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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

This announcement, for which the directors of Yuxing InfoTech Investment Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

YUXING INFOTECH INVESTMENT HOLDINGS LIMITED
裕 興 科 技 投 資 控 股 有 限 公 司 *

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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2019

HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2019

- For the year ended 31st December 2019, overall revenue of the Group decreased by 18.8% to approximately HK$325.3 million as compared with last year.
- For the year ended 31st December 2019, overall gross profit of the Group increased significantly by 28.3% to approximately HK$35.5 million as compared with last year.
- Profit attributable to owners of the Company for the year ended 31st December 2019 amounted to approximately HK$41.5 million (2018: loss attributable to owners of the Company of approximately HK$397.9 million).
- Basic earnings per share for the year ended 31st December 2019 was HK$0.02 (2018: basic loss per share HK$0.22).
- Total equity attributable to owners of the Company as at 31st December 2019 was approximately HK$2,106.6 million (2018: approximately HK$1,987.9 million) or net assets per share of HK$1.0 (2018: HK$1.1).
- The Board does not recommend the payment of any dividend for the year ended 31st December 2019 (2018: Nil).

RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2019, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	4	**325,312**	400,843
Cost of sales		**(289,776)**	(373,154)
Gross profit		**35,536**	27,689
Other revenue and net income/(loss)	4	**132,920**	(239,076)
Distribution and selling expenses		**(7,760)**	(15,404)
General and administrative expenses		**(92,525)**	(131,982)
Other operating expenses		**(6,180)**	(13,690)
Net changes in fair value of investment properties		**(939)**	39,325
Profit/(Loss) from operations	5	**61,052**	(333,138)
Finance costs	6	**(6,425)**	(70,957)
Profit/(Loss) before tax		**54,627**	(404,095)
Income tax (expenses)/credit	7	**(13,941)**	6,199
Profit/(Loss) for the year		**40,686**	(397,896)
Profit/(Loss) attributable to:			
Owners of the Company		**41,484**	(397,896)
Non-controlling interests		**(798)**	–
		40,686	(397,896)
		HK$	*HK$*
Earnings/(Loss) per share	9		
– Basic		**0.02**	(0.22)
– Diluted		**0.02**	(0.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**40,686**	(397,896)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties		
– Gain on revaluation	**2,862**	10,687
– Effect of tax	**(1,289)**	(4,982)
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of the PRC subsidiaries	**(15,617)**	(35,456)
Release of translation reserves upon disposal of a subsidiary	**(250)**	–
Other comprehensive loss for the year (net of tax)	**(14,294)**	(29,751)
Total comprehensive income/(loss) for the year	**26,392**	(427,647)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**27,190**	(427,647)
Non-controlling interests	**(798)**	–
	26,392	(427,647)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Investment properties		**430,614**	434,003
Property, plant and equipment		**550,611**	218,223
Prepaid lease payments		**–**	10,036
Prepayment for construction	*11*	**156,000**	–
Right-of-use assets		**84,039**	–
Financial assets at fair value through profit or loss		**356,495**	368,373
Deferred tax assets		**5,018**	18,782
		1,582,777	1,049,417
CURRENT ASSETS			
Inventories		**3,748**	12,931
Loans receivable	*10*	**192,227**	119,937
Trade and other receivables	*11*	**97,805**	199,135
Prepaid lease payments		**–**	353
Financial assets at fair value through profit or loss		**288,421**	654,396
Income tax recoverable		**566**	661
Pledged bank deposits		**81,637**	254,660
Cash and bank balances		**272,891**	172,514
		937,295	1,414,587
CURRENT LIABILITIES			
Trade and other payables	*12*	**258,493**	199,214
Dividend payables		**31**	31
Bank and other loans		**123,025**	245,251
Financial liabilities at fair value through profit or loss		**–**	3,218
Income tax payable		**533**	8
Lease liabilities		**2,672**	–
		384,754	447,722

	Note	2019 HK$'000	2018 HK$'000
NET CURRENT ASSETS		**552,541**	966,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,135,318**	2,016,282
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**28,409**	28,350
Income tax payable		**372**	–
Lease liabilities		**732**	–
		29,513	28,350
NET ASSETS		**2,105,805**	1,987,932
EQUITY			
Share capital	*13*	**51,827**	45,077
Reserves	*14*	**2,054,801**	1,942,855
Equity attributable to owners of the Company		**2,106,628**	1,987,932
Non-controlling interests		**(823)**	–
TOTAL EQUITY		**2,105,805**	1,987,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The listing of Securities on GEM of the Stock Exchange.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

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

Annual Improvements Project – 2015-2017 Cycle

HKFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

The adoption of the amendments does not have any impact on the consolidated financial statements.

HKFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

The adoption of the amendments does not have any impact on the consolidated financial statements.

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised; and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally; and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The interpretation supports the requirements in HKAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 28: Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

The adoption of the amendments does not have any impact on the consolidated financial statements.

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss if specified conditions are met.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

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

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

In accordance with the transitional provisions, the Group has elected to apply the modified retrospective approach and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits or components of equity at 1st January 2019 (i.e. the date of initial application, the "DIA"). Therefore, the comparative information has not been restated for the effect of HKFRS 16.

The Group has also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group has applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

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

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases of low-value assets, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

The following table summarises the impact of transition to HKFRS 16 on the consolidated statement of financial position of the Group at the DIA:

	Classification and carrying amount under HKAS 16	**Classification and carrying amount under HKAS 17**	**Reclassification on adoption of HKFRS 16**	**Initial measurement on adoption of HKFRS 16**	**Classification and carrying amount under HKFRS 16**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets					
Property, plant and equipment	73,913	–	(73,913)	–	–
Prepaid lease payments	–	10,389	(10,389)	–	–
Right-of-use assets	–	–	84,302	2,005	86,307
Liabilities					
Lease liabilities	–	–	–	(2,005)	(2,005)

Based on the foregoing, at the DIA:

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

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The Group applied a single discount rate to each of the portfolio of leases with reasonably similar characteristics in Hong Kong and the PRC at the DIA.

The reconciliation of operating lease commitment disclosed applying HKAS 17 at 31st December 2018 to lease liabilities at the DIA is as follows:

	The PRC *HK$'000*	Hong Kong *HK$'000*	Total *HK$'000*
Operating lease commitments at 31st December 2018	2,908	1,231	4,139
Short-term leases and leases of low-value assets at the DIA	(839)	(1,231)	(2,070)
Gross lease liabilities at the DIA	2,069	–	2,069
Weighted average incremental borrowing rates applied at the DIA	5.58%	N/A	
Lease liabilities at 1st January 2019	**2,005**	**–**	**2,005**

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying HKAS 17. The Group accounts for those leases applying HKFRS 16 from the DIA.

The leases classified as finance leases under HKAS 17 are the leasehold land and buildings of the Group that are held for rental or capital appreciation purpose. Such leases continue to be accounted for under HKAS 40 *Investment Property* and carried at fair value. However, the leasehold land and buildings held for own use, which were previously classified as finance lease under HKAS 17, were reclassified as right-of-use assets upon adoption of HKFRS 16 and depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

Future Changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the current major operating segments of the Group are information home appliances, internet data centre ("IDC"), investing and leasing.

The information home appliances segment is principally engaged in sales and distribution of information home appliances and complementary products to consumer markets.

The IDC segment comprises development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC.

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, Directors' emoluments, head office staff salaries, legal and professional fees and other corporate administrative costs and the basis of preparing such information is consistent with that of the consolidated 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

Revenue represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's revenue, other revenue and net income/(loss), net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2019

	Information home appliances *HK$'000*	IDC *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	**325,312**	**–**	**–**	**–**	**–**	**–**	**325,312**
OTHER REVENUE AND NET INCOME/(LOSS)	**2,341**	**27,257**	**77,567**	**7,860**	**908**	(167)	**115,766**
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	**–**	**2,612**	**–**	**(3,551)**	**–**	**–**	**(939)**
Segment revenue	**327,653**	**29,869**	**77,567**	**4,309**	**908**	**(167)**	**440,139**
RESULTS							
Segment results	**4,954**	**22,192**	**70,821**	**(1,632)**	**121**	**–**	**96,456**
Unallocated corporate income							**10,898**
Interest income from bank deposits							**6,256**
Other unallocated corporate expenses							**(52,558)**
							61,052
Finance costs							**(6,425)**
Profit before tax							**54,627**
Income tax expenses							**(13,941)**
Profit for the year							**40,686**

As at 31st December 2019

	Information home appliances *HK$'000*	IDC *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	**132,068**	**1,060,296**	**815,233**	**107,695**	**1,939**	**–**	**2,117,231**
Unallocated corporate assets						**402,841**	**402,841**
Consolidated total assets							**2,520,072**
LIABILITIES							
Segment liabilities	**88,542**	**165,606**	**121,024**	**20,874**	**36**	**–**	**396,082**
Unallocated corporate liabilities						**18,185**	**18,185**
Consolidated total liabilities							**414,267**
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	**38**	**411,869**	**–**	**90**	**–**	**2,742**	**414,739**
– Right-of-use assets	**440**	**–**	**1,410**	**–**	**–**	**2,681**	**4,531**
Depreciation							
– Property, plant and equipment	**725**	**64**	**–**	**1,034**	**3**	**503**	**2,329**
– Right-of-use assets	**1,392**	**–**	**598**	**351**	**–**	**4,142**	**6,483**
Reversal of write-down of inventories, net	**(2,173)**	**–**	**–**	**–**	**–**	**–**	**(2,173)**
Foreign exchange (gains)/losses, net	**(223)**	**–**	**(5)**	**–**	**–**	**2,343**	**2,115**
Operating lease charges on premises	**463**	**–**	**186**	**4**	**–**	**1,585**	**2,238**
Impairment loss on other receivables	**–**	**–**	**–**	**–**	**89**	**–**	**89**
Net fair value gains on financial assets at fair value through profit or loss	**(531)**	**–**	**(68,761)**	**–**	**–**	**–**	**(69,292)**
Net fair value gains on financial liabilities at fair value through profit or loss	**(961)**	**–**	**–**	**–**	**–**	**–**	**(961)**

For the year ended 31st December 2018

	Information home appliances *HK$'000*	IDC *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	400,843	–	–	–	–	–	400,843
OTHER REVENUE AND NET (LOSS)/INCOME	1,214	28,427	(303,150)	8,556	530	(1,031)	(265,454)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	21,710	–	17,615	–	–	39,325
Segment revenue	402,057	50,137	(303,150)	26,171	530	(1,031)	174,714
RESULTS							
Segment results	(53,838)	42,489	(311,576)	21,303	(431)	–	(302,053)
Unallocated corporate income							19,290
Interest income from bank deposits							7,088
Other unallocated corporate expenses							(57,463)
							(333,138)
Finance costs							(70,957)
Loss before tax							(404,095)
Income tax credit							6,199
Loss for the year							(397,896)

As at 31st December 2018

	Information home appliances *HK$'000*	IDC *HK$'000*	Investing *HK$ '000*	Leasing *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	266,312	501,824	1,324,620	100,632	459	–	2,193,847
Unallocated corporate assets						270,157	270,157
Consolidated total assets							2,464,004
LIABILITIES							
Segment liabilities	210,496	27,090	207,598	22,550	1,105	–	468,839
Unallocated corporate liabilities						7,233	7,233
Consolidated total liabilities							476,072
OTHER INFORMATION							
Capital expenditures	428	15,530	–	–	–	34	15,992
Depreciation and amortisation	3,509	282	–	253	14	1,856	5,914
Write-down of inventories, net	3,256	–	–	–	–	–	3,256
Foreign exchange gains, net	(487)	–	(7,200)	–	–	(3,594)	(11,281)
Operating lease charges on premises	3,388	–	808	–	95	7,440	11,731
Bad debts	56	–	–	–	–	–	56
Impairment loss on trade receivables	–	–	–	–	15	–	15
Impairment loss on other receivables	33	–	–	–	66	8,626	8,725
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(851)	–	372,876	–	–	–	372,025
Net fair value (gains)/losses on financial liabilities at fair value through profit or loss	3,340	–	(4,567)	–	–	–	(1,227)

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia, the United States and other overseas markets in both 2019 and 2018.

The following tables set out information about the geographical location of (a) the Group's revenue from external customers and non-current assets other than financial assets at fair value through profit or loss and deferred tax assets; and (b) other revenue and net income/(loss) 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 the non-current assets is based on the physical location of the assets. The geographical location of other revenue and net income/(loss) is based on the location at which other revenue and net income/(loss) is generated.

(a) Revenue from external customers and non-current assets

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**87,562**	109,252	**449,722**	458,346
Hong Kong	**45,590**	71,227	**74,020**	74,258
Australia	**138,947**	174,733	**–**	–
The United States	**–**	–	**697,522**	129,658
Other overseas markets	**53,213**	45,631	**–**	–
	325,312	400,843	**1,221,264**	662,262

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

For the year ended 31st December 2019

	Information home appliances	**IDC**	**Investing**	**Leasing**	**Other operations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
The PRC	**2,341**	**27,257**	**4,075**	**7,693**	**908**	**42,274**
Hong Kong	**–**	**–**	**73,492**	**–**	**–**	**73,492**
	2,341	**27,257**	**77,567**	**7,693**	**908**	**115,766**

For the year ended 31st December 2018

	Information home appliances	IDC	Investing	Leasing	Other operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	1,214	28,427	(27,968)	6,393	530	8,596
Hong Kong	–	–	(275,182)	1,132	–	(274,050)
	1,214	28,427	(303,150)	7,525	530	(265,454)

Information about major customers

Revenues from external customers individually contributing 10% or over of the total revenue from the Group's information home appliances segment are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Customer A	**138,947**	174,733
Customer B	**59,122**	45,811
Customer C	**36,788**	–*
Customer D	**33,554**	62,353
Customer E	**–***	54,333
	268,411	337,230

* This customer individually contributed less than 10% of the total revenue from the Group's information home appliances segment.

4. REVENUE, OTHER REVENUE AND NET INCOME/(LOSS)

	2019 *HK$'000*	2018 *HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods	**325,312**	400,843
Other revenue		
Dividend income from listed securities	**8,801**	12,470
Rental income from investment properties	**34,549**	35,837
Interest income calculated using the effective interest method:		
Interest income from bank deposits	**6,256**	7,088
Interest income from loans receivable	**11,197**	11,683
	60,803	67,078
Other net income/(loss)		
Consultancy fee income	**2,044**	782
Compensation income	**–**	3,089
Foreign exchange (losses)/gains, net	**(2,115)**	11,281
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**69,292**	(372,025)
Net fair value gains on financial liabilities at fair value through profit or loss	**961**	1,227
Gain on derecognition of financial liabilities at fair value through profit or loss	**–**	45,490
Sundry income	**1,935**	4,002
	72,117	(306,154)
	132,920	(239,076)

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

The amount of revenue recognised for the year ended 31st December 2019 that was included in the contract liabilities at the beginning of the year is approximately HK$16,841,000 *(2018: approximately HK$14,355,000)*.

5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations has been arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,550**	1,550
Bad debts	**–**	56
Impairment loss on trade receivables	**–**	15
Impairment loss on other receivables	**89**	8,725
Amortisation of prepaid lease payments	**–**	366
Depreciation of right-of-use assets	**6,483**	–
Depreciation of property, plant and equipment	**2,329**	5,548
Cost of inventories	**279,448**	349,671
Loss on disposal of property, plant and equipment	**753**	1,115
(Reversal of)/Write-down of inventories, net*	**(2,173)**	3,256
Direct outgoings from leasing of investment properties	**–**	5
Research and development costs	**156**	120
Loss on disposal of a subsidiary	**1,223**	–
Equity-settled share-based payment expenses to other eligible participants	**2,058**	–
Staff costs (including Directors' emoluments):		
Salaries and allowances	**52,998**	80,394
Equity-settled share-based payment expenses	**8,423**	–
Retirement benefits scheme contributions	**3,814**	5,855
Severance payment	**482**	22,812
Total staff costs	**65,717**	109,061

* The reversal of write-down of inventories arose from disposal of inventories which had been written down in previous years.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Borrowing costs for bank and other loans	**6,236**	8,127
Imputed interest expenses on lease liabilities	**189**	–
Imputed interest expenses on convertible bonds	**–**	62,830
	6,425	70,957

7. INCOME TAX (EXPENSES)/CREDIT

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

	2019	2018
	HK$'000	*HK$'000*
Current tax		
PRC corporate income tax		
Current year	**934**	32
Under-provision in prior year	**42**	148
	976	180
Deferred taxation		
Origination and reversal of temporary differences	**(620)**	13,112
Benefit of tax losses utilised/(recognised)	**13,585**	(19,491)
	12,965	(6,379)
Charge/(Credit) for the year	**13,941**	(6,199)

For the years ended 31st December 2019 and 2018, Hong Kong Profits Tax has not been provided as the Group either did not have any assessable profit from Hong Kong or its estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years.

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 2019 and 2018 based on existing legislation, interpretations and practices in respect thereof. An operating subsidiary of the Company has been officially designated by the local tax authority as "Participant of Development in Western China" which is exempted for part of PRC CIT. As a result, the effective CIT rate for the subsidiary is 15% for 2019 *(2018: 9%)*. Certain subsidiaries of the Company have been designated as "Small and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 5% or 10% respectively on condition that the taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for 2019 *(2018: effective preferential CIT rates of 10% on taxable income of no more than RMB1.0 million)*.

The Group has investment properties situated in the PRC which are stated at fair value. Deferred taxes are recognised on changes in fair value of investment properties in the PRC taking into account the PRC land appreciation tax and CIT payable upon sales of those investment properties.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2019 *(2018: Nil)*.

9. EARNINGS/(LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit/(Loss) attributable to owners of the Company	**41,484**	(397,896)

	2019	2018
	'000	*'000*
Issued ordinary shares at 1st January	**1,803,089**	1,803,089
Issue of new shares	**115,397**	–
Weighted average number of ordinary shares for basic earnings/(loss) per share	**1,918,486**	1,803,089
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**1,918,486**	1,803,089

	HK$	*HK$*
Earnings/(Loss) per share:		
– Basic	**0.02**	(0.22)
– Diluted *(Note)*	**0.02**	(0.22)

Note:

Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 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 earnings per share for the year.

Diluted loss per share was the same as the basic loss per share for the year ended 31st December 2018 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme and the potential conversion of convertible bonds matured during the year had an anti-dilutive effect on the basic loss per share for the year.

10. LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Loans receivable from third parties due within one year	**192,227**	119,937

The loans receivable comprise:

(i) RMB100,000,000 (equivalent to approximately HK$111,632,000) loan to an independent third party borrower ("Borrower 1") is secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of Borrower 1. The loan is interest-bearing at 8% per annum and repayable on or before 18th September 2020. At the end of the reporting period, the principal of approximately HK$111,632,000 and accrued interest receivable of approximately HK$229,000 were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcement dated 19th December 2019.

(ii) HK$80,000,000 loan to an independent third party borrower is secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan is interest-bearing at 8% per annum and repayable on or before 30th June 2020. At the end of the reporting period, the principal of HK$80,000,000 and accrued interest receivable of approximately HK$366,000 were recognised as loans receivable under current assets. Details of the loan were disclosed in the Company's announcement dated 9th December 2019.

(iii) As at 31st December 2018, approximately RMB105,089,000 (equivalent to approximately HK$119,937,000) loans to an independent third party borrower were secured by a personal guarantee provided by a major shareholder of the borrower. The loans were interest-bearing at 8% per annum. During the year, principal amount of RMB100,000,000 (equivalent to approximately HK$113,675,000) and accrued interest of approximately RMB8,089,000 (equivalent to approximately HK$9,195,000) were fully repaid.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION

	Note	2019 HK$'000	2018 HK$'000
Trade receivables		**79,474**	170,463
Less: Loss allowance		**(15)**	(897)
	(a)	**79,459**	169,566
Other receivables, net of loss allowance		**3,975**	2,617
Prepayments and deposits		**14,371**	26,952
Prepayment for construction	*(b)*	**156,000**	–
		253,805	199,135
Current portion		**97,805**	199,135
Non-Current portion		**156,000**	–
		253,805	199,135

Notes:

(a) The Group grants its customers an average credit period from 30 days to 18 months *(2018: 30 days to 18 months)*. The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
0-30 days	**20,684**	66,920
31-60 days	**16,214**	79,721
61-90 days	**9,907**	7,517
Over 90 days	**32,654**	15,408
	79,459	169,566

(b) In relation to the construction of the Group's IDC in the United States, the Group has entered into a holding escrow agreement with a bank in the United States and the construction company pursuant to which the Group agrees to maintain an amount of US$20,000,000 (equivalent to approximately HK$156,000,000) in the escrow account until the amount due to the construction company is less than said amount.

12. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	(a)	**66,315**	124,805
Contract liabilities	(b)	**3,739**	17,484
Other payables		**21,438**	24,908
Accruals		**167,001**	32,017
		258,493	199,214

Notes:

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

	2019 HK$'000	2018 HK$'000
0-30 days	**13,898**	39,732
31-60 days	**33,793**	24,112
61-90 days	**18,391**	41,131
Over 90 days	**233**	19,830
	66,315	124,805

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2019 HK$'000	2018 HK$'000
As at 1st January	**17,484**	15,384
Exchange realignment	**(4)**	(3)
Recognised as revenue	**(16,841)**	(14,355)
Receipt of advances or recognition of receivables	**3,100**	17,317
Released as other net income	**–**	(859)
As at 31st December	**3,739**	17,484

As at 31st December 2019, the contract liabilities that are expected to be settled after more than 12 months are HK$Nil *(2018: HK$Nil)*.

13. SHARE CAPITAL

	Number of shares		Amount	
	2019	2018	**2019**	2018
	'000	*'000*	***HK$'000***	*HK$'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	**1,803,089**	1,803,089	**45,077**	45,077
Issue of new shares *(Note)*	**270,000**	–	**6,750**	–
At end of the reporting period				
Ordinary shares of HK$0.025 each	**2,073,089**	1,803,089	**51,827**	45,077

Note:

On 29th July 2019, 270,000,000 ordinary shares of HK$0.025 each were issued at total consideration of HK$81,000,000 as a result of subscription of new shares by two independent investors.

14. RESERVES

For the year ended 31st December 2019

	Share premium *HK$'000*	Statutory reserves *HK$'000*	Contributed surplus *HK$'000*	Share option reserves *HK$'000*	Investment revaluation reserves *HK$'000*	Convertible bond reserves *HK$'000*	Property revaluation reserves *HK$'000*	Translation reserves *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 1st January 2018	133,249	8,668	234,621	69,439	276,848	37,676	18,835	52,208	–	1,538,958	2,370,502
Change in accounting policy on adoption of HKFRS 9	–	–	–	–	(276,848)	–	–	–	–	276,848	–
As at 1st January 2018 (as restated)	133,249	8,668	234,621	69,439	–	37,676	18,835	52,208	–	1,815,806	2,370,502
Loss for the year	–	–	–	–	–	–	–	–	–	(397,896)	(397,896)
Other comprehensive loss:											
Revaluation of property, plant and equipment upon transfer to investment properties											
– Gain on revaluation	–	–	–	–	–	–	10,687	–	–	–	10,687
– Effect of tax	–	–	–	–	–	–	(4,982)	–	–	–	(4,982)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	(35,456)	–	–	(35,456)
Total other comprehensive loss	–	–	–	–	–	–	5,705	(35,456)	–	–	(29,751)
Total comprehensive loss for the year	–	–	–	–	–	–	5,705	(35,456)	–	(397,896)	(427,647)
Transactions with owners:											
Contributions and distributions											
Share options forfeited	–	–	–	(13,827)	–	–	–	–	–	13,827	–
Redemption of equity component of convertible bonds upon maturity	–	–	–	–	–	(37,676)	–	–	–	37,676	–
Total transactions with owners	–	–	–	(13,827)	–	(37,676)	–	–	–	51,503	–

	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Convertible bond reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
As at 31st December 2018 and as at 1st January 2019	133,249	8,668	234,621	55,612	–	–	24,540	16,752	–	1,469,413	1,942,855
Profit for the year	–	–	–	–	–	–	–	–	–	41,484	41,484
Other comprehensive loss:											
Revaluation of property, plant and equipment upon transfer to investment properties											
– Gain on revaluation	–	–	–	–	–	–	2,862	–	–	–	2,862
– Effect of tax	–	–	–	–	–	–	(1,289)	–	–	–	(1,289)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	(15,617)	–	–	(15,617)
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	–	–	(250)	–	–	(250)
Total other comprehensive loss	–	–	–	–	–	–	1,573	(15,867)	–	–	(14,294)
Total comprehensive income for the year	–	–	–	–	–	–	1,573	(15,867)	–	41,484	27,190
Transactions with owners:											
Contributions and distributions											
Issue of new shares	74,250	–	–	–	–	–	–	–	–	–	74,250
Equity-settled share based payment	–	–	–	10,481	–	–	–	–	–	–	10,481
Share options forfeited	–	–	–	(5,511)	–	–	–	–	–	5,511	–
Change in ownership interest											
Change in ownership interest in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	–	25	–	25
Total transactions with owners	74,250	–	–	4,970	–	–	–	–	25	5,511	84,756
As at 31st December 2019	**207,499**	**8,668**	**234,621**	**60,582**	**–**	**–**	**26,113**	**885**	**25**	**1,516,408**	**2,054,801**

15. PLEDGE OF ASSETS

As at 31st December 2019, the Group had pledged the following assets to secure the loan facilities:

		2019	2018
		HK$'000	*HK$'000*
(a)	Investment properties	**70,373**	89,058
(b)	Buildings	**–**	5,336
(c)	Leasehold properties	**–**	73,913
(d)	Leasehold improvements	**104**	153
(e)	Prepaid lease payments	**–**	7,762
(f)	Right-of-use assets	**76,595**	–
(g)	Financial assets at fair value through profit or loss	**276,300**	121,326
(h)	Bank deposits	**81,637**	254,660

16. EVENTS AFTER THE REPORTING PERIOD

Loan to a private company

In March 2020, the Company's indirectly wholly-owned subsidiary, Cloud Digit Investment LP and a Hong Kong private company (the "Borrower") entered into a HK$60,000,000 loan agreement for the grant of a loan to the Borrower for its daily operation. The loan is secured by a shareholder of Borrower and a corporate guarantee provided by an independent third party. The loan is interest-bearing at 5% per annum and repayable in 18 months from the drawdown date. Details of the loan were disclosed in the Company's announcement dated 18th March 2020.

The potential business impacts of Coronavirus disease 2019 ("COVID-19")

The outbreak of COVID-19 has significantly affected the communities and global economic activities, including Hong Kong. The Group is facing severe challenges caused by the COVID-19 outbreak. Some of our suppliers in the PRC are unable to provide the raw materials necessary for the production of our information home appliances products in a timely manner due to the precaution measurements prescribed by the PRC government which may eventually lead to the increase of the cost of our products. In addition, all works have been suspended except for certain essential activities due to the shelter-in-place order handed down by the United States government. It will affect the progress of the IDC construction of the Group in the United States. Moreover, there has been a slump in the stock markets recently, leading to significant drop in the value of the Group's investment portfolio as compared with the amounts reported in the consolidated statement of financial position as of 31st December 2019.

At the date of authorisation of these consolidated financial statements, the Group is not in a position to estimate the financial impacts of these circumstances.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Gross Profit

During the year under review, the Group's overall revenue amounted to approximately HK$325.3 million for the year ended 31st December 2019 (the "Year"), representing a decrease of 18.8% as compared with last year. Despite the decrease in revenue during the Year, as the Group has outsourced the production process since the second half of last year to reduce production and operating costs, the overall gross profit margin of the Group improved to 10.9% for the Year (2018: 6.9%). Consequently, the overall gross profit of the Group for the Year increased significantly by 28.3% to approximately HK$35.5 million as compared with last year.

Operating Results

Other Revenue and Net Income/(Loss)

The Group's other revenue and net income increased significantly to approximately HK$132.9 million for the Year (2018: other revenue and net loss approximately HK$239.1 million), mainly because the Group recorded net fair value gains on financial assets/liabilities at fair value through profit or loss of approximately HK$70.3 million in spite of fluctuation of the stock markets during the Year (2018: net fair value losses of approximately HK$325.3 million). This was also one of the major reasons for the turnaround to profit attributable to owners of the Company for the Year.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation losses of approximately HK$0.9 million on its investment properties for the Year (2018: net revaluation gains of approximately HK$39.3 million).

Operating Expenses

With the decrease in the Group's overall revenue, the Group's distribution and selling expenses decreased by 49.6% to approximately HK$7.8 million for the Year (2018: approximately HK$15.4 million). At the same time, the Group's general and administrative expenses also decreased by 29.9% to approximately HK$92.5 million for the Year (2018: approximately HK$132.0 million) even though the Group recognised non-cash expenses of approximately HK$10.5 million arising from the grant of share options by the Company to eligible participants during the Year.

Other Operating Expenses

Other operating expenses of the Group decreased to approximately HK$6.2 million for the Year (2018: approximately HK$13.7 million). This decrease was mainly because the Group only recognised an impairment loss on trade and other receivables of approximately HK$0.1 million for the Year (2018: approximately HK$8.7 million).

Finance Costs

No convertible bond was issued and outstanding during the Year. As a result, no imputed interest expenses were recorded for the Year (2018: approximately HK$62.8 million), which caused the finance costs of the Group significantly decreased to approximately HK$6.4 million for the Year (2018: approximately HK$71.0 million).

Profit for the Year

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately HK$41.5 million for the Year (2018: loss attributable to owners of the Company of approximately HK$397.9 million).

Liquidity and Financial Resources

As at 31st December 2019, the Group had net current assets of approximately HK$552.5 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$272.9 million and HK$81.6 million respectively. The Group's financial resources were funded mainly by bank loans and its shareholders' funds. As at 31st December 2019, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.4 times and the gearing ratio, as measured by total liabilities divided by total equity, was 19.7%. Hence, as at 31st December 2019, 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 15 to the consolidated 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 Year and the relevant use of proceeds is set out below:

Date of announcement	14th July 2019
Date of completion	29th July 2019
Name of subscriber(s)	Thousand Best Group Limited and Lian Jiahua
Number of Shares issued	270,000,000
Class of Shares issued	Ordinary shares
Issue price per Share	HK$0.30
Net price per Share	HK$0.299
Aggregate nominal value of Share issued	HK$6,750,000
Closing price per Share on which the terms of the issue were fixed	HK$0.35 (as at 12th July 2019)
Gross proceeds	HK$81.0 million
Net proceeds	Approximately HK$80.8 million
Reason for the issue	The Board considered that the issue of Shares would provide a good opportunity to raise additional funds to prepare for the construction of the Group's first internet data centre ("IDC") in the United States, which 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.
Intended use of proceeds	The Company intended to use the net proceeds for the construction of IDC in connection with the Group's IDC project in the United States
Actual use of proceeds	Fully utilised as intended
Amount of proceeds that are not utilised as at the date of this announcement and expected timeline of use	N/A

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

Capital Structure

The shares of the Company ("Shares") were listed on GEM of the Stock Exchange on 31st January 2000. The changes in the capital structure of the Company for the Year are set out in note 13 to the consolidated financial statements in this announcement.

Significant Investments/Material Acquisitions and Disposals

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

Segment Information

The Group's information home appliances ("IHA") business is principally engaged in sales and distribution of IHA and complementary products. Despite the decrease in revenue of the IHA segment for the Year by 18.8% to approximately HK$325.3 million as compared with last year, as the Group has outsourced the production process since the second half of last year to reduce production and operating costs, the overall gross profit margin of the Group improved to 10.9% for the Year (2018: 6.9%). Moreover, due to the sharp decrease in the number of employees since the second half of last year, staff costs had dropped significantly during the Year. Consequently, the IHA segment recorded a profit of approximately HK$5.0 million for the Year (2018: a loss of approximately HK$53.8 million).

The IDC segment of the Group comprises development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC. This segment recorded a profit of approximately HK$22.2 million for the Year (2018: approximately HK$42.5 million). The profit was derived from the rental income generated from leasing out of IDC of approximately HK$27.3 million (2018: approximately HK$28.4 million) and a revaluation gain of approximately HK$2.6 million on an investment property for the Year (2018: approximately HK$21.7 million) respectively. As this segment is still in the investing stage, the Group will continue to deploy resources in this segment.

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a gain of approximately HK$70.8 million for the Year (2018: a loss of approximately HK$311.6 million). The main reason was that the Group recorded net fair value gains on financial assets/liabilities at fair value through profit or loss of approximately HK$70.3 million in spite of fluctuation of the stock markets during the Year (2018: net fair value losses of approximately HK$325.3 million). This was also one of the major reasons for the turnaround to profit attributable to owners of the Company for the Year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a loss of approximately HK$1.6 million for the Year (2018: a profit of approximately HK$21.3 million). This decrease was mainly due to the Group recognised net revaluation losses of approximately HK$3.6 million for the Year (2018: net revaluation gains of approximately HK$17.6 million). The other operations segment of the Group comprises trading of miscellaneous materials. This segment recorded a gain of approximately HK$0.1 million for the Year (2018: a loss of approximately HK$0.4 million).

Geographical markets of the Group were mainly located in overseas during the Year. Although the Group is actively exploring new overseas markets, the revenue in the Australian market decreased by 20.5% to approximately HK$138.9 million, resulting in the overall revenue generated from the overseas markets for the Year decreasing by 12.8% to approximately HK$192.1 million as compared with last year. In the Hong Kong market, as the market is getting saturated, the Group's overall revenue in the Hong Kong market decreased by 36.0% to approximately HK$45.6 million for the Year as compared with last year. As to the People's Republic of China (the "PRC") markets, the decreased sales of raw materials to outsourced producers led to the decrease in the overall revenue in the PRC markets to approximately HK$87.6 million for the Year. As such, the overall revenue of the Group decreased by 18.8% to approximately HK$325.3 million for the Year as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and in United States dollars ("USD"). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in USD, British Pound ("GBP") and in Hong Kong dollars ("HKD"). The exchange rates for USD to HKD and GBP to HKD have been relatively stable for the Year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the Year, depreciation in RMB against HKD resulted in the net exchange losses of approximately HK$2.1 million (2018: net gains of approximately HK$11.3 million). As at 31st December 2019, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31st December 2019, the Group had over 160 (2018: over 180) full time employees, of which 20 (2018: 25) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK$65.7 million for the Year (2018: approximately HK$109.1 million). Despite the Group recognised non-cash expenses of approximately HK$8.4 million arising from the grant of share options by the Company to its Directors and employees during the Year, the decrease in the staff costs was mainly attributable to the fact that the Group has outsourced the production since the second half of last year and streamlined personnel as compared with last year. The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary and benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to basic salaries, staff benefits also include medical scheme, various insurance schemes and share option scheme.

BUSINESS REVIEW

The Group's IHA business is principally engaged in sales and distribution of IHA and complementary products. Products launched by the Group in the markets include high digital set-top box ("STB"), hybrid dual mode STB, Over-the-top ("OTT")/Internet Protocol Television ("IPTV") STB, STB equipped with an Android system, etc.. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the Year, the Group's overall revenue amounted to approximately HK$325.3 million, representing a decrease of 18.8% as compared with last year.

In the PRC markets, the Group's decreased sales of raw materials to outsourced producers to approximately HK$80.2 million for the Year (2018: approximately HK$100.6 million) led to the decrease in the overall revenue in the PRC markets by 19.9% to approximately HK$87.6 million as compared with last year.

In the overseas markets, the Group continued to maintain good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Brazil, Russia, Spain etc.. At the same time, the Group is actively exploring new markets in Europe. Although sales orders from some overseas customers increased during the Year, the revenue from the Australian market decreased by 20.5% to approximately HK$138.9 million as compared with last year. As a result, the overall revenue in the overseas markets for the Year decreased by 12.8% to approximately HK$192.1 million as compared with last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintains cooperative relationships with a Hong Kong telecommunication operator and a well-known Hong Kong TV programme operator. However, as the Hong Kong market is getting saturated, the Group's overall revenue in the Hong Kong market decreased by 36.0% to approximately HK$45.6 million for the Year as compared with last year.

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 Year, the Group's rental income generated from leasing of IDC was approximately HK$27.3 million (2018: approximately HK$28.4 million). In respect of the Group's project on construction of its first IDC in the United States, the Group entered into a construction contract for phase one with a United States private company at a contract sum of approximately US$62.5 million (equivalent to approximately HK$487.5 million) in April 2019. The project is currently entering into the construction stage with phase one expected to be delivered in the first half of 2020 and phase two 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 investment business, the Group made some investments in the secondary market and private investment funds during the Year. Based on the 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 Year, the Group recorded net fair value gains on financial assets/liabilities at fair value through profit or loss of approximately HK$70.3 million in spite of fluctuation of the stock markets during the Year (2018: net fair value losses of approximately HK$325.3 million).

Key Risks and Uncertainties

During the Year, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factors such as fierce market competition in the PRC and overseas markets, rapid iteration of technological products, Renminbi exchange rate fluctuation, drop in selling price of products and increase in production cost may bring uncertain impact on the development of the IHA business of the Group. For the IDC business, factors such as whether the construction and layout of the project can be completed as scheduled, and whether the 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 about the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

Environmental Policies and Performance

The Group is committed to building an environmentally-friendly corporation and always takes the environmental protection 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 was listed on GEM of the Stock Exchange in 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and the United States. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the United States accordingly. During the Year, 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 with 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 STB products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products, exploring new market sectors and capturing emerging opportunities, so as to maintain strong competitive edge. The Group vigorously expands the market of small and medium-sized overseas operators with an objective to increase its operating revenue and to boost the overall gross profit margin of its IHA business. We look forward to delivering even better results for our IHA business in the near future.

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 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, which completed the tender for the first phase contractor in April 2019, it is currently entering into the construction stage of which phase one is expected to be delivered in the first half of 2020 and phase two is expected to be completed in 2021. The Group will start a feasibility study for a second data center in the United States thereafter. As further mentioned in an announcement of the Company dated 29th July 2019, 270,000,000 subscription shares have been successfully issued to two subscribers at the subscription price of HK$0.30 per subscription share with net proceeds of approximately HK$80.8 million which has been fully applied for construction of the Group's first IDC in the United States during the Year. The Group, through preparation of the construction of the Group's first IDC in the United States, will expand the IDC portfolio of the Group and explore new sources of revenue, so as to increase the Group's overall profitability in the near future. In future, the Group will also actively cooperate with various parties through new constructions or mergers and acquisitions in the PRC, Hong Kong and overseas markets, in order to develop into an internationally renowned and leading cloud computing enterprise in the era of big data.

The current outbreak of COVID-19 has significantly affected entities and economic activities in Hong Kong and globally. The Group is facing severe challenges caused by the COVID-19 outbreak. Despite this, our management and all our staff will carry on with the spirit of dedication, diligence, passion, and entrepreneurship so as to provide customers with exquisite IHA products and high-quality IDC services "with the spirit of craftsmanship". In 2020, our management and our staff in the Group would spare no efforts and work pragmatically towards our desired objectives, and strive to put on a new chapter of the brilliant history of the Group.

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.

During the Year, the Audit Committee held four meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31st December 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the Year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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 Year.

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 year ended 31st December 2019 in relation to their securities dealings, if any.

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 for the year ended 31st December 2019, except for the deviations from code provision A.6.7 of the CG Code which are explained below:

Code Provision A.6.7

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive Directors and other non-executive Directors should attend general meeting. Mr. Zhong Pengrong, a former independent non-executive Director, did not attend the AGM held on 17th May 2019 due to his own other important business engagements.

Save as disclosed above, there has been no deviation from the code provisions of the CG Code by the Company for the year ended 31st December 2019.

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

Hong Kong, 20th March 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 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.