and on a straight-line basis over the lease term, and as time lapsed or ratably over the term of the agreement respectively.

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.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates.

Business segments

An analysis of the Group's revenue, other revenue and net (loss)/income, net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

For the six months ended 30th June 2021:

	IHA	IDC	Investing	Leasing	Other	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	operations	HK\$'000	HK\$'000
					HK\$'000		
REVENUE							
Sale of goods	54,342	-	-	-	-	-	54,342
Lease of properties used as IDC and facilities used in IDC	-	20,392	-	-	-	-	20,392
OTHER REVENUE AND NET (LOSS)/INCOME	(1,275)	28	(43,166)	5,119	-	(44)	(39,338)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	-	1,439	-	(2,027)	-	-	(588)
Segment revenue	<u>53,067</u>	<u>21,859</u>	<u>(43,166)</u>	<u>3,092</u>	<u>-</u>	<u>(44)</u>	<u>34,808</u>
RESULTS							
Segment results	<u>(12,024)</u>	<u>4,255</u>	<u>(52,270)</u>	<u>334</u>	<u>-</u>	<u>-</u>	<u>(59,705)</u>
Unallocated corporate income							7,638
Interest income from bank deposits							165
Other unallocated corporate expenses							(13,387)
							(65,289)
Finance costs							(1,792)
Loss before tax							(67,081)
Income tax expenses							(2,840)
Loss for the period							<u>(69,921)</u>

For the six months ended 30th June 2020:

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
Sale of goods	102,567	-	-	-	-	-	102,567
Lease of properties used as IDC and facilities used in IDC	-	16,245	-	-	-	-	16,245
OTHER REVENUE AND NET (LOSS)/INCOME	198	104	(45,844)	3,715	1,015	(41)	(40,853)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	-	(331)	-	(1,877)	-	-	(2,208)
Segment revenue	<u>102,765</u>	<u>16,018</u>	<u>(45,844)</u>	<u>1,838</u>	<u>1,015</u>	<u>(41)</u>	<u>75,751</u>
RESULTS							
Segment results	<u>(9,575)</u>	<u>8,783</u>	<u>(51,824)</u>	<u>(608)</u>	<u>1,050</u>	<u>-</u>	(52,174)
Unallocated corporate income							8,422
Interest income from bank deposits							1,028
Other unallocated corporate expenses							<u>(7,035)</u>
Finance costs							<u>(49,759)</u> <u>(1,653)</u>
Loss before tax							(51,412)
Income tax expenses							<u>(1,341)</u>
Loss for the period							<u><u>(52,753)</u></u>

Segment assets and liabilities

The following table presents segments assets and liabilities of the Group's business segments as at 30th June 2021 and 31st December 2020:

As at 30th June 2021:

	IHA <i>HK\$'000</i>	IDC <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	132,748	799,332	615,671	112,013	384	–	1,660,148
Assets classified as held-for-sale		407,844					407,844
Unallocated corporate assets						474,226	474,226
Consolidated total assets							<u>2,542,218</u>
LIABILITIES							
Segment liabilities	56,159	33,322	127,970	21,725	–	–	239,176
Liabilities associated with assets classified as held-for-sale		22,701					22,701
Unallocated corporate liabilities						86,376	86,376
Consolidated total liabilities							<u>348,253</u>

As at 31st December 2020:

	IHA <i>HK\$'000</i>	IDC <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	120,121	1,159,423	711,151	111,933	373	–	2,103,001
Unallocated corporate assets						391,241	391,241
Consolidated total assets							<u>2,494,242</u>
LIABILITIES							
Segment liabilities	82,763	70,806	129,031	21,089	–	–	303,689
Unallocated corporate liabilities						18,189	18,189
Consolidated total liabilities							<u>321,878</u>

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China ("PRC"), Hong Kong, Australia and other overseas markets.

The following table sets out information about the geographical location of (a) the Group's revenue; 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.

(a) Revenue

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
The PRC	28,724	50,610
Hong Kong	14,071	7,806
Australia	21,301	48,469
Other overseas markets	10,638	11,927
	<u>74,734</u>	<u>118,812</u>

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

	Six months ended 30th June 2021					Consolidated HK\$'000
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	(1,275)	28	1,020	5,039	–	4,812
Hong Kong	–	–	(44,186)	36	–	(44,150)
	<u>(1,275)</u>	<u>28</u>	<u>(43,166)</u>	<u>5,075</u>	<u>–</u>	<u>(39,338)</u>
	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
	<u>198</u>	<u>104</u>	<u>(45,844)</u>	<u>3,674</u>	<u>1,015</u>	<u>(40,853)</u>

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

	Three months ended 30th June		Six months ended 30th June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other revenue				
Dividend income from listed securities	4,788	4,699	4,788	4,699
Rental income from investment properties	2,245	1,836	4,460	3,621
Interest income calculated using the effective interest method:				
Interest income from bank deposits	58	428	165	1,028
Interest income from loans receivable	3,906	4,333	7,798	8,215
	10,997	11,296	17,211	17,563
Other net (loss)/income				
Foreign exchange losses, net	(739)	(197)	(1,705)	(387)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(57,396)	22,068	(47,660)	(50,366)
Gain on disposal of a subsidiary	–	1,015	–	1,015
Gain on disposal of property, plant and equipment	218	–	218	–
Loss on leases termination	(7)	–	(7)	–
Government subsidies	–	319	–	319
Sundry income	38	65	408	453
	(57,886)	23,270	(48,746)	(48,966)
	(46,889)	34,566	(31,535)	(31,403)

5. **Finance costs**

	Three months ended 30th June		Six months ended 30th June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowing costs for bank and other loans	1,012	655	1,642	1,577
Imputed interest expenses on lease liabilities	82	43	150	76
	1,094	698	1,792	1,653

6. (Loss)/Profit before tax

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

	Three months ended 30th June		Six months ended 30th June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Write-down of inventories, net	181	1,597	115	1,942
Amortisation of intangible assets capitalised into cryptocurrencies	2,823	–	2,823	–
Depreciation of right-of-use assets	2,557	1,712	5,198	3,414
Depreciation of property, plant and equipment*	1,777	1,857	3,624	2,222
	<u>1,777</u>	<u>1,857</u>	<u>3,624</u>	<u>2,222</u>

* Depreciation of property, plant and equipment for the six months and three months ended 30th June 2021 included depreciation of IDC facilities of approximately HK\$3,000,000 and HK\$1,500,000 respectively (30th June 2020: approximately HK\$1,500,000 and HK\$1,500,000 respectively) recognised as cost of sales for the period.

7. Income tax expenses

The taxation charged to profit or loss represents:

	Three months ended 30th June		Six months ended 30th June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC corporate income tax	270	37	1,527	37
Overseas withholding tax	672	755	1,313	1,304
	<u>672</u>	<u>755</u>	<u>1,313</u>	<u>1,304</u>
	<u>942</u>	<u>792</u>	<u>2,840</u>	<u>1,341</u>

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

The income tax provision in respect of operations in the 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 2021 and 2020 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as “Small-Scale and Low-Profit Enterprises” which are charged at the effective preferential CIT rates of 2.5% or 10% (30th June 2020: 5% or 10%) respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the six months and three months ended 30th June 2021.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the six months and three months ended 30th June 2021 and 2020, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the six months and three months ended 30th June 2021 and 2020.

8. **Dividends**

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2021 (30th June 2020: Nil).

9. **(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:

	Three months ended 30th June		Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/Profit attributable to owners of the Company	<u>(66,506)</u>	<u>23,517</u>	<u>(69,679)</u>	<u>(52,554)</u>
	'000	'000	'000	'000
Issued ordinary shares at 1st January	–	–	2,073,089	2,073,089
Issue of new shares (<i>Note 18(a)</i>)	–	–	387,128	–
Issued ordinary shares at 1st April	<u>2,487,705</u>	<u>2,073,089</u>	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	2,487,705	2,073,089	2,460,217	2,073,089
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<u>2,487,705</u>	<u>2,073,089</u>	<u>2,460,217</u>	<u>2,073,089</u>
	HK\$	HK\$	HK\$	HK\$
(Loss)/Earnings per share				
– Basic	<u>(0.03)</u>	<u>0.01</u>	<u>(0.03)</u>	<u>(0.03)</u>
– Diluted (<i>Note</i>)	<u>(0.03)</u>	<u>0.01</u>	<u>(0.03)</u>	<u>(0.03)</u>

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 2021 and 2020 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic (loss)/earnings per share for the periods.

10. **Intangible assets**

	Hashrate capacity HK\$'000
Reconciliation of carrying amount	
– period ended 30th June 2021	
Additions	108,876
Amortisation	<u>(2,823)</u>
At end of the reporting period	<u>106,053</u>

11. Trade and other receivables and prepayment for construction

	30th June 2021	31st December 2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	39,295	77,657
Less: Loss allowance	(15)	(15)
	(a) 39,280	77,642
Other receivables, net of loss allowance	4,244	7,035
Prepayments and deposits	64,158	11,723
Prepayment for construction	(b) 28,597	38,158
	136,279	134,558
Current portion	104,596	94,894
Non-current portion	31,683	39,664
	136,279	134,558

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 2021	31st December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	13,444	15,096
31 – 60 days	4,962	16,376
61 – 90 days	3,863	17,873
Over 90 days	17,011	28,297
	39,280	77,642

- (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) or the amount due to the construction company, whichever is lower, in the escrow account.

As at 30th June 2021, the Group maintained approximately US\$3,666,000 (equivalent to approximately HK\$28,597,000) (31st December 2020: approximately US\$4,892,000 (equivalent to approximately HK\$38,158,000)) in the escrow account.

12. Loans receivable

	30th June 2021 HK\$'000	31st December 2020 HK\$'000
Loans receivable from third parties due within one year	<u>233,747</u>	<u>251,026</u>

The loans receivable comprises:

- (i) RMB90,000,000 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 extended to be repayable in December 2021, with other terms remain unchanged.

At the end of the reporting period, the principal of RMB90,000,000 (equivalent to approximately HK\$108,160,000) (31st December 2020: RMB90,000,000 (equivalent to approximately HK\$106,939,000)) and accrued interest receivable of approximately HK\$6,874,000 (31st December 2020: approximately HK\$2,495,000) were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcements dated 19th December 2019, 18th September 2020 and 17th December 2020 respectively.

- (ii) HK\$41,000,000 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 extended to be repayable in December 2021, with other terms remain unchanged.

At the end of the reporting period, the principal of HK\$41,000,000 (31st December 2020: HK\$41,000,000) and accrued interest receivable of approximately HK\$1,626,000 (31st December 2020: HK\$Nil) were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcements dated 9th December 2019, 12th December 2019, 29th June 2020 and 31st December 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 of HK\$60,000,000 (31st December 2020: HK\$60,000,000) and accrued interest receivable of approximately HK\$3,740,000 (31st December 2020: HK\$2,252,000) were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcements dated 18th March 2020 and 17th June 2020 respectively.

- (iv) RMB12,000,000 loan to an independent third party borrower is unsecured and interest-bearing at 5% per annum. Principal of RMB2,000,000 (equivalent to approximately HK\$2,376,000) and accrued interest receivable of approximately HK\$30,000 were repaid in January 2021 in accordance with the terms of the loans agreements. The remaining principal of RMB10,000,000 is repayable in December 2021.

At the end of the reporting period, the principal of RMB10,000,000 (equivalent to approximately HK\$12,018,000) (31st December 2020: RMB12,000,000 (equivalent to approximately HK\$14,259,000)) and accrued interest receivable of approximately HK\$329,000 (31st December 2020: approximately HK\$53,000) were recognised as loans receivable under current assets.

13. **Financial assets at fair value through profit or loss**

		30th June	31st December
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	<i>(a)</i>	77,039	385,875
Equity securities listed outside Hong Kong	<i>(a)</i>	26,548	146,476
Private investment funds	<i>(b)</i>	58,367	24,946
Unlisted equity securities outside Hong Kong	<i>(c)</i>	53,040	63,624
		214,994	620,921
		214,994	620,921
Current portion		131,733	255,086
Non-current portion		83,261	365,835
		214,994	620,921
		214,994	620,921

Notes:

- (a) The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.
- (b) Included in the private investment funds were three private investment funds, which invested in cryptocurrencies and unlisted equity investment with carrying amount of approximately HK\$30,221,000 (31st December 2020: approximately HK\$17,211,000), a trusted fund in the PRC with carrying amount of approximately RMB6,772,000 (equivalent to approximately HK\$8,138,000) (31st December 2020: approximately RMB6,510,000 (equivalent to approximately HK\$7,735,000)) and listed equity securities in the United States with carrying amount of approximately HK\$20,008,000 (31st December 2020: HK\$Nil).
- (c) The investment in unlisted equity securities of a company incorporated in the Cayman Islands was not held for trading.

14. Trade and other payables

		30th June 2021	31st December 2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Trade payables	(a)	26,141	47,240
Contract liabilities		6,791	5,827
Other payables		32,642	22,999
Accruals		39,761	65,781
		105,335	141,847

Note:

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

	30th June 2021	31st December 2020
	HK\$'000	<i>HK\$'000</i>
0 – 30 days	11,631	12,450
31 – 60 days	2,540	2,294
61 – 90 days	90	18,969
Over 90 days	11,880	13,527
	26,141	47,240

15. Bank and other loans

		30th June 2021	31st December 2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Current and secured			
Bank loans with repayment on demand clause	(a)	139,698	137,314
Term loans from banks with repayment on demand clause	(a)	2,378	2,593
Other loan	(b)	48,071	–
		190,147	139,907

Notes:

(a) As at 30th June 2021, the bank loans carried variable interest rates ranging from 1.20% to 4.95% (31st December 2020: 1.30% to 4.90%) per annum. The bank loans are secured by the assets of the Group as set out in Note 17.

(b) The other loan represented short-term loan with principal of RMB40,000,000 (equivalent to approximately HK\$48,071,000) (31st December 2020: HK\$Nil) which was unsecured, interest-bearing at 5% per annum and repayable on 6th July 2021.

16. Assets classified as held-for-sale

On 28th April 2021, Indeed Holdings Limited (the “Vendor”), a wholly-owned subsidiary of the Company and the Company (as the Vendor’s guarantor) entered into a sale and purchase agreement with Empress Investment Pte. Ltd. (the “Purchaser”), an independent third party of the Company pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the 100% of the equity interest of Shanghai Indeed Technology Co., Ltd. (上海一鼎電子科技有限公司) (the “SH Indeed”) at a consideration of US\$68,000,000 (equivalent to approximately HK\$530,400,000) (subject to adjustments). SH Indeed is a limited liability company incorporated in the PRC. The principal activities of SH Indeed is properties holding and leasing of properties used as data centre. The disposal has not yet been completed as at the date of this announcement.

The assets and liabilities attributable to SH Indeed, which are expected to be sold within twelve months, have been classified as assets held-for-sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

The assets and liabilities associated with SH Indeed classified as held-for-sale are analysed as follows:

	30th June 2021 HK\$'000
Investment properties	368,662
Prepayment for construction	32,096
Other receivables	233
Cash and bank balances	<u>6,853</u>
Total assets classified as held-for-sale	<u><u>407,844</u></u>
	30th June 2021 HK\$'000
Other payables	11,543
Income tax payable	267
Deferred tax liabilities	<u>10,891</u>
Total liabilities associated with assets classified as held-for-sale	<u><u>22,701</u></u>

17. Pledged assets

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

	30th June 2021 HK\$'000	31st December 2020 HK\$'000
Investment properties	71,037	71,780
Leasehold improvements	85	93
Right-of-use assets	72,203	73,746
Financial assets at fair value through profit or loss	45,923	294,909
Bank deposits	<u>217,079</u>	<u>57,974</u>

18. Share capital

	Number of shares		Amount	
	30th June 2021 '000	31st December 2020 '000	30th June 2021 HK\$'000	31st December 2020 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	2,073,089	51,827	51,827
Issue of new shares (<i>Note (a)</i>)	414,616	–	10,366	–
At end of the reporting period				
Ordinary shares of HK\$0.025 each	2,487,705	2,073,089	62,193	51,827

Note:

(a) *Issue of new shares*

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

19. Events after the reporting period

On 9th August 2021, the Company decided not to pay the third installment of the consideration of RMB140,000,000 (the “Third Installment”) of a procurement agreement dated 14th May 2021 (the “Procurement Agreement”) entered into between Grand Choice Development Limited (the “Purchaser”), being a direct wholly-owned subsidiary of the Company, and Wuhan Quanyaotech Technology Co., Ltd.* (武漢全耀成科技有限公司) (the “Vendor”), being an independent third party. Pursuant to the Procurement Agreement, if the Purchaser fails to pay the Third Instalment on or before 8th August 2021, the procurement will proceed according to the amount of consideration paid and the subsequent transactions will automatically terminate. As the Purchaser had decided not to proceed with the payment of the Third Instalment due on 8th August 2021, the subsequent transactions had been automatically terminated pursuant to the terms of the Procurement Agreement. Details of the termination have been disclosed in the Company’s announcement dated 9th August 2021.

20. Approval of the unaudited condensed consolidated interim financial statements

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review and Prospect

IHA Business

The Group’s IHA business is principally engaged in sale 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 six months ended 30th June 2021 (the “Period”), the Group’s revenue from IHA business amounted to approximately HK\$54.3 million, representing a decrease of 47.0% compared with the same period of last fiscal year. The significant drop in the revenue was caused by the shortage of microchips as the raw materials in the production of STB. This is also the same reason leading to an increase in the segment loss of 25.6%.

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 increased by 25.5% from approximately HK\$16.2 million for the six months ended 30th June 2020 to approximately HK\$20.4 million for the six months ended 30th June 2021. The growth was attributed to the increase in rental revenue from the leasing of facilities used in IDC located at Hong Kong Shatin. However, the segment profit was decreased by 51.6% as a result of the operating cost pressures in the IDC located in San Jose, the United States (“U.S.”).

The construction progress of the IDC located in San Jose, the U.S. was expected to be completed by the end of the year. The progress was far behind the original schedule due to the adverse impact of coronavirus disease 2019 (“COVID-19”) in the U.S. However, the global COVID-19 pandemic accelerated the pace of cloud deployments. In other words, the increased deployment of applications to the cloud leads to a tremendous demand for the IDC market. The demand for the outsourced data centre market is also growing due to the challenges of managing on-premise data centers for IT companies of all sizes. To cope with the strong demand, the Company has speeding up the progress to the completion of the IDC phase one project. The Directors of the Company believes that the Group is able to benefit from a stable revenue from the entrance of the IDC business in the U.S. market will contribute a stable revenue stream to the Group.

Investment Business

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\$52.3 million for the Period (30th June 2020: approximately HK\$51.8 million). The main reason was that the Group recorded net losses on financial assets at fair value through profit or loss of approximately HK\$47.7 million (30th June 2020: 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.

In light of the volatility of the stock market with the uncertainty in the future global economy, together with the strengthening the cash position of the Group, the Group had disposed of several listed securities with value exceeding 5% of the Group's total assets as at 31st December 2020. During the period between 21st May 2021 and 30th June 2021, the Group disposed of 2,500,000 shares of Ping An Insurance (Group) Company of China, Ltd ("Ping An") (H-shares) through a series transaction in the open market at an average price of approximately HK\$77.7 per Ping An H-share for an aggregate consideration of approximately HK\$194.3 million (exclusive of transaction costs). Details of the disposals have been disclosed in the Company's announcement dated 12th July 2021.

Meanwhile, the Company had also disposed of other individual investments in listed securities including ZhongAn Online P&C Insurance Co., Ltd. (H-shares) ("ZhongAn"), Guangzhou Automobile Group Co., Ltd (A-shares and H-shares) ("Guangzhou Automobile") and Honbridge Holdings Limited ("Honbridge"), etc. through a series of transactions in the open market. The disposals of these listed securities do not constitute discloseable transactions individually.

The stock market sentiment was affected by the rising policy risks of the technology sector in China on the supervision of internet companies on antimonopoly on the e-commerce platforms. At the same time, the China-US relations are still tense and remain uncertain to the market outlook. With the worsening COVID-19 pandemic and virus mutations, the Hong Kong market recovery is expected to remain unclear. The stock market might be unable to break through the mid-February in short term. With the absence of positive catalysts and the uncertainty of the future stock market, the Company have no intention to enhance a strong position of the investment portfolio.

Leasing

The leasing segment of the Group comprises leasing out of properties. This segment recorded a profit of approximately HK\$0.3 million for the Period (30th June 2020: a loss of approximately HK\$0.6 million). The segment improvement was attributed to the increase in rental income from investment properties.

Notwithstanding the difficult challenges ahead, the Group will use its best endeavours to take all necessary effective actions and measures that the Board thinks fit with the aim to ensuring the sustainability of the Group's business development.

Business Prospect

Technology continues to redefine the digital economy. The IT infrastructure requirements companies across nearly every industry continue to change as businesses embark on initiatives to re-position their strategies through digital transformation. However, one theme has remained constant: the demand of data centre, representing the core infrastructure underly the digital economy and continue to grow significantly. With the introduction of new technology advancements including 5G, the internet of things, and artificial intelligence, the outlook of incremental data centre demand is robust. Moreover, it's believed that the pace of digital transformation will only accelerate the development of IDC business in the future as a result of many challenges presented by the pandemic.

The IHA industry has returned to growth due to the increasing household penetration rate of smart TVs and the maturity of big data technology to the OTT. The increment of income level also drives the demand for entertainment and consumption willingness. Although the industry was affected by the COVID-19 epidemic in 2020, China remains its leading position in the global supply of IHA products as a manufacturing base. With years of technical know-how and research and development capabilities, the business is believed to cope with the technology transformation and business opportunities.

The investments in digitalisation initiatives and business continuity remain our key drivers for the performance of 2021. This advance preparation allowed the Company to maintain growth momentum, supporting the rapidly expanding data and communication needs of customers. Although the COVID-19 pandemic and virus mutations continue to remain an uncertainty to the world economy, the Company will continuously deliver high-quality services with wisdom and perseverance to all the stakeholders.

Financial Review

Revenue and Gross Profit

During the Period, the Group's revenue from IHA business amounted to approximately HK\$54.3 million, representing a decrease of 47.0% compared with the same period of last fiscal year. Meanwhile, the gross profit of IHA business increased by 44.6% to approximately HK\$4.4 million for the Period as compared with the same period of last fiscal year. For IDC business, the Group recorded revenue of approximately HK\$20.4 million for the Period (30th June 2020: approximately HK\$16.2 million), representing an increase of 25.5% compared to the last fiscal period. As a result, the Group's overall revenue dropped significantly by 37.1% to approximately HK\$74.7 million while the Group's overall gross profit increased by 21.2% to approximately HK\$20.7 million for the Period as compared with the same period of last year.

Operating Results

Other Revenue and Net (Loss)/Income

The Group recorded other revenue and net loss of approximately HK\$31.5 million for the Period (30th June 2020: approximately HK\$31.4 million). This was mainly attributed to the net losses on financial assets at fair value through profit or loss of approximately HK\$47.7 million resulting from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period (30th June 2020: approximately HK\$50.4 million). 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\$0.6 million on its investment properties for the Period (30th June 2020: approximately HK\$2.2 million).

Operating Expenses

Despite a sharp decline in the Group's revenue from IHA business, the Group's distribution and selling expenses increased to approximately HK\$3.2 million for the Period (30th June 2020: approximately HK\$3.1 million). At the same time, the Group's general and administrative expenses also increased by 67.9% to approximately HK\$49.3 million for the Period (30th June 2020: approximately HK\$29.4 million), as a result of the operating costs pressure from IDC business and central corporate expenses.

Other Operating Expenses

Other operating expenses of the Group increased to approximately HK\$1.4 million for the Period (30th June 2020: approximately HK\$0.8 million). This increase was mainly due to the increase of miscellaneous costs.

Finance Costs

The finance costs of the Group increased by 8.4% to approximately HK\$1.8 million for the Period. The increase was mainly due to the increase in bank and other borrowings as compared with the same period of last fiscal year.

Loss for the Period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$69.7 million for the Period (30th June 2020: approximately HK\$52.6 million).

Liquidity and Financial Resources

As at 30th June 2021, the Group had net current assets of approximately HK\$1,055.5 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$262.0 million and HK\$217.1 million, respectively. The Group's financial resources were funded mainly by bank and other loans and its shareholders' funds. As at 30th June 2021, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 4.3 times and the gearing ratio, as measured by total liabilities divided by total equity, was 15.9%. Hence, as at 30th June 2021, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in Note 17 to the unaudited condensed consolidated interim financial statements in this announcement.

Capital Structure

The shares of the Company ("Share(s)") has been listed on GEM of the Stock Exchange since 31st January 2000. The changes in the capital structure of the Company for the Period are set out in Note 18 to the unaudited condensed consolidated interim financial statements in this announcement.

Issue of Listed Securities of the Company and Use of Proceeds

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

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

Up to 30th June 2021, approximately HK\$39.9 million out of approximately HK\$82.7 million had been applied as follows:

	Intended use of proceeds HK\$'000	Actual use of proceeds HK\$'000	Remaining Balance HK\$'000
IDC business	66,179	23,400	42,779
IHA business	8,272	8,272	–
General working capital	8,272	8,272	–
	82,723	39,944	42,779

The remaining approximately HK\$42.8 million which had not yet been utilised during the Period is expected to be utilised by the end of this year. All the unutilised balances have been placed in licensed banks in Hong Kong.

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

Significant Investments/Material Acquisitions and Disposals

Disposal of Shanghai Indeed Technology Co., Ltd.

On 28th April 2021, Indeed Holdings Limited, an indirect wholly-owned subsidiary of the Company (the “Vendor”), and the Company, as the Vendor’s guarantor, entered into a sale and purchase agreement with Empress Investments Pte. Ltd. (the “Purchaser”), in respect of the disposal of the entire equity interest of Shanghai Indeed Technology Co., Ltd. (上海一鼎電子科技有限公司), an indirect wholly-owned subsidiary of the Company to the Purchaser at a consideration of US\$68,000,000 (equivalent to approximately HK\$530,400,000) subject to adjustments (the “Disposal”). The details of the Disposal have been disclosed in the Company’s announcement dated 28th April 2021 and the circular dated 26th May 2021.

The Disposal has not yet been completed as at the date of this announcement.

Procurement of hashrate capacity

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

At the date of this announcement, the Company decided not to pay the third installment of the consideration of RMB140,000,000 (the “Third Installment”) of the Procurement Agreement. Pursuant to the Procurement Agreement, if the Purchaser fails to pay the Third Instalment on or before 8th August 2021, the procurement will proceed according to the amount of consideration paid and the subsequent transactions will automatically terminate. As the Purchaser had decided not to proceed with the payment of the Third Instalment due on 8th August 2021, the subsequent transactions had been automatically terminated pursuant to the terms of the Procurement Agreement. Details of the termination have been disclosed in the Company’s announcement dated 9th August 2021.

Disposals of listed securities

During the period between 21st May 2021 and 30th June 2021, the Company conducted a series of transactions in the open market to dispose of an aggregate of 2,500,000 Ping An H-shares (representing approximately 0.034% of the total issued Ping An H-shares and approximately 0.014% of the total issued shares of Ping An) at an average price of approximately HK\$77.7 per Ping An H-shares for an aggregate consideration of approximately HK\$194,270,000 (exclusive of transaction costs) (the “Disposals”). As a result of the Disposals, the Group recognised a loss of approximately HK\$43,730,000, which is calculated based on the difference between the carrying amount of the disposed shares as at 31st December 2020 and the sales proceeds (after deduction of transaction costs). The Company further disposed of the remaining 500,000 Ping An H-shares (representing approximately 0.007% of the total issued Ping An H-shares and approximately 0.003% of the total issued shares of Ping An) on 2nd July 2021 through a series transaction in the open market at an average price of approximately HK\$74.9 per Ping An H-share for an aggregate consideration of approximately HK\$37,470,000 (exclusive of transaction costs). Details of the Disposals have been disclosed in the Company’s announcement dated 12th July 2021.

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

Key Risks and Uncertainties

During the Period, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factors such as fierce market competition in the Mainland and overseas markets, rapid iteration of technological products, Renminbi exchange rate fluctuation, drop in selling price of products and increase in production cost may bring uncertainties to the development of the IHA business of the Group. For the IDC business, factors such as whether the construction and layout of the project can be completed as scheduled, and whether the service contracts signed with customers and service income can meet the expectation may affect the progress of the IDC business of the Group. For the investing business, the frequent changes of market policies and regulations relating to the Mainland stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

Environmental Policies and Performance

The Group is committed to building an environmentally-friendly corporation and always takes the environmental protection issues into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollutants. The Group also strives to minimise the adverse environmental impacts by encouraging employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

The Company has been listed on GEM of the Stock Exchange since 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the People's Republic of China (the "PRC"), Hong Kong and the U.S.. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the U.S. 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 U.S. and adhere to them to ensure compliance.

Reserves

Movements in reserves of the Group during the six months ended 30th June 2021 are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

Dividend

The Board has not declared an interim dividend for the Period (30th June 2020: Nil).

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising Shareholders' interests.

During the six months ended 30th June 2021, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules, except in relation to CG Code provisions E.1.2, as more particularly described below.

CG Code provision E.1.2

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

AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditor 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 auditor, 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 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
Cong Yu
Executive Director and Chief Executive Officer

Hong Kong, 9th August 2021

** For identification purposes only*

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company’s website at www.yuxing.com.cn.