



YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

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This announcement, for which the directors (the “Director(s)”) of Yuxing InfoTech Investment Holdings Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) 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, 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.



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HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months ended 30 September 2023, revenue of the Group was approximately HK\$78.6 million, representing a decrease of 38.1% compared with the same period of last fiscal year. The Group recorded the gross profit of approximately HK\$28.6 million for the nine months ended 30 September 2023 (30 September 2022: approximately HK\$14.9 million).
- Loss attributable to owners of the Company for the nine months ended 30 September 2023 amounted to approximately HK\$24.0 million (30 September 2022: approximately HK\$130.8 million).
- Basic loss per share for the nine months ended 30 September 2023 was approximately HK0.97 cent (30 September 2022: approximately HK5.26 cents).
- Total equity attributable to owners of the Company as at 30 September 2023 was approximately HK\$1,789.6 million (31 December 2022: approximately HK\$1,827.2 million) or net assets value per share of approximately HK\$0.72 (31 December 2022: approximately HK\$0.73).
- The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (30 September 2022: Nil).

NINE-MONTH RESULTS

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 30 September 2023 together with comparative figures for the same periods in 2022, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Three months ended 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	42,843	37,105	78,612	126,940
Cost of sales		(25,881)	(32,097)	(49,988)	(112,057)
Gross profit		16,962	5,008	28,624	14,883
Other revenue and net (loss)/ income	3	(2,329)	(7,503)	41,383	(51,842)
Distribution and selling expenses		(1,150)	(1,339)	(3,564)	(4,824)
General and administrative expenses		(32,174)	(20,831)	(108,106)	(65,355)
Reversal of write-down/(Write-down) of cryptocurrencies		–	–	22,593	(21,401)
Other operating expenses		(705)	(609)	(1,738)	(1,170)
Net changes in fair value of investment properties		26	(48)	(1,965)	2,668
Gain/(Loss) on disposal of subsidiaries	7	–	267	–	(1,429)
Loss from operations		(19,370)	(25,055)	(22,773)	(128,470)
Finance costs		(145)	(411)	(469)	(1,639)
Share of investments in associates		(72)	–	(72)	–
Loss before tax		(19,587)	(25,466)	(23,314)	(130,109)
Income tax expenses	4	(130)	(118)	(1,498)	(1,360)
Loss for the period		<u>(19,717)</u>	<u>(25,584)</u>	<u>(24,812)</u>	<u>(131,469)</u>
Loss attributable to:					
Owners of the Company		(19,500)	(25,451)	(24,008)	(130,823)
Non-controlling interests		(217)	(133)	(804)	(646)
		<u>(19,717)</u>	<u>(25,584)</u>	<u>(24,812)</u>	<u>(131,469)</u>
Loss per share	6				
– Basic		<u>(0.79) cent</u>	(1.02) cents	<u>(0.97) cent</u>	(5.26) cents
– Diluted		<u>(0.79) cent</u>	(1.02) cents	<u>(0.97) cent</u>	(5.26) cents

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(19,717)	(25,584)	(24,812)	(131,469)
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss:				
Revaluation of property, plant and equipment upon transfer to investment properties				
– (Loss)/Gain on revaluation	(42)	(37)	(2,118)	61,418
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	311	(16,960)	(11,479)	(43,793)
Release of translation reserves upon disposal of subsidiaries	–	(262)	–	1,434
Share of other comprehensive income of associates	<u>2</u>	<u>–</u>	<u>2</u>	<u>–</u>
Total other comprehensive income/(loss) for the period	<u>271</u>	<u>(17,259)</u>	<u>(13,595)</u>	<u>19,059</u>
Total comprehensive loss for the period	<u>(19,446)</u>	<u>(42,843)</u>	<u>(38,407)</u>	<u>(112,410)</u>
Total comprehensive loss attributable to:				
Owners of the Company	(19,229)	(42,710)	(37,603)	(111,764)
Non-controlling interests	<u>(217)</u>	<u>(133)</u>	<u>(804)</u>	<u>(646)</u>
	<u>(19,446)</u>	<u>(42,843)</u>	<u>(38,407)</u>	<u>(112,410)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2023	62,193	280,057	8,668	234,621	-	84,992	16,136	4,201	1,136,291	1,827,159	(1,222)	1,825,937
Loss for the period	-	-	-	-	-	-	-	-	(24,008)	(24,008)	(804)	(24,812)
Other comprehensive loss:												
Revaluation of property, plant and equipment upon transfer to investment properties – Loss on revaluation	-	-	-	-	-	(2,118)	-	-	-	(2,118)	-	(2,118)
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(11,479)	-	-	(11,479)	-	(11,479)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	2	-	2	-	2
Total other comprehensive loss	-	-	-	-	-	(2,118)	(11,479)	2	-	(13,595)	-	(13,595)
Total comprehensive loss for the period	-	-	-	-	-	(2,118)	(11,479)	2	(24,008)	(37,603)	(804)	(38,407)
Transactions with owners:												
<i>Change in ownership interest</i>												
Changes in ownership interests in a subsidiary that do not result in a loss of control (note 8)	-	-	-	-	-	-	-	2	-	2	2	4
Total transactions with owners	-	-	-	-	-	-	-	2	-	2	2	4
As at 30 September 2023	<u>62,193</u>	<u>280,057</u>	<u>8,668</u>	<u>234,621</u>	<u>-</u>	<u>82,874</u>	<u>4,657</u>	<u>4,205</u>	<u>1,112,283</u>	<u>1,789,558</u>	<u>(2,024)</u>	<u>1,787,534</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Property revelation reserves	Translation reserves	Other reserves	Retained profits	Total	Non- controlling interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2022	62,193	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,096,274	(6,057)	2,090,217
Loss for the period	-	-	-	-	-	-	-	-	(130,823)	(130,823)	(646)	(131,469)
Other comprehensive income:												
Revaluation of property, plant and equipment upon transfer to investment properties – Gain on revaluation	-	-	-	-	-	61,418	-	-	-	61,418	-	61,418
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(43,793)	-	-	(43,793)	-	(43,793)
Release of translation reserves upon disposal of subsidiaries	-	-	-	-	-	-	1,434	-	-	1,434	-	1,434
Total other comprehensive income	-	-	-	-	-	61,418	(42,359)	-	-	19,059	-	19,059
Total comprehensive loss for the period	-	-	-	-	-	61,418	(42,359)	-	(130,823)	(111,764)	(646)	(112,410)
Transactions with owners:												
<i>Contributions and distributions</i>												
Share options lapsed	-	-	-	-	(8,948)	-	-	-	8,948	-	-	-
Total transactions with owners	-	-	-	-	(8,948)	-	-	-	8,948	-	-	-
As at 30 September 2022	<u>62,193</u>	<u>280,057</u>	<u>8,668</u>	<u>234,621</u>	<u>-</u>	<u>87,531</u>	<u>11,653</u>	<u>4,201</u>	<u>1,295,586</u>	<u>1,984,510</u>	<u>(6,703)</u>	<u>1,977,807</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

2. Basis of preparation

The Group’s unaudited condensed consolidated financial statements for the nine months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated 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 31 December 2022. 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 31 December 2022, 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 1 January 2023 as described below.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

3. Revenue, other revenue and net (loss)/income

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
<i>Revenue recognised at a point in time under HKFRS 15:</i>				
IHA and other operations:				
Sale of goods	28,478	33,105	52,603	115,160
Ancillary service income	20	–	129	780
IDC:				
Rental income from IDC properties and facilities	14,345	4,000	25,880	11,000
	<u>42,843</u>	<u>37,105</u>	<u>78,612</u>	<u>126,940</u>
Other revenue				
Dividend income from listed securities	58	11	492	250
Rental income from investment properties	2,750	2,131	6,953	6,813
Interest income calculated using the effective interest method:				
Interest income from bank deposits	184	575	837	987
Interest income from loans receivable	1,081	3,838	4,829	11,629
	<u>4,073</u>	<u>6,555</u>	<u>13,111</u>	<u>19,679</u>
Other net (loss)/income				
Foreign exchange gains/(losses), net	1,110	(7,904)	837	(1,787)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(7,722)	(6,514)	27,037	(71,254)
Loss on disposal of property, plant and equipment	–	(2)	(26)	(4)
(Loss)/Gain on utilisation of cryptocurrencies	(1)	(13)	(10)	713
Government subsidies	–	229	–	389
Sundry income	211	146	434	422
	<u>(6,402)</u>	<u>(14,058)</u>	<u>28,272</u>	<u>(71,521)</u>
	<u>(2,329)</u>	<u>(7,503)</u>	<u>41,383</u>	<u>(51,842)</u>

4. Income tax expenses

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Current tax expenses/(credit)				
Hong Kong profits tax				
– Underprovision in respect of prior years	–	3	–	3
PRC corporate income tax	130	115	(58)	613
Overseas withholding tax	–	–	1,556	744
	<u>130</u>	<u>118</u>	<u>1,498</u>	<u>1,360</u>

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30 September 2023 and 2022 as the Group did not have any assessable profit from Hong Kong for both periods.

The income tax provision in respect of operations in the 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 30 September 2023 and 2022 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as "Small-Scale and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 2.5% or 5% (30 September 2022: 2.5% or 5%) respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the nine months and three months ended 30 September 2023.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the nine months and three months ended 30 September 2023 and 2022, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the nine months and three months ended 30 September 2023 and 2022.

5. Dividends

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (30 September 2022: Nil).

6. **Loss per share**

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to owners of the Company	<u>(19,500)</u>	<u>(25,451)</u>	<u>(24,008)</u>	<u>(130,823)</u>
	'000	'000	'000	'000
Issued ordinary shares at 1 January	–	–	2,487,705	2,487,705
Issued ordinary shares at 1 July	<u>2,487,705</u>	<u>2,487,705</u>	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for basic loss per share	2,487,705	2,487,705	2,487,705	2,487,705
Weighted average number of ordinary shares for diluted loss per share	<u>2,487,705</u>	<u>2,487,705</u>	<u>2,487,705</u>	<u>2,487,705</u>
Loss per share:				
– Basic	<u>(0.79) cent</u>	(1.02) cents	<u>(0.97) cent</u>	(5.26) cents
– Diluted (<i>Note</i>)	<u>(0.79) cent</u>	<u>(1.02) cents</u>	<u>(0.97) cent</u>	<u>(5.26) cents</u>

Note:

Diluted loss per share was the same as the basic loss per share for the nine months and three months ended 30 September 2023 and 2022 as the Company did not have potential dilutive ordinary shares for the periods.

7. Disposal of subsidiaries

(a) Disposal of Lasaruida Investment Consultation Management Company Limited*

During the nine months ended 30 September 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Lasaruida Investment Consultation Management Company Limited* (拉薩睿達投資諮詢管理有限公司) through deregistration which was completed in April 2022.

	30 September 2022 HK\$'000
Net assets disposed of	–
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	1,696
Loss on disposal	<u>(1,696)</u>
Consideration received or receivable	<u>–</u>

(b) Disposal of Beijing Yuxing Jiqun Investment Management Company Limited*

During the nine months ended 30 September 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Beijing Yuxing Jiqun Investment Management Company Limited* (北京裕興集群投資管理有限公司) through deregistration which was completed in July 2022.

	30 September 2022 HK\$'000
Net assets disposed of	–
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	(267)
Gain on disposal	<u>267</u>
Consideration received or receivable	<u>–</u>

* For identification purpose only

8. **Changes in ownership interests in a subsidiary that do not results in a loss of control**

	30 September 2023 HK\$'000
Net consideration received	–
Disposal of interests in a subsidiary without loss of control	<u>2</u>
Difference recognised in equity	<u><u>2</u></u>

Disposal of interests in a subsidiary without loss of control

On 2 May 2023, the Group disposed of 40% equity interest out of the 100% equity interest held in Grand InfoTech (HK) Limited at a consideration of HK\$4,000 to independent third parties of the Group. The carrying amount of the non-controlling interests in Grand InfoTech (HK) Limited on the date of disposal was net liabilities of approximately HK\$2,000. This resulted in an increase in non-controlling interests and an increase in equity attributable to owners of the Company of approximately HK\$2,000.

9. **Approval of the unaudited condensed consolidated financial statements**

The unaudited condensed consolidated financial statements were approved by the Board on 9 November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review and Prospect

IHA Business

The 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 boxes (“STB”), hybrid dual-STB, over-the-top (“OTT”)/Internet Protocol Television (“IPTV”) STB, STB equipment with Android systems, etc. The Group has extensive experience in designing and manufacturing networked audio and video products, from hardware to software, from operating systems to business integration, covering a wide range of vertical applications.

During the nine months ended 30 September 2023 (the “Period”), the Group’s revenue from the IHA business amounted to approximately HK\$52.4 million, representing a decline of 54.8% as compared with the same period of last fiscal year. The segment loss was narrowed down by 52.2% to approximately HK\$5.5 million for the Period as a result of the reduced expenditure and tightened cost budget. The gross profits remain at the levels of the same period of last fiscal year after a cautious approach to cost control on materials despite the revenue having declined significantly. Customers held back their sales order distribution until the end of the year after cautious sentiment in light of the economic recession. The segment performance is expected to recover by the end of the year.

IDC Business

The IDC business is comprised of the development, construction, operation, mergers, acquisitions and leasing out of properties and facilities used in IDC. The Groups’ revenue generated from the IDC business increased by 135.5% to approximately HK\$25.9 million for the Period, as compared with the same period of last fiscal year. The increase was attributed to the lease of the IDC situated in the United States (“US”) from the second quarter of the year, resulting in a business turn-around to approximately HK\$5.7 million for the Period.

Due to the US-China political tensions the continuous scuttling and tightening of regulations regarding internet and data-related businesses and overall risk assessment of the economy, the Group conditionally agreed to dispose of the IDC situated in the US to Prime Data Centers, LLC (the “Purchaser”), an independent third party of the Group, at a consideration of US\$110.0 million (equivalent to approximately HK\$858.0 million) on 29 May 2023 (the “Disposal”). The Disposal was approved by the shareholders of the Company in a special general meeting of the Company on 12 July 2023. Details of the Disposal are set out in the Company’s announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023. Before the completion date of the Disposal, the IDC will be leased to the Purchaser at a fixed monthly rate and such lease will be automatically expired when the Disposal is completed. As at the date of this announcement, completion of the Disposal has not taken place.

After completion of the Disposal, the Group will continue with the IDC business under the lease arrangement of data centre facilities and actively explore the opportunities to establish a new IDC base in the People's Republic of China (the "PRC") or globally. Other than exploring opportunities from IDC facilities and property leasing, the Group will also continue to concentrate its efforts on evolving itself into cloud-based services to cope with the surging demand on data.

Investing Business

The Group's investing business was principally engaged in the trading of securities, investing in financial instruments including unlisted equity securities and digital assets. The Group recorded a net gain on financial assets at fair value through profit or loss of approximately HK\$27.0 million (30 September 2022: net loss of approximately HK\$71.3 million) for the Period. The gain was attributed to the unrealised fair value gain from the investment in unlisted equity securities, and unrealised gain from the rebound of the US and Hong Kong stock markets and the realised gain from the disposal of listed securities including Tencent Holdings Limited ("Tencent Shares") during the first quarter of the year. The disposals of Tencent Shares are set out in the Company's announcement dated 2 March 2023. The disposals of other listed securities do not constitute notifiable transactions under the GEM Listing Rules individually.

Leasing Business

The leasing business of the Group comprised of leasing out of properties. The rental income from the segment was approximately HK\$6.9 million, representing a steady segment performance throughout the Period. The increase was attributed to the lease of property situated in Meishan City, Sichuan Province (the "Meishan Property") commencing from the third quarter of the year. However, the segment performance was affected by the revaluation loss on investment property situated in Zhongshan of approximately HK\$2.0 million leading to a decrease in segment profit to approximately HK\$1.8 million for the Period. A segment growth is expected for the current year following the leasing out of the Meishan Property.

Financial Review

Revenue and Gross Profit

The Group recorded approximately HK\$78.6 million (30 September 2022: approximately HK\$126.9 million) of revenue for the Period, representing a decrease of 38.1% as compared with the same period of last fiscal year. The gross profit increased by 92.3% to approximately HK\$28.6 million due to the increase in rental income from IDC business.

Other Revenue and Net (Loss)/Income

The Group recorded a net income of approximately HK\$41.4 million (30 September 2022: a net loss of approximately HK\$51.8 million) from other revenue and net (loss)/income for the Period. The gain was mainly attributed to the unrealised fair value gain from the investment in unlisted equity securities and rebound in the stock markets.

Distribution and Selling Expenses

The Group's distribution and selling expenses was decreased by 26.1% to approximately HK\$3.6 million (30 September 2022: approximately HK\$4.8 million) for the Period in line with the decline of sales distribution from the IHA business.

General and Administrative Expenses

The Group's general and administrative expenses increased by 65.4% to approximately HK\$108.1 million (30 September 2022: approximately HK\$65.4 million) for the Period. The increase was attributed to the amortisation of intangible assets, being the hash-rate capacity of mining machines acquired for cryptocurrencies mining not allocated to cost of cryptocurrencies. Apart from the amortisation of approximately HK\$24.2 million (30 September 2022: Nil), the general and administrative expenses were approximately HK\$83.9 million (30 September 2022: approximately HK\$65.4 million) for the Period, representing an increase of 28.0% which is mainly attributed to research and development costs of product development.

Reversal of Write-down/(Write-down) of Cryptocurrencies

The cryptocurrencies held by the Group mainly comprised of Bitcoin and Ethereum, which were generated from the cryptocurrency mining machines categorised under property, plant and equipment and the hash-rate capacity of mining machines categorised under the intangible assets. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to market the sale. As a result of the price rebound in the first half of the year, the Group recorded a reversal of the write-down of cryptocurrencies of approximately HK\$22.6 million (30 September 2022: write-down of approximately HK\$21.4 million) for the Period. Neither reversal of write-down or write-down of cryptocurrencies was made as there's no material fluctuation in the market prices of cryptocurrencies during the three months ended 30 September 2023. The Group will continually monitor the market fluctuation of cryptocurrencies.

Finance Costs

The finance costs of the Group was approximately HK\$0.5 million (30 September 2022: approximately HK\$1.6 million) for the Period, representing the interest expense on bank borrowings. Due to the decrease in debt financing, the finance costs decreased by 71.4% as compared with the same period of last fiscal year.

Loss for the Period

As a result of the foregoing, the loss attributable to owners of the Company was narrowed down to approximately HK\$24.0 million (30 September 2022: approximately HK\$130.8 million) for the Period, representing a decrease of 81.6% as compared with the same period of last fiscal year.

Liquidity and Financial Resources

As at 30 September 2023, the Group had net current assets of approximately HK\$1,319.6 million (31 December 2022: approximately HK\$494.4 million). The Group had cash and bank balances of approximately HK\$47.2 million and pledged bank deposits of approximately HK\$0.2 million respectively. The financial resources were funded mainly by the working capital generated from the operations.

The current ratio, calculated by dividing current assets by current liabilities, was 5.1 times (31 December 2022: 2.3 times) as at 30 September 2023. The gearing ratio, as measured by total liabilities divided by total equity, was 21.0% (31 December 2022: 23.5%) as at 30 September 2023. The gearing ratio decreased as a result of the decrease on trade and other payables in relation to the daily operations and repayment of bank borrowings.

Contingent Liabilities

The Group had no contingent liabilities as at 30 September 2023 (31 December 2022: Nil).

Charges on Group Assets

As at 30 September 2023, the Group had approximately HK\$126.6 million (31 December 2022: approximately HK\$135.3 million) of assets being pledged to secure the loan granted to the Group.

Capital Structure

As at 30 September 2023, the Group had shareholder's capital of approximately HK\$62.2 million (31 December 2022: approximately HK\$62.2 million). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (31 December 2022: 2,487,704,800 shares).

Significant Investments/Material Acquisitions and Disposals

Very Substantial Disposal Relating to Disposal of Land and Property

On 29 May 2023, RiCloud Corp. (an indirect wholly-owned subsidiary of the Company) (the "Vendor") and Prime Data Centers, LLC (the "Purchaser"), an independent third party, entered into the real property purchase and sale and escrow agreement (the "Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the property consisting of (a) the real estate situated at 6580 Via Del Oro, San Jose, California 95119 and with an area of approximately 4.725 acres; and (b) one story mission critical data center building with an area of approximately 80,158 square feet located on the land at the consideration of US\$110.0 million (equivalent to approximately HK\$858.0 million) (the "Disposal"). The Disposal is expected to be completed during the course of the year. Details of the Disposal are set out in the Company's announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023.

Future Plans for Material Investment and Capital Assets

There is no other plan for material investments or capital assets as at 30 September 2023.

KEY RISKS AND UNCERTAINTIES

During the Period, the Group endeavoured to improve the risk management system in different aspects of company strategies, business operation and finance. The key risks and uncertainties to which the Group is subject are summarised as follows:

- (i) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to the tightened supply of microchips as the raw material of the distributed products of the IHA business;
- (ii) The Group may be potentially exposed to the growth in cost pressures from raw materials of the distributed products of the IHA business;
- (iii) The IHA business may be threatened by fierce competition in the rapid iteration of technological products;
- (iv) The rental income from US IDC may fail to meet the expectation due to the US-China political intensions;
- (v) The investment return from the stock market may be subject to frequent changes in market policies and regulations;
- (vi) The value of digital assets held by the Group may be subject to volatile market prices, impairment and unique risks of loss such as cyberattacks, human errors or computer malfunctions;
- (vii) The Group may face regulatory challenges to or limitations on the Group's digital asset investment; and
- (viii) The Group may be impacted by macroeconomic conditions resulting from the global COVID-19 pandemic.

In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESERVES

Movements in reserves of the Group during the Period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

DIVIDENDS

The Board does not recommend the payment of a dividend for the Period (30 September 2022: Nil).

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 close associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the Period.

CORPORATE GOVERNANCE

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

During the Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 15 to the GEM Listing Rules, except in relation to CG Code provisions F.2.2, as more particularly described below.

CG Code provision F.2.2

Pursuant to CG Code provision F.2.2, the Chairman of the Board should attend the annual general meeting (“AGM”) and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Mr. Chen Biao, an executive Director, has been performing the above duties in lieu of Mr. Li Qiang, the Chairman of the Board, who had other pre-arranged business commitments on the AGM held on 29 June 2023.

AUDIT COMMITTEE

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

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company’s financial reporting system, risk management, internal control systems and relationship with external 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
Cong Yu
Executive Director and Chief Executive Officer

Hong Kong, 9 November 2023

* *For identification purposes only*

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

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