



Yuxing InfoTech Investment Holdings Limited
裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code: 8005

Third Quarterly Report
2020

* for identification purposes only

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

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months and three months ended 30th September 2020, overall revenue of the Group was approximately HK\$246.5 million and HK\$127.7 million respectively, representing a decrease of 5.8% and an increase of 128.2% respectively in comparison to the same periods of 2019.
- For the nine months and three months ended 30th September 2020, the Group recorded the overall gross profit of approximately HK\$39.6 million and HK\$22.4 million respectively (nine months and three months ended 30th September 2019: approximately HK\$26.1 million and HK\$9.6 million respectively).
- Loss attributable to owners of the Company for the nine months ended 30th September 2020 amounted to approximately HK\$26.8 million (nine months ended 30th September 2019: profit attributable to owners of the Company of approximately HK\$41.5 million), while the Group recorded a profit attributable to owners of the Company of approximately HK\$25.7 million for the three months ended 30th September 2020 (three months ended 30th September 2019: loss attributable to owners of the Company of approximately HK\$48.8 million).
- Basic loss per share for the nine months ended 30th September 2020 was HK\$0.01 (nine months ended 30th September 2019: basic earnings per share HK\$0.02) and basic earnings per share for the three months ended 30th September 2020 was HK\$0.01 (three months ended 30th September 2019: basic loss per share HK\$0.02).
- Total equity attributable to owners of the Company as at 30th September 2020 was approximately HK\$2,091.7 million (31st December 2019: approximately HK\$2,106.6 million) or net assets per share of approximately HK\$1.0 (31st December 2019: approximately HK\$1.0).
- The Board does not recommend the payment of interim dividend for the nine months ended 30th September 2020 (nine months ended 30th September 2019: Nil).

NINE-MONTH RESULTS (UNAUDITED)

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

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30th September 2020

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

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

For the nine months ended 30th September 2019

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	
As at 1st January 2019	45,077	133,249	8,668	234,621	55,612	24,540	16,752	-	1,469,413	1,987,932	-	1,987,932
Profit for the period	-	-	-	-	-	-	-	-	41,548	41,548	(766)	40,782
Other comprehensive loss:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(20,439)	-	-	(20,439)	-	(20,439)
Release of reserves upon disposal of a subsidiary	-	-	-	-	-	-	(250)	-	-	(250)	-	(250)
Total other comprehensive loss	-	-	-	-	-	-	(20,689)	-	-	(20,689)	-	(20,689)
Total comprehensive income for the period	-	-	-	-	-	-	(20,689)	-	41,548	20,859	(766)	20,093
Transactions with owners: Contributions and distributions												
Issue of new shares on subscription	6,750	74,250	-	-	-	-	-	-	-	81,000	-	81,000
Equity-settled share based payment	-	-	-	-	10,481	-	-	-	-	10,481	-	10,481
Share options lapsed	-	-	-	-	(5,511)	-	-	-	5,511	-	-	-
<i>Change in ownership interest</i>												
Change in ownership interest in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	25	-	25	(25)	-
Total transactions with owners	6,750	74,250	-	-	4,970	-	-	25	5,511	91,506	(25)	91,481
As at 30th September 2019	51,827	207,499	8,668	234,621	60,582	24,540	(3,937)	25	1,516,472	2,100,297	(791)	2,099,506

NOTES:

1 Basis of preparation

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

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2019. They have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31st December 2019, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1st January 2020 as described below.

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

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

2 Revenue

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

Up to 31st December 2019, revenue derived from sale of goods of the IHA business was classified in the line item of revenue in the consolidated income statement, whereas income generated in other businesses was classified in the line item of other revenue and net (loss)/income in the consolidated income statement. In order to be in line with the Group’s business development strategy, management has decided that revenue generated from (i) the IHA business; and (ii) the IDC business would be classified as revenue in the consolidated financial statements with effect from 1st January 2020.

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

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

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

Disaggregation of revenue

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

3 Other revenue and net (loss)/income

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

4 Income tax (expenses)/credit

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current tax				
PRC enterprise income tax	37	61	–	(1)
Overseas tax	<u>1,734</u>	<u>–</u>	<u>430</u>	<u>–</u>
	<u>1,771</u>	<u>61</u>	<u>430</u>	<u>(1)</u>

The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the corporate income tax ("CIT") rate of 25% on the estimated assessable profits for the nine months and three months ended 30th September 2020 and 2019 based on existing legislation, interpretations and practices in respect thereof. An operating subsidiary of the Company has been officially designated by the local tax authority as "Participant of Development in Western China" which is exempted for part of PRC CIT. As a result, the effective CIT rate for the subsidiary is 15% for the nine months and three months ended 30th September 2020 and 2019. Certain subsidiaries of the Company have been designated as "Small and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 5% or 10% respectively on condition that the taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the nine months and three months ended 30th September 2020 and 2019.

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

Under United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the nine months and three months ended 30th September 2020 (nine months and three months ended 30th September 2019: Nil).

5 Dividends

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

6 (Loss)/Earnings per share

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

	For the nine months ended 30th September		For the three months ended 30th September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit attributable to owners of the Company	<u>(26,820)</u>	<u>41,548</u>	<u>25,734</u>	<u>(48,758)</u>

	For the nine months ended 30th September		For the three months ended 30th September	
	2020	2019	2020	2019
	'000	'000	'000	'000
Issued ordinary shares at 1st January	2,073,089	1,803,089	-	-
Issued ordinary shares at 1st July	-	-	2,073,089	1,803,089
Issue of new shares	<u>-</u>	<u>63,297</u>	<u>-</u>	<u>187,826</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	2,073,089	1,866,386	2,073,089	1,990,915
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<u>2,073,089</u>	<u>1,866,386</u>	<u>2,073,089</u>	<u>1,990,915</u>
	HK\$	HK\$	HK\$	HK\$
(Loss)/Earnings per share:				
- Basic	(0.01)	0.02	0.01	(0.02)
- Diluted (Note)	<u>(0.01)</u>	<u>0.02</u>	<u>0.01</u>	<u>(0.02)</u>

Note:

Diluted (loss)/earnings per share was the same as the basic (loss)/earnings per share for the nine months and three months ended 30th September 2020 and 2019 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic (loss)/earnings per share for the periods.

RESERVES

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

DIVIDENDS

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

FINANCIAL AND BUSINESS REVIEW

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

In order to be in line with the Group's business development strategy, management has decided that revenue generated from (i) the IHA business; and (ii) the IDC business would be classified as revenue in the consolidated financial statements with effect from 1st January 2020. Therefore, the Group derives revenue mainly from (i) sale and distribution of IHA and complementary products (including set-top boxes and raw materials); and (ii) rental income from leasing of properties used as IDC and facilities used in IDC and service income from provision of IDC facilities for customers' use.

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

FINANCIAL AND BUSINESS REVIEW *(Continued)*

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

The Group recorded other revenue and net loss of approximately HK\$8.7 million for the Period, while the Group recorded other revenue and net income of approximately HK\$94.9 million for the nine months ended 30th September 2019. The decrease was mainly due to the net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$36.3 million resulted from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions during the Period (nine months ended 30th September 2019: net gains of approximately HK\$49.8 million), in addition to the reclassification of rental income from the IDC business to revenue during the Period. This is also one of the main reasons that the Group recorded a significant loss attributable to owners of the Company for the Period.

Other operating expenses of the Group decreased to approximately HK\$1.7 million for the Period (nine months ended 30th September 2019: approximately HK\$4.5 million). This decrease was mainly due to the reduction of miscellaneous costs and a gain on the disposal of a subsidiary of approximately HK\$1.0 million recorded as other revenue and net loss during the Period (nine months ended 30th September 2019: net losses on the disposal of subsidiaries of approximately HK\$1.2 million).

With respect to the IDC business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services. During the Period, the Group completed a sale and leaseback arrangement with a lessee, which resulted in increased revenue from the IDC business. Therefore, the Group recorded revenue of approximately HK\$26.0 million for the Period, accounting for approximately 10.5% of the total revenue of the Group (nine months ended 30th September 2019: approximately HK\$20.6 million of rental income from the IDC business which was recorded as other revenue and net income).

FINANCIAL AND BUSINESS REVIEW *(Continued)*

In respect of the Group's project on construction of its first IDC in the United States, the project is currently entering into the construction stage. Due to the shelter-in-place order handed down by the United States government in response to the COVID-19 in the first half of 2020, the progress of the IDC construction of the Group has been adversely affected. As a result, phase one is expected to be delivered by the end of 2020 and phase two is expected to be completed in 2021. As the IDC business is still at the investing stage, the Group will continue to deploy resources in this business.

With respect to the investment business, the Group made some investments in the secondary market and private investment funds during the Period. Based on value investing strategy, the Group only selected investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment goals. Maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. During the Period, the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions led to net losses on financial assets/liabilities at fair value through profit or loss of approximately HK\$36.3 million (nine months ended 30th September 2019: net gains of approximately HK\$49.8 million).

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

Significant Investments/Material Acquisitions and Disposals

On 29th April 2020, the Group entered into a sale and leaseback agreement with a lessee, pursuant to which the lessee agreed to (i) sell the leased assets to the Group at a consideration of HK\$60.0 million and (ii) leaseback the leased assets from the Group for a term of 5 years. Details of the sale and leaseback arrangement are set out in the announcements of the Company dated 29th April 2020 and 5th May 2020 respectively. Save as disclosed in this report, the Group had no significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

FINANCIAL AND BUSINESS REVIEW *(Continued)*

Key Risks and Uncertainties

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

Environmental Policies and Performance

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

Compliance with Laws and Regulations

The Company has been listed on GEM of the Stock Exchange since 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and the United States. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the United States accordingly. During the Period, the Group has complied with all applicable laws and regulations in the PRC, Hong Kong and the United States in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in the PRC, Hong Kong and the United States and adhere to them to ensure compliance.

BUSINESS PROSPECT

2020 is expected to be a year with rapidly changing and increasingly complex international environment and frequently emerging trade frictions in addition to the market upheavals and keen competition, and the Group will be confronted with more severe challenges in the future. Being one of the earliest companies researching and developing in broadband set-top boxes products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products, exploring new market sectors and capturing emerging opportunities, so as to maintain a strong competitive edge. The Group vigorously expands the market of small and medium-sized overseas operators with an objective to increase its operating revenue and to boost the overall gross profit margin of its IHA business. We look forward to the continued growth and success for our IHA business.

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. The 5G era has arrived and the universal intelligent connectivity is already a reality. With its high bandwidth, massive connectivity and ultra-low latency communication, the 5G network will bring us faster and denser streams of data, and IDC will be its cornerstone. Powered by the new technologies such as artificial intelligence, cloud computing, internet of things, virtual reality etc., dataflow will be growing in an explosive way. There is strong demand for cloud computing, big data services and thus 5G-based IDC construction will advance rapidly. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to provide safe and reliable data centre facilities and services for renowned domestic and overseas enterprises. The Group will ambitiously expand its IDC business in the core cities and regions, develop global cloud computing data centres for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region, with the aim of assisting local customers and overseas enterprises in achieving business innovation and commercial success.

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

BUSINESS PROSPECT *(Continued)*

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

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

As at 30th September 2020, the interests or short positions of the Directors and chief executive of the Company in the shares (the “Share(s)”), underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.22%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.11%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.09%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.38%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

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

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

Pursuant to the share option scheme approved by the shareholders of the Company (the "Shareholder(s)") on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the Shares, details of which as at 30th September 2020 were as follows:

Name of grantees	Date of grant	Exercise price per Share HK\$	Exercisable period	Number of Shares issuable under the share options				Outstanding as at 30th September 2020
				Outstanding as at 1st January 2020	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors								
Mr. Li Qiang	30.08.2019	0.33	30.08.2019 – 29.08.2022	2,000,000	-	-	-	2,000,000
Mr. Gao Fei	30.08.2019	0.33	30.08.2019 – 29.08.2022	2,000,000	-	-	-	2,000,000
Mr. Shi Guangrong	16.01.2015	2.20	16.01.2015 – 15.01.2020	6,500,000	-	-	(6,500,000)	-
	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	-	-	-	13,000,000
Mr. Zhu Jiang	16.01.2015	2.20	16.01.2015 – 15.01.2020	7,000,000	-	-	(7,000,000)	-
	30.08.2019	0.33	30.08.2019 – 29.08.2022	13,000,000	-	-	-	13,000,000
Ms. Shen Yan	16.01.2015	2.20	16.01.2015 – 15.01.2020	1,000,000	-	-	(1,000,000)	-
	30.08.2019	0.33	30.08.2019 – 29.08.2022	1,000,000	-	-	-	1,000,000
Ms. Dong Hairong	30.08.2019	0.33	30.08.2019 – 29.08.2022	2,000,000	-	-	-	2,000,000
				<u>47,500,000</u>	<u>-</u>	<u>-</u>	<u>(14,500,000)</u>	<u>33,000,000</u>

Save as disclosed above, as at 30th September 2020, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Based on the information provided to the Company in notices filed, as at 30th September 2020, the entities and/or persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Honbridge Holdings Limited (Stock Code: 8137) ("Honbridge") (Notes 1, 2 & 3)	Corporate	450,357,200	Beneficial owner	21.72%
Hong Bridge Capital Limited ("Hong Bridge") (Notes 1, 2 & 3)	Corporate	450,357,200	Interest of a controlled corporation	21.72%
Mr. He Xuechu (Notes 1, 2 & 3)	Personal	450,357,200	Interest of a controlled corporation	21.72%
	Personal	300,000	Interest of spouse	0.01%
Ms. Foo Yatyan (Notes 1, 2 & 3)	Personal	450,357,200	Interest of spouse	21.72%
	Personal	300,000	Beneficial owner	0.01%
Cedar Surplus Investments Limited ("Cedar Surplus") (Note 4)	Corporate	200,000,000	Beneficial owner	9.65%
Mr. Cong Yu (Note 4)	Personal	200,000,000	Interest of a controlled corporation	9.65%
Super Dragon Co., Ltd. ("Super Dragon") (Note 5)	Corporate	121,533,800	Beneficial owner	5.86%
Mr. Zhu Weisha (Notes 5 & 6)	Personal	121,533,800	Interest of a controlled corporation	5.86%
		30,824,000	Beneficial owner	1.49%

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

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

Notes:

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

Save as disclosed above, as at 30th September 2020, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

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

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules during the Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditors of the Company.

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

By order of the Board

Yuxing InfoTech Investment Holdings Limited

Li Qiang

Chairman

Hong Kong, 9th November 2020

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.