



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 31 DECEMBER 2021

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.

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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.



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HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2021

- The overall revenue of the Group decreased by 44.1% to approximately HK\$171.7 million for FY2021 as compared with the last fiscal year.
- The gross profit of the Group decreased by 34.1% to approximately HK\$33.8 million for FY2021 as compared with the last fiscal year.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$172.5 million (FY2020: profit of approximately HK\$21.9 million) for FY2021.
- Basic loss per share for the year ended 31 December 2021 was HK\$0.07 (2020: earnings per share of HK\$0.01).
- Total equity attributable to owners of the Company as at 31 December 2021 was approximately HK\$2,096.3 million (2020: approximately HK\$2,173.7 million) or net assets per share of HK\$0.84 (2020: HK\$1.05).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 31 December 2021, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	4	171,682	307,378
Cost of sales		<u>(137,868)</u>	<u>(256,056)</u>
Gross profit		33,814	51,322
Other revenue and net (loss)/income	4	(76,612)	66,463
Distribution and selling expenses		(7,597)	(9,076)
General and administrative expenses		(106,285)	(72,056)
Other operating expenses		(2,284)	(2,901)
Net changes in fair value of investment properties		(2,669)	(4,408)
Loss allowance on loans receivable		(59,065)	–
Gain on disposal of subsidiaries		<u>55,300</u>	<u>1,015</u>
(Loss)/Profit from operations	5	(165,398)	30,359
Finance costs	6	<u>(3,612)</u>	<u>(3,129)</u>
(Loss)/Profit before tax		(169,010)	27,230
Income tax expenses	7	<u>(4,051)</u>	<u>(5,808)</u>
(Loss)/Profit for the year		<u><u>(173,061)</u></u>	<u><u>21,422</u></u>
(Loss)/Profit attributable to:			
Owners of the Company		(172,495)	21,914
Non-controlling interests		<u>(566)</u>	<u>(492)</u>
		<u><u>(173,061)</u></u>	<u><u>21,422</u></u>
		HK\$	HK\$
(Loss)/Earnings per share	9		
– Basic		(0.07)	0.01
– Diluted		<u>(0.07)</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)*For the year ended 31 December 2021*

	2021 HK\$'000	2020 <i>HK\$'000</i>
(Loss)/Profit for the year	<u>(173,061)</u>	<u>21,422</u>
Other comprehensive (loss)/income:		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of the PRC subsidiaries	21,002	46,152
Release of translation reserves upon disposal of subsidiaries	<u>(13,012)</u>	<u>(1,015)</u>
Total other comprehensive income for the year (net of tax)	<u>7,990</u>	<u>45,137</u>
Total comprehensive (loss)/income for the year	<u>(165,071)</u>	<u>66,559</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(164,505)	67,051
Non-controlling interests	<u>(566)</u>	<u>(492)</u>
	<u>(165,071)</u>	<u>66,559</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Investment properties		91,793	455,912
Property, plant and equipment		798,934	751,668
Right-of-use assets		86,302	86,714
Intangible assets		87,907	–
Deposits paid	11	89,702	1,506
Prepayment for construction	11	1,104	38,158
Financial assets at fair value through profit or loss		102,169	365,835
		<u>1,257,911</u>	<u>1,699,793</u>
CURRENT ASSETS			
Cryptocurrencies		20,969	–
Inventories		15,466	11,203
Loans receivable	10	176,402	251,026
Trade and other receivables	11	540,320	94,894
Financial assets at fair value through profit or loss		148,573	255,086
Income tax recoverable		1,442	1,425
Pledged bank deposits		8,827	57,974
Cash and bank balances		335,534	122,841
		<u>1,247,533</u>	<u>794,449</u>
CURRENT LIABILITIES			
Trade and other payables	12	337,156	141,847
Dividend payables		31	31
Bank and other loans		44,957	139,907
Lease liabilities		7,185	5,466
		<u>389,329</u>	<u>287,251</u>

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NET CURRENT ASSETS		<u>858,204</u>	<u>507,198</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,116,115	2,206,991
NON-CURRENT LIABILITIES			
Deferred tax liabilities		16,772	28,505
Income tax payable		5,487	2,729
Lease liabilities		<u>3,639</u>	<u>3,393</u>
		<u>25,898</u>	<u>34,627</u>
NET ASSETS		<u>2,090,217</u>	<u>2,172,364</u>
EQUITY			
Share capital	<i>13</i>	62,193	51,827
Reserves	<i>14</i>	<u>2,034,081</u>	<u>2,121,852</u>
Equity attributable to owners of the Company		2,096,274	2,173,679
Non-controlling interests		<u>(6,057)</u>	<u>(1,315)</u>
TOTAL EQUITY		<u>2,090,217</u>	<u>2,172,364</u>

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 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 2020 consolidated financial statements except for the new adoption of the accounting policy on intangible assets and 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:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

3. SEGMENT INFORMATION

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

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

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

The investing segment comprises trading of securities and investing in financial instruments and digital assets.

The leasing segment comprises leasing out of properties.

Other operations segment of the Group mainly comprises trading of miscellaneous materials and mining machines.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive Directors assess segment profit or loss before tax without allocation of interest income from bank deposits, finance costs, legal and professional fees and other corporate administrative costs and the basis of preparing such information is consistent with that of the 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

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

For the year ended 31 December 2021

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
Sale of goods	140,246	-	-	-	-	-	140,246
Lease of properties used as IDC and facilities used in IDC	-	31,436	-	-	-	-	31,436
OTHER REVENUE AND NET (LOSS)/INCOME							
	(6,477)	(43,224)	(53,027)	9,712	4	(88)	(93,100)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES							
	-	1,440	-	(4,109)	-	-	(2,669)
GAIN ON DISPOSAL OF A SUBSIDIARY							
	-	55,300	-	-	-	-	55,300
Segment revenue	<u>133,769</u>	<u>44,952</u>	<u>(53,027)</u>	<u>5,603</u>	<u>4</u>	<u>(88)</u>	<u>131,213</u>
RESULTS							
Segment results	<u>(33,435)</u>	<u>11,381</u>	<u>(71,069)</u>	<u>275</u>	<u>(783)</u>	<u>-</u>	<u>(93,631)</u>
Unallocated corporate income							16,164
Interest income from bank deposits							324
Loss allowance on loans receivable							(59,065)
Other unallocated corporate expenses							(29,190)
Finance costs							(165,398)
							<u>(3,612)</u>
Loss before tax							(169,010)
Income tax expenses							(4,051)
Loss for the year							<u>(173,061)</u>

As at 31 December 2021

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS							
Segment assets	99,613	1,025,221	506,338	109,474	250,955	–	1,991,601
Unallocated corporate assets						513,843	513,843
Consolidated total assets							<u>2,505,444</u>
LIABILITIES							
Segment liabilities	74,009	37,876	97,471	20,301	135,133	–	364,790
Unallocated corporate liabilities						50,437	50,437
Consolidated total liabilities							<u>415,227</u>
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	92	53,047	381	1,474	–	90	55,084
– Right-of-use assets	398	–	–	–	–	3,773	4,171
Depreciation							
– Property, plant and equipment	219	6,530	50	615	–	257	7,671
– Right-of-use assets	1,714	–	577	372	–	7,913	10,576
Amortisation of intangible assets	–	–	20,969	–	–	–	20,969
– Allocated to cost of cryptocurrencies	–	–	(20,969)	–	–	–	(20,969)
Write-down of inventories, net	595	–	–	–	–	–	595
Foreign exchange losses, net	7,446	–	–	–	–	513	7,959
Operating lease charges on premises	49	–	59	4	–	326	438
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(327)	43,224	57,035	–	–	–	99,932

For the year ended 31 December 2020

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE							
Sale of goods	271,390	-	-	-	-	-	271,390
Lease of properties used as IDC and facilities used in IDC	-	35,988	-	-	-	-	35,988
OTHER REVENUE AND NET (LOSS)/INCOME	(802)	232	39,041	8,493	-	(83)	46,881
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	-	(562)	-	(3,846)	-	-	(4,408)
GAIN ON DISPOSAL OF A SUBSIDIARY	-	-	-	-	1,015	-	1,015
Segment revenue	<u>270,588</u>	<u>35,658</u>	<u>39,041</u>	<u>4,647</u>	<u>1,015</u>	<u>(83)</u>	<u>350,866</u>
RESULTS							
Segment results	<u>(9,642)</u>	<u>14,009</u>	<u>25,641</u>	<u>(500)</u>	<u>1,050</u>	<u>-</u>	30,558
Unallocated corporate income							18,298
Interest income from bank deposits							1,284
Other unallocated corporate expenses							<u>(19,781)</u>
Finance costs							<u>30,359</u> <u>(3,129)</u>
Profit before tax							27,230
Income tax expenses							<u>(5,808)</u>
Profit for the year							<u>21,422</u>

As at 31 December 2020

	IHA <i>HK\$'000</i>	IDC <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	120,121	1,159,423	711,151	111,933	373	–	2,103,001
Unallocated corporate assets						391,241	<u>391,241</u>
Consolidated total assets							<u><u>2,494,242</u></u>
LIABILITIES							
Segment liabilities	82,763	70,806	129,031	21,089	–	–	303,689
Unallocated corporate liabilities						18,189	<u>18,189</u>
Consolidated total liabilities							<u><u>321,878</u></u>
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	93	206,568	–	–	–	39	206,700
– Right-of-use assets	2,273	–	–	–	–	7,607	9,880
Depreciation							
– Property, plant and equipment	482	4,520	–	689	–	256	5,947
– Right-of-use assets	1,588	–	710	348	–	5,172	7,818
Write-down of inventories, net	551	–	–	–	–	–	551
Foreign exchange losses/(gains), net	2,040	–	–	–	–	(146)	1,894
Operating lease charges on premises	92	–	67	4	–	333	496
Net fair value gains on financial assets at fair value through profit or loss	<u>(376)</u>	<u>–</u>	<u>(31,591)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(31,967)</u>

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (the "PRC"), Hong Kong, Australia, the United States and other overseas markets in both 2021 and 2020.

The following tables set out information about the geographical location of (a) the Group's revenue and non-current assets other than financial assets at fair value through profit or loss; and (b) other revenue and net (loss)/income other than unallocated corporate income and interest income from bank deposits. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets while the geographical location of intangible assets is based on the location of the company holding the assets. The geographical location of other revenue and net (loss)/income is based on the location at which other revenue and net (loss)/income is generated.

(a) Revenue and non-current assets

	Revenue		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
The PRC	71,756	118,336	117,912	473,644
Hong Kong	37,807	30,168	300,253	132,567
Australia	45,268	125,476	–	–
The United States	–	–	737,577	727,747
Other overseas markets	16,851	33,398	–	–
	<u>171,682</u>	<u>307,378</u>	<u>1,155,742</u>	<u>1,333,958</u>

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

	For the year ended 31 December 2021					
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
The PRC	(1,062)	(43,224)	1,377	9,552	4	(33,353)
Hong Kong	(5,415)	–	(54,404)	72	–	(59,747)
	<u>(6,477)</u>	<u>(43,224)</u>	<u>(53,027)</u>	<u>9,624</u>	<u>4</u>	<u>(93,100)</u>

	For the year ended 31 December 2020					
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
The PRC	(802)	–	4,506	8,338	–	12,042
Hong Kong	–	–	34,535	72	–	34,607
The United States	–	232	–	–	–	232
	<u>(802)</u>	<u>232</u>	<u>39,041</u>	<u>8,410</u>	<u>–</u>	<u>46,881</u>

Information about major customers

Revenue from customers individually contributing 10% or over of the total revenue of the Group is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	51,232	89,499
Customer B	45,268	125,476
Customer C	19,436	—*
Customer D	17,433	—*
	<u>133,369</u>	<u>214,975</u>

* These customers individually contributed less than 10% of the total revenue.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Sale of goods (<i>Note</i>)	140,246	271,390
Rental income from IDC properties and facilities (<i>note 3</i>)	31,436	35,988
	<u>171,682</u>	<u>307,378</u>
Other revenue		
Dividend income from listed securities	4,788	7,450
Rental income from investment properties	9,109	7,723
Interest income calculated using the effective interest method:		
Interest income from bank deposits	324	1,284
Interest income from loans receivable	15,726	16,694
	<u>29,947</u>	<u>33,151</u>
Other net (loss)/income		
Foreign exchange losses, net	(7,959)	(1,894)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(99,932)	31,967
(Loss)/Gain on disposal of property, plant and equipment	(15)	3
Government subsidies	—	1,696
Sundry income	1,347	1,540
	<u>(106,559)</u>	<u>33,312</u>
	<u>(76,612)</u>	<u>66,463</u>

Note:

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

The amount of revenue recognised for the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately HK\$5,288,000 (2020: approximately HK\$2,549,000).

5. (LOSS)/PROFIT FROM OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,600	1,550
Amortisation of intangible assets	20,969	–
– Allocated to cost of cryptocurrencies	(20,969)	–
Depreciation of property, plant and equipment*	7,671	5,947
Depreciation of right-of-use assets	10,576	7,818
Cost of inventories	120,690	227,207
Gain on lease modifications	(17)	–
Loss/(Gain) on disposal of property, plant and equipment	15	(3)
Write-down of inventories, net	595	551
Research and development costs	2,559	327
Direct operating expenses arising from investment properties that generating rental income from:		
– Leasing of IDC properties (included in cost of sales)	1,251	1,312
– Leasing of other investment properties (included in other operating expenses)	1,456	1,360
Gain on disposal of subsidiaries	<u>(55,300)</u>	<u>(1,015)</u>
Staff costs (including Directors' emoluments):		
Salaries and allowances [#]	57,401	50,241
Retirement benefits scheme contributions [#]	4,659	829
Severance payment	<u>1,700</u>	<u>16</u>
Total staff costs	<u>63,760</u>	<u>51,086</u>

* Depreciation of property, plant and equipment included depreciation of IDC facilities of approximately HK\$6,512,000 (2020: approximately HK\$4,500,000) recognised as cost of sales for the year.

Staff costs included salaries and allowances and retirement benefits scheme contributions for research and development staff of approximately HK\$16,699,000 and HK\$2,117,000 respectively (2020: approximately HK\$13,295,000 and HK\$109,000 respectively) recognised as general and administrative expenses for the year.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Borrowing costs for bank and other loans	3,295	2,935
Imputed interest expenses on lease liabilities	<u>317</u>	<u>194</u>
	<u>3,612</u>	<u>3,129</u>

7. INCOME TAX EXPENSES

The taxation charged to profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
PRC corporate income tax		
Current year	2,756	38
Overseas withholding tax		
Current year	<u>2,758</u>	<u>2,357</u>
	<u>5,514</u>	<u>2,395</u>
Deferred taxation		
Origination and reversal of temporary differences	(1,463)	(1,641)
Benefit of tax losses utilised	<u>–</u>	<u>5,054</u>
	<u>(1,463)</u>	<u>3,413</u>
Charge for the year	<u><u>4,051</u></u>	<u><u>5,808</u></u>

For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax has not been provided as the Group either did not generate 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 2021 and 2020 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as “Small-Scale and Low-Profit Enterprises” which are charged at the effective preferential CIT rates of 2.5% or 10% (2020: 5% or 10%) respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for 2021 and 2020.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the years ended 31 December 2021 and 2020, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the years ended 31 December 2021 and 2020.

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 a final dividend for the year ended 31 December 2021 (2020: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/Profit attributable to owners of the Company	<u>(172,495)</u>	<u>21,914</u>
	2021 '000	2020 '000
Issued ordinary shares at 1 January	2,073,089	2,073,089
Issue of new shares	<u>400,985</u>	<u>–</u>
Weighted average number of ordinary shares for basic (loss)/earnings per share	2,474,074	2,073,089
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<u>2,474,074</u>	<u>2,073,089</u>
	<i>HK\$</i>	<i>HK\$</i>
(Loss)/Earnings per share:		
– Basic	(0.07)	0.01
– Diluted (<i>Note</i>)	<u>(0.07)</u>	<u>0.01</u>

Note:

Diluted (loss)/earnings per share was the same as the basic (loss)/earnings per share for the years ended 31 December 2021 and 2020 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic (loss)/earnings per share for the years.

10. LOANS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans receivable from third parties	236,210	251,026
Less: Loss allowance	<u>(59,808)</u>	<u>–</u>
	<u>176,402</u>	<u>251,026</u>

At the end of the reporting period, loans receivable comprise:

- (i) A RMB90,000,000 loan to an independent third party borrower. At 31 December 2020, the loan was interest-bearing at 8% per annum, repayable in December 2021 and secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of the borrower. During the year, the loan was extended to be repayable in September 2022 and further secured by a corporate guarantee provided by another independent third party (the “Third Guarantor”) and the collateral of the share charges of a company incorporated in the PRC which is 2.4987% held by the Third Guarantor (the “Loan Extension”).

The Loan Extension was subject to certain conditions to be fulfilled by the borrower (the “Conditions”), details of which are disclosed in the Company’s announcement dated 16 December 2021. Subsequent to the end of the reporting period, neither of the terms under the Conditions was completed and the Loan Extension became ineffective. On 10 February 2022, the Group issued a demand letter to the borrower and the guarantors demanding repayment of the all the outstanding loans principal and accrued interests.

At the end of the reporting period, the principal of RMB90,000,000 (equivalent to approximately HK\$110,079,000) (2020: RMB90,000,000 (equivalent to approximately HK\$106,939,000)) and accrued interest receivable of approximately HK\$11,497,000 (2020: approximately HK\$2,495,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$47,196,000 (2020: HK\$Nil) in respect of this credit impaired loan receivable has been recognised at the end of the reporting period. Details of the loan were disclosed in the Company’s announcements dated 19 December 2019, 18 September 2020, 17 December 2020, 16 December 2021 and 11 February 2022 respectively.

- (ii) A HK\$41,000,000 loan to an independent third party borrower which is secured by a corporate guarantee provided by a substantial shareholder of the Company. As at 31 December 2020, the loan was interest-bearing at 8% per annum and repayable in December 2021. During the year, accrued interest of HK\$3,280,000 was repaid and the principal of HK\$41,000,000 was extended to be repayable in September 2022. Pursuant to the extension of the loan agreement, the loan is further secured by accounts receivable of the borrower of approximately HK\$18,732,000 as collateral, with other terms remain unchanged.

At the end of the reporting period, the principal of HK\$41,000,000 (2020: HK\$41,000,000) was recognised as loans receivable under current assets. Loss allowance of approximately HK\$1,577,000 (2020: HK\$Nil) in respect of this loan receivable has been recognised at the end of the reporting period. Details of the loan were disclosed in the Company’s announcements dated 9 December 2019, 12 December 2019, 29 June 2020, 31 December 2020 and 31 December 2021 respectively.

- (iii) A HK\$60,000,000 loan to an independent third party borrower. As at 31 December 2020, the loan was secured by corporate guarantees provided by two independent third parties, interest-bearing at 5% per annum and repayable in 18 months from the drawdown date (i.e. 2 April 2020). During the year, accrued interest of approximately HK\$4,496,000 was repaid and the principal of HK\$60,000,000 was extended to be repayable in October 2022. Pursuant to the extension of the loan agreement, the loan principal of HK\$60,000,000 is secured by a corporate guarantee provided by another independent third party (the “New Guarantor”), as well as the collateral of 5,000 pieces of brand-new computer supporting products held by the New Guarantor. Other terms of the loan remain unchanged.

At the end of the reporting period, the principal of HK\$60,000,000 (2020: HK\$60,000,000) and accrued interest receivable of approximately HK\$756,000 (2020: approximately HK\$2,252,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$8,483,000 (2020: HK\$Nil) in respect of this loan receivable has been recognised at the end of the reporting period. Details of the loan were disclosed in the Company’s announcements dated 18 March 2020, 17 June 2020 and 30 September 2021 respectively.

- (iv) A RMB12,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum. Principal of RMB2,000,000 (equivalent to approximately HK\$2,376,000) and accrued interest receivable of approximately HK\$30,000 were repaid in January 2021 in accordance with the terms of the loan agreement. The remaining principal of RMB10,000,000 originally repayable in December 2021 is extended to be repayable in September 2022 with other terms remain unchanged.

At the end of the reporting period, the principal of RMB10,000,000 (equivalent to approximately HK\$12,231,000) (2020: RMB12,000,000 (equivalent to approximately HK\$14,259,000)) and accrued interest receivable of approximately HK\$647,000 (2020: approximately HK\$53,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$2,552,000 (2020: HK\$Nil) in respect of this loan receivable has been recognised at the end of the reporting period.

At 31 December 2020, loans receivable also included the remaining principal of RMB20,000,000 (equivalent to approximately HK\$23,764,000) and accrued interest receivable of approximately RMB222,000 (equivalent to approximately HK\$264,000) of a loan granted to an independent third party borrower which was unsecured, interest-bearing at 5% per annum and fully settled at maturity in January 2021.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade receivables		60,821	77,657
Less: Loss allowance		(15)	(15)
	<i>(a)</i>	60,806	77,642
Receivables from disposal of a subsidiary	<i>(b)</i>	151,504	–
Earnest money paid for acquisition of intangible assets	<i>(c)</i>	73,385	–
Prepayment for acquisition of machines	<i>(d)</i>	84,179	–
Deposit paid for acquisition of investment property	<i>(e)</i>	4,017	–
Other receivables, net of loss allowance		2,182	7,035
Prepayments and deposits	<i>(f)</i>	253,949	11,723
Prepayment for construction	<i>(g)</i>	1,104	38,158
		631,126	134,558
Current portion		540,320	94,894
Non-Current portion		90,806	39,664
		631,126	134,558

Notes:

- (a) The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
0-30 days	21,238	15,096
31-60 days	16,921	16,376
61-90 days	6,329	17,873
Over 90 days	16,318	28,297
	60,806	77,642

- (b) Receivables from disposal of a subsidiary comprised cash consideration of approximately US\$19,424,000 (equivalent to approximately HK\$151,504,000) and the fair value of contingent consideration of approximately HK\$72,121,000 recognised as financial assets at fair value through profit or loss receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed Technology Co., Ltd. ("Shanghai Indeed"), an indirect wholly-owned subsidiary of the Company. The cash consideration was payable within 5 business days after all inter-company balances in Shanghai Indeed and the Group being settled which was completed before 31 December 2021 and was fully settled in January 2022.

- (c) Earnest money of RMB60,000,000 (equivalent to approximately HK\$73,385,000) was paid for the procurement of hash-rate capacity which was recognised as intangible assets of the Group as at 31 December 2021. The earnest money will be refunded to the Group upon settlement of the remaining outstanding payables for the procurement of hash-rate capacity (Note 12(c)(i)). Details of the procurement of hash-rate capacity are disclosed in the Company's announcements dated 14 May 2021, 31 May 2021 and 2 June 2021 respectively.
- (d) On 14 September 2021, a direct wholly-owned subsidiary of the Company, Rich Universe International Limited and Inno Century Limited, an independent third party, entered into a sales and purchase agreement for the purchase of cryptocurrency mining machines at a consideration of approximately HK\$84,179,000. The machines will be held for own use and recognised as property, plant and equipment. As at 31 December 2021, consideration of approximately HK\$84,179,000 was paid to Inno Century Limited and recognised as prepayment under non-current assets. Details of the acquisition of machines are disclosed in the Company's announcement dated 14 September 2021.
- (e) On 31 December 2021, an indirect wholly-owned subsidiary of the Company, Tibetan Crane (Shenzhen) Investment Company Limited* (黑頸鶴(深圳)投資有限公司) and Chengdu Hong Sheng Property Technology Company Limited* (成都洪盛產城科技有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of RMB32,845,480. The property will be held to earn rental income or sell for a profit if considered appropriate. As at 31 December 2021, approximately RMB3,285,000 (equivalent to approximately HK\$4,017,000) was paid to Chengdu Hong Sheng Property Technology Company Limited and recognised as prepayment under non-current assets.
- (f) As at 31 December 2021, a total sum of approximately RMB194,082,000 (equivalent to approximately HK\$237,380,000) (2020: HK\$Nil) were paid to Zhongda Bocheng Energy Technology (Shenzhen) Limited* (中達博誠能源科技(深圳)有限公司) ("Zhongda Bocheng"), an independent third party as trading deposits for the purchase of cryptocurrency mining machines which will be held for trading purpose. On the other hand, RMB110,000,000 (equivalent to approximately HK\$134,540,000) (2020: HK\$Nil) were received from Zhongda Bocheng as a performance bond, which is not available to set-off against the trading deposits aforesaid and recognised as other payables (note 12 (c)(ii)).
- (g) In relation to the construction of the Group's IDC in the United States, the Group has entered into a holding escrow agreement with a bank in the United States and the construction company pursuant to which the Group agrees to maintain an amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) or the amount due to the construction company, whichever is lower, in the escrow account.

As at 31 December 2021, the Group maintained approximately US\$142,000 (equivalent to approximately HK\$1,104,000) (2020: US\$4,892,000 (equivalent to approximately HK\$38,158,000)) in the escrow account.

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	31,053	47,240
Contract liabilities	<i>(b)</i>	18,026	5,827
Other payables	<i>(c)</i>	267,704	22,999
Accruals		20,373	65,781
		337,156	141,847

Notes:

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
0-30 days	16,603	12,450
31-60 days	3,187	2,294
61-90 days	10,136	18,969
Over 90 days	1,127	13,527
	31,053	47,240

The payment terms with suppliers are generally 30 to 60 days (2020: 30 to 60 days).

(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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
As at 1 January	5,827	3,739
Exchange realignment	19	41
Recognised as revenue	(5,288)	(2,549)
Receipt of advances or recognition of receivables	17,507	4,596
Released as other net income	(39)	–
As at 31 December	18,026	5,827

As at 31 December 2021, the contract liabilities that are expected to be settled after more than 12 months are HK\$Nil (2020: HK\$Nil).

During the year ended 31 December 2021, there was negotiation of larger prepayments from the Group's customers, thereby increasing the amount arising from the receipt of advances or recognition of receivables.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2021 (2020: all) are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

- (c) Included in other payables are the following balances:
- (i) Outstanding payable of RMB82,000,000 (equivalent to approximately HK\$97,041,000) (2020: HK\$Nil) for the procurement of hash-rate capacity, which was recognised as intangible assets of the Group as at 31 December 2021. The outstanding payable, which is repayable within one year, is not available to set-off against the earnest money of RMB60,000,000 (equivalent to approximately HK\$73,385,000) paid for the procurement of hash-rate capacity (note 11(c)).
- (ii) A performance bond, which is repayable within one year, received from Zhongda Bocheng in relation to the purchase of cryptocurrency mining machines amounted to RMB110,000,000 (equivalent to approximately HK\$134,540,000) (2020: HK\$Nil) (note 11(f)).

13. SHARE CAPITAL

	Number of shares		Amount	
	2021 '000	2020 '000	2021 HK\$'000	2020 HK\$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary shares of HK\$0.025 each	8,000,000	8,000,000	200,000	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK\$0.025 each	2,073,089	2,073,089	51,827	51,827
Issue of new shares (Note)	414,616	–	10,366	–
At end of the reporting period				
Ordinary shares of HK\$0.025 each	2,487,705	2,073,089	62,193	51,827

Note:

Pursuant to subscription agreements dated 30 December 2020, two subscribers which are existing shareholders of the Company subscribed 414,616,000 new shares at a price of HK\$0.20 per share (“Subscription”). The Subscription was completed on 12 January 2021 and the total proceeds of the Subscription amounted to approximately HK\$82,924,000, of which approximately HK\$10,366,000 was credited to share capital and the balance of approximately HK\$72,558,000 was credited to the share premium account. These share rank pari passu with the existing shares in all respects.

14. RESERVES

	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserves <i>HK\$'000</i>	Property revaluation reserves <i>HK\$'000</i>	Translation reserves <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2020	207,499	8,668	234,621	60,582	26,113	885	25	1,516,408	2,054,801
Profit for the year	-	-	-	-	-	-	-	21,914	21,914
Other comprehensive income:									
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	46,152	-	-	46,152
Release of translation reserves upon disposal of subsidiaries	-	-	-	-	-	(1,015)	-	-	(1,015)
Total other comprehensive income	-	-	-	-	-	45,137	-	-	45,137
Total comprehensive income for the year	-	-	-	-	-	45,137	-	21,914	67,051
Transactions with owners:									
<i>Contributions and distributions</i>									
Share options lapsed	-	-	-	(50,159)	-	-	-	50,159	-
Total transactions with owners	-	-	-	(50,159)	-	-	-	50,159	-
As at 31 December 2020 and as at 1 January 2021	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,121,852
Loss for the year	-	-	-	-	-	-	-	(172,495)	(172,495)
Other comprehensive income:									
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	21,002	-	-	21,002
Release of reserves upon disposal of subsidiaries	-	-	-	-	-	(13,012)	-	-	(13,012)
Total other comprehensive income	-	-	-	-	-	7,990	-	-	7,990
Total comprehensive loss for the year	-	-	-	-	-	7,990	-	(172,495)	(164,505)
Transactions with owners:									
<i>Contributions and distributions</i>									
Issue of new shares	72,558	-	-	-	-	-	-	-	72,558
Share options lapsed	-	-	-	(1,475)	-	-	-	1,475	-
<i>Change in ownership interest</i>									
Change in ownership interest in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	4,176	-	4,176
Total transactions with owners	72,558	-	-	(1,475)	-	-	4,176	1,475	76,734
As at 31 December 2021	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,034,081

15. PLEDGE OF ASSETS

As at 31 December 2021, the Group had pledged the following assets to secure the loan facilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Investment properties	70,682	71,780
(b) Leasehold improvements	77	93
(c) Right-of-use assets	70,695	73,746
(d) Financial assets at fair value through profit or loss	3,950	294,909
(e) Bank deposits	8,827	57,974
	<u>70,682</u>	<u>57,974</u>

16. CAPITAL COMMITMENT

On 31 December 2021, an indirect wholly-owned subsidiary, Tibetan Crane (Shenzhen) Investment Company Limited* (黑頸鶴(深圳)投資有限公司) and Chengdu Hong Sheng Property Technology Company Limited* (成都洪盛產城科技有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of RMB32,845,480. Details of the agreement are disclosed in note 11(e). As at 31 December 2021, approximately RMB3,285,000 (equivalent to approximately HK\$4,017,000) was paid to Chengdu Hong Sheng Property Technology Company Limited and recognised as prepayment under non-current assets. As at 31 December 2021, the Group had remaining capital commitment in respect of the aforesaid acquisition of approximately RMB29,561,000 (equivalent to approximately HK\$36,156,000).

As at 31 December 2020, the Group did not have any capital commitments.

17. EVENTS AFTER THE REPORTING PERIOD

Default of supplemental loan agreement

At the end of the reporting period, the Group had outstanding principal of RMB90,000,000 (equivalent to approximately HK\$110,079,000) (2020: RMB90,000,000 (equivalent to approximately HK\$106,939,000)) and accrued interest receivable of approximately HK\$11,497,000 (2020: approximately HK\$2,495,000) from Beijing Aihuan Times Technology Limited* (北京愛換時代科技股份有限公司) (the "Borrower"), which were recognised as loans receivable under current assets. Details of the loan are set out in note 10(i). During the year, the Group entered into a supplemental loan agreement with the Borrower (the "Third Supplemental Loan Agreement"), pursuant to which the loan to the Borrower was extended to be repayable in September 2022 and further secured by a corporate guarantee provided by the Third Guarantor and the collateral of the share charges of a company incorporated in the PRC which is 2.4987% owned by the Third Guarantor. Neither of the Conditions were completed by the Borrower. As such, the Third Supplemental Loan Agreement remains ineffective and the Borrower shall immediately repay the outstanding remaining loan and interest accrued thereon in a total of RMB99,100,000 (equivalent to approximately HK\$119,821,000).

On 10 February 2022, a demand letter has been issued to the Borrower to demand for full repayment of the aforesaid outstanding balance. On 16 February 2022, the Borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. As at the date of this announcement, no consent to the repayment schedule was reached by both parties. Details of the default event are disclosed in the Company's announcement dated 11 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

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

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-mode 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.

Due to the impact from the tightened supply of microchips as the raw materials of the distributed products of the business, the revenue of the business decreased from approximately HK\$271.4 million for the year ended 31 December 2020 (“FY2020”) to approximately HK\$140.3 million for the year ended 31 December 2021 (“FY2021”), representing a decrease of 48.3% compared with last fiscal year. The segment loss increased by 246.8% in line with the significant drop in the revenue.

During the year under review, the Group has taken various measures to reduce the impact from tightened microchip supply through sourcing new supplies of and stringent inventory management on the raw materials to avoid further potential risk from the increase of raw materials as a result of the unstable global supply. In response to the fast-growing demand for smart-living ideas, the Group has also strategically commenced its research and development to expand this product catalogue through leveraging years of experience in designing and manufacturing electronic consumer goods. The technological innovation is aimed to provide different customized scenario-based comprehensive smart-living and office solutions to customers with the virtual experience through utilization of metaverse identity concept, synergies of 3D virtual reality technology and artificial intelligence voice assistants. The launch of a new product is expected to grasp a different class of customers and expand its market share in the industry.

IDC Business

The IDC business is comprised of the development, construction, operation, mergers acquisition and leasing out of properties and facilities used in IDC.

The revenue from the IDC business decreased by 12.6% from approximately HK\$36.0 million for FY2020 to approximately HK\$31.4 million for FY2021. The decline of the revenue was caused by the cease of rental income recorded from the Shanghai IDC following the completion of the disposal. The segment recorded a profit of approximately HK\$11.4 million (FY2020: approximately HK\$14.0 million), representing a decrease of 18.8% compared with the last fiscal year. Due to the delay in obtaining the relevant certificates for the construction project of the land and property held by Shanghai Indeed Technology Co., Ltd. (“Shanghai Indeed”) and the obtaining the renewed real property certificate from the relevant land authority in the PRC (the “Reconstruction Registration”), the weighted distribution of the possible outcomes (i.e. the likelihood of receiving the contingent consideration) was reduced, leading to a loss from the fair value of the contingent consideration receivable and a further impact to the segment result of FY2021. The Group had closely monitored the progress of processing the Reconstruction Registration with the PRC authorities.

To keep up the growth of the IDC business, the Group has urged to complete the construction of US IDC. Phase I of the construction work has been completed by the third quarter of the year and the certificate of occupancy, representing the authorisation of use and occupancy of the IDC from the US authority, has been issued in February 2022. Phase II construction of the US IDC is expected to be commenced in the second quarter of the year 2022. Following the completion of Phase II construction, the Group is expected to be able to source a stable revenue from the entrance of the US market.

Investing Business

The Group's investing segment was principally engaged in the trading of securities and investing in financial instruments including private investment funds and unlisted equity securities. During the year under review, the Group has expanded its investing activities to digital assets and biotech investment sector.

In light of the adverse capital market conditions, the Group recorded net fair value loss on financial assets at fair value through profit or loss (excluding contingent consideration receivable) of approximately HK\$56.7 million (FY2020: net gain of approximately HK\$32.0 million) for FY2021. During the year under review, the Group reduced the percentage of financial instrument to the investment portfolio through conducting a series of transactions to dispose of its investments in listed securities including Ping An Insurance (Group) Company of China, Ltd. (H-shares) ("Ping An H-shares"), ZhongAn Online P&C Insurance Co., Ltd. (H-shares) ("ZhongAn H-shares"), Guangzhou Automobile Group Co., Ltd. (A-shares and H-shares) and Honbridge Holdings and other financial instruments considering the uncertainties of the stock market as a result of economic recession. The percentage of the investment portfolio of listed securities and other financial instruments to the total assets decreased by 17.9% after disposals. Through the long-term holding of listed securities, the Group has realised approximately HK\$23.6 million of investment gain as compared with their initial investment cost. The disposals of listed securities of Ping An H-shares and ZhongAn H-shares are set out in the Company's announcements dated 12 July 2021 and 24 August 2021, respectively. The disposals of other listed securities do not constitute disclosable transactions individually.

As the influence of the global health crisis on humanity grows, biotech companies have brighter prospects in the investment sectors. During the year under review, the Group broadened its investment portfolio to healthcare and biopharmaceutical sectors through the subscription of shares of Profound View Group, in which together with its subsidiaries are engaged in the research and development of pharmaceutical innovative drugs and biologics. Details of the subscription are set out in the Company's announcement dated 1 December 2021.

Following the rising digital economy and the strategic review on the macroeconomy, the Directors see more potential growth on digital assets from the aspects of its wider application and more investment institutional participation. The Group has stepped into digital asset investment during the year through the investment of hash-rate capacity and the acquisition of mining machines. The Directors of the Company believed in the long-term potential of digital assets as both an investment and also as a liquid alternative to cash. As consistent with how the Group manage its investment and fiat-based cash and cash equivalents, the Group may increase or decrease the holdings of digital asset at any time based on the needs of the business and the view of the market and environmental conditions. Considering the different positioning of regulations for blockchain technology and digital assets, the Group will also closely monitor the potential regulatory influence and the market sentiment.

Leasing Business

The leasing segment of the Group comprises leasing out of properties. The segment result has turned to a profit of approximately HK\$0.3 million (FY2020: a loss of approximately HK\$0.5 million) for FY2021, representing an increase of 155.0% compared with the last fiscal year. The growth was attributed to the increase in the occupancy rate of the properties as a result of the overall increase in rental revenue. The leasing business is expecting to maintain a stable revenue source for the Group.

During the year under review, the Group entered into a provisional agreement to acquire a property located in Chengdu PRC for investment purposes to earn stable rental income or sell for a profit if considered appropriate. The acquisition will enable the Group to diversify and enhance the asset portfolio for long-term investment purposes and expand the leasing business.

FINANCIAL REVIEW

Revenue and Gross Profit

During the year under review, the Group recorded approximately HK\$171.7 million (FY2020: approximately HK\$307.4 million) of revenue, representing a significant decrease of 44.1% as compared with the last fiscal year. The decrease was mainly attributed to the decline of revenue from the IHA business, which was suffering from the shortage of microchip supply. Meanwhile, the gross profit decreased by 34.1% in line with the drop of the group's revenue from approximately HK\$51.3 million for FY2020 to approximately HK\$33.8 million for FY2021.

Operating Result

Other Revenue and Net (Loss)/Income

The Group incurred a net loss of approximately HK\$76.6 million (FY2020: income of approximately HK\$66.5 million) from other revenue and net loss for FY2021, representing a decrease of 215.3% as compared with the last fiscal year. The decrease was mainly due to the net losses on financial assets at fair value through profit or loss of approximately HK\$99.9 million (FY2020: net gain of approximately HK\$32.0 million) resulting from the unsatisfactory performance of the Group's investment portfolio amid the adverse capital market conditions and the decrease of the possible outcome of the contingent consideration receivable from the disposal of a subsidiary during the year.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation losses of approximately HK\$2.7 million (FY2020: approximately HK\$4.4 million) on its investment properties for FY2021. Following the completion of the disposal of Shanghai IDC, the Group's investment properties exclude the impact of fair value change from the Shanghai IDC.

Operating Expenses

With the decline in the Group's revenue from the IHA business, the Group's distribution and selling expenses mainly attributed to the IHA business decreased by 16.3% to approximately HK\$7.6 million (FY2020: approximately HK\$9.1 million) for FY2021. As a result of the operating cost pressures from IDC business and central corporate expenses, the general and administrative expenses increased by 47.5% to approximately HK\$106.3 million (FY2020: approximately HK\$72.1 million) for FY2021.

Other Operating Expenses

The other operating expenses mainly comprised of the miscellaneous costs and related tax from investing and leasing activities. The Group recorded approximately HK\$2.3 million (FY2020: approximately HK\$2.9 million) of other operating expenses for FY2021, representing a decrease of 21.3% as compared with the last fiscal year. The decline was mainly caused by the decrease in surcharges and related tax raised from the investing activities.

Loss Allowance on Financial Assets

The loss allowance on financial assets associated with its debt instruments carried at amortised cost is assessed based on the estimation of the lifetime or 12-month expected credit losses ("ECL"). As a result of the default event of supplemental loan agreement with Beijing Aihuan Times Technology Limited* (北京愛換時代科技股份有限公司) and the overall impact from novel coronavirus pandemic ("COVID-19"), the increase in credit risk caused a significant increase in loss allowance on ECL in respect of loans receivable amounting to approximately HK\$59.1 million (FY2020: HK\$Nil). The Group had adopted a prudent attitude to better the default risk management on the loans receivable considering the increasing default risk arising from the material uncertainties of the global economic environment affected by the prolonged outbreak of COVID-19.

Finance Costs

The finance costs of the Group increased by 15.4% from approximately HK\$3.1 million for FY2020 to approximately HK\$3.6 million for FY2021 attributed to the increase in reliance on debt financing.

Loss for the Year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$172.5 million for FY2021 (FY2020: profit of approximately HK\$21.9 million). Excluding the provision for loss allowance made in accordance with the HKFRS 9 that applied to financial assets (including trade and other receivables and loans receivable), the Group's loss attributed to owners of the Company was approximately HK\$113.4 million (FY2020: profit of approximately HK\$21.9 million) for FY2021.

Liquidity and Financial Resources

As at 31 December 2021, the Group had net current assets of approximately HK\$858.2 million. The Group had cash and bank balances of approximately HK\$335.5 million and pledged bank deposits of approximately HK\$8.8 million respectively. The financial resources were funded mainly by both debt and equity financing.

The current ratio, as calculated by dividing current assets by current liabilities, was 3.2 times (2020: 2.8 times) as at 31 December 2021. The gearing ratio, as measured by total liabilities divided by total equity, was 19.9% (2020: 14.8%) as at 31 December 2021. The gearing ratio increased as a result of the performance bond received from the supplier amounted to RMB110,000,000 (equivalent to approximately HK\$134,540,000) as at 31 December 2021. The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, bank loans and other loan, the Group did not have any material outstanding debts as at 31 December 2021. Payment to settle trade and other payables represented a significant part of the cash outflow of the Group. Taking into account the light debt leverage, the Group is able to generate cash and meet upcoming cash requirements. Hence, the Group has adequate liquidity and financial resources to meet its working capital requirements in the next twelve months from the balance sheet date and remained at a stable and healthy level.

Capital Commitment

Saved as disclosed in note 16 to the consolidated financial statements, the Group had no other capital commitment as at 31 December 2021 (2020: Nil).

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2021 (2020: Nil).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. It strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Credit Policies

The Group has adopted a credit policy to manage and monitor the recoverability of the loans, details of which are outlined below:

- (a). *Credit risk assessment*: The Group would perform credit risk assessment before extending or granting the loans by (i) reviewing the financial reports and statements showing the net asset value of the potential or existing borrowers and other relevant financial information; and (ii) performing an assessment on the financial condition of the potential or existing guarantors, such as the type and value of assets owned by the potential or existing guarantors; and (iii) reviewing the financial positions of the existing borrowers on an annual basis.

- (b). *Security/Collateral assessment:* The Group would assess and decide the necessity and the value of security/collateral for granting or extending of each loan, whether to an individual or enterprise, on a case-by-case basis considering the factors including but not limited to the repayment history, results of public search towards the potential or existing borrower, the value and location of the assets owned by the potential or existing borrowers.
- (c). *Loan Collection/Recovery:* The Group would issue overdue payment reminder to the borrower, instruct its legal advisers to issue demand letter for overdue loans, negotiate with the borrower for the repayment or settlement of the loan and/or commence legal action against the borrower. In respect of the loans not yet overdue, the Group will closely monitor for any adverse news which may trigger a default in payment.

Among the four loan extensions during the year, assessment on the credit risk and collateral have been performed including but not limited to the re-assessment of the value of the collateral and financial position of the borrowers and guarantors.

Subsequent to the year ending 31 December 2021, one of the loans was overdue as at the date of this announcement. The Group had sent overdue payment reminders and had instructed the legal adviser to issue demand letters demanding the outstanding debts.

Based on the actions taken by the Group, the Directors considered that the Group have strictly followed the Group's credit policies.

Charges on Group Assets

Details of charges on the Group assets are set out in note 15 to the consolidated financial statements.

Capital Structure

As at 31 December 2021, the Group had shareholder's capital of approximately HK\$62,193,000 (2020: approximately HK\$51,827,000). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (2020: 2,073,088,800 shares).

Subscription of new shares under general mandate

On 30 December 2020, the Company and the two subscribers which are the existing shareholders of the Company entered into subscription agreements pursuant to which two subscribers subscribed 414,616,000 new shares at a price of HK\$0.20 per share ("Subscription"). The gross proceeds raised from the subscription in aggregate amount was approximately HK\$82,924,000. The Subscription was completed on 12 January 2021. Details of the Subscription are set out in the Company's announcements dated 30 December 2020 and 13 January 2021.

Issue of Listed Securities of the Company and the 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	30 December 2020
Date of completion	12 January 2021
Name of subscriber(s)	Cedar Surplus Investments Limited and Mr. Zhu Weisha
Number of shares issued	414,616,000
Class of shares issued	Ordinary shares
Issue of price per share	HK\$0.20
Net price per share	HK\$0.199
Aggregate nominal value of share issued	HK\$10,365,400
Closing price per share on which the terms of the issue were fixed	HK\$0.199 (as at 30 December 2020)
Gross proceeds	approximately HK\$82.9 million
Net proceeds	approximately HK\$82.7 million
Reason for the issue	The Board considered that the issue of shares would provide a good opportunity to raise additional funds to be used for (i) the development of the major operating businesses of IDC; (ii) the development of the major operating businesses of IHA; and (iii) general working capital purposes.

The below table sets out the intended use of net proceeds, utilisation and the remaining balance of the net proceeds as at 31 December 2021:

	Intended use of net proceeds	Utilisation	Remaining balance as at 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
IDC business	66,179	64,740	1,439
IHA business	8,272	8,272	–
General working capital	8,272	8,272	–
Total	82,723	81,284	1,439

The remaining balance of approximately HK\$1.4 million which had not yet been utilised during the year is expected to be utilised by the second quarter of the year ending 31 December 2022. All the unutilised balances have been placed in licensed banks in Hong Kong.

The net proceeds were used and are proposed to be used according to the intentions previously disclosed by the Company.

Significant Investments/Material Acquisitions and Disposals

Disposal of Shanghai Indeed

On 28 April 2021, Indeed Holdings Limited, an indirect wholly-owned subsidiary of the Company (the “Vendor”), and the Vendor’s guarantor, entered into a sale and purchase agreement with Empress Investments Pte. Ltd. (the “Purchaser”), in respect of the disposal of the entire equity interest of Shanghai Indeed, an indirect wholly-owned subsidiary of the Company to the Purchaser at a consideration of US\$68,000,000 (equivalent to approximately HK\$530,400,000) subject to adjustments (the “Disposal”). The Disposal has been completed in September 2021. Details of the Disposal are set out in the Company’s announcement dated 28 April 2021, the circular dated 26 May 2021 and the poll result announcement dated 10 June 2021.

Procurement of hash-rate capacity

On 14 May 2021, Grand Choice Development Limited (“Grand Choice”), a direct wholly-owned subsidiary of the Company, entered into a procurement agreement with Wuhan Quanyaotech Technology Co., Ltd.* (武漢全耀成科技有限公司) (“Wuhan Quanyaotech”) in respect of the procurement of hash-rate capacity for a term of three years at a total consideration of RMB290,000,000. During the year under review, Wuhan Quanyaotech had delivered the corresponding hash-rate capacity of RMB92,000,000 (equivalent to HK\$108,876,000) to Grand Choice. The remaining procurement was terminated subsequently. Details of the procurement of hash-rate capacity are set out in the Company’s announcements dated 7 May 2021, 14 May 2021, 31 May 2021, 2 June 2021 and 9 August 2021 respectively.

Entry of the construction agreement

On 4 April 2019, RiCloud Corp., an indirect wholly-owned subsidiary of the Company, entered into a construction agreement with Concept Construction Services, Inc. in relation to the construction of Phase I of the IDC in the US at an aggregate consideration of US\$62,494,800. Details of the construction agreement are set out in the Company’s announcement dated 1 June 2021, the circular dated 25 June 2021 and the poll results announcement dated 13 July 2021.

Disposal of listed securities

During the year under review, the Group has disposed of Ping An H-shares and ZhongAn H-shares for an aggregate consideration of approximately HK\$293.9 million (exclusive of transaction costs), representing a net loss of approximately HK\$48.1 million, which is calculated based on the difference between the carrying amount of the disposed shares as at 31 December 2020 and the sales proceeds (after deduction of transaction costs). Details of the disposals are set out in the Company’s announcements dated 12 July 2021 and 24 August 2021.

Purchase of mining machines

On 14 September 2021, Rich Universe International Limited, a direct wholly-owned subsidiary of the Company, conducted a series of transactions in the open market to acquire an aggregate of approximately 10,757,635.78 units of USD Coin at an average price of HK\$7.825 per unit for an aggregate consideration of HK\$84,178,500 (exclusive of transaction costs). On the same date, Rich Universe International Limited agreed to purchase cryptocurrencies mining machines from Inno Century Limited at a consideration of HK\$84,178,500, which is settled by transferring the equivalent value of USD Coin. Details of the purchase of mining machines are set out in the Company's announcement dated 14 September 2021.

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

Events After the Reporting Period

Default of supplemental loan agreement

At the end of the reporting period, the Group had outstanding principal of RMB90,000,000 (equivalent to approximately HK\$110,079,000) (2020: RMB90,000,000 (equivalent to approximately HK\$106,939,000)) and accrued interest receivable of approximately HK\$11,497,000 (2020: approximately HK\$2,495,000) from Beijing Aihuan Times Technology Limited* (北京愛換時代科技股份有限公司) (the "Borrower"), which were recognised as loans receivable under current assets. During the year, the Group entered into a supplemental loan agreement with the Borrower (the "Third Supplemental Loan Agreement"), pursuant to which the loan to the Borrower was extended to be repayable in September 2022 and further secured by a corporate guarantee provided by another independent third party (the "Third Guarantor") and the collateral of the share charges of a company incorporated in the PRC which is 2.4987% owned by the Third Guarantor. Neither of the conditions precedent under the Third Supplemental Loan Agreement were completed by the Borrower. As such, the Third Supplemental Loan Agreement remains ineffective and the Borrower shall immediately repay the outstanding remaining loan and interest accrued thereon in a total of RMB99,100,000 (equivalent to approximately HK\$119,821,000).

On 10 February 2022, a demand letter has been issued to the Borrower to demand for full repayment of the aforesaid outstanding balance. On 16 February 2022, the Borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. As at the date of this announcement, no consent to the repayment schedule was reached by both parties. Details of the default event are set out in the Company's announcement dated 11 February 2022.

Save as disclosed above, there is no other important events that have occurred up to the date of this announcement.

Future Plans for Material Investment and Capital Assets

There is no other plan for material investments or capital assets as at 31 December 2021.

Segment Information

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the consolidated financial statements.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and the United States dollars ("USD"). The assets of the Group mainly denominated in RMB and the remaining portions were denominated in USD and Hong Kong dollars ("HKD"). The exchange rates for USD to HKD have been relatively stable for the year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily concerning the HKD and USD. During the year under review, the Group recorded net exchange losses of approximately HK\$8.0 million (FY2020: approximately HK\$1.9 million). As at 31 December 2021, 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 31 December 2021, the Group have over 150 (2020: over 160) full-time employees, of which 14 (2020: 23) 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\$63.8 million (FY2020: approximately HK\$51.1 million) for FY2021. The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary 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 schemes, various insurance schemes and share option schemes.

Key Risks and Uncertainties

During the year under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. The key risks and uncertainties to which the Group is subject are summarized 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 materials 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 on the rapid iteration of technological products;

- (iv) The subcontractors of the IDC construction may fail to complete as scheduled and on the unsatisfactory quality of the work may incur extra cost to the Group to complete the work owing to the prolonged situation of the COVID-19 pandemic;
- (v) The service and rental income from US IDC may fail to meet the expectation due to the spread of COVID-19 pandemic and the economic crisis from pandemic recession;
- (vi) The investment return from the stock market may be subject to frequent changes of market policies and regulations;
- (vii) 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;
- (viii) The Group may face regulatory challenges to or limitations on the Group's digital asset investment; and
- (ix) 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 environmental protection issues into consideration during daily operations. The Group does not produce material waste nor emits material quantities of air pollutants. The Group also strives to minimize the adverse environmental impacts by encouraging the employees to recycle office supplies and other materials and save electricity.

Compliance with Laws and Regulations

The Company has been listed on the 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 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.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

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 the external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company. During the year under review, the Audit Committee held five 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 31 December 2021 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 statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 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 31 December 2021 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.

During the year ended 31 December 2021, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules, except in relation to CG Code provisions E.1.2, as more particularly described below.

CG Code provision E.1.2

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

By order of the Board
Yuxing InfoTech Investment Holdings Limited
Cong Yu
Executive Director and Chief Executive Officer

Hong Kong, 22 March 2022

* *For identification purposes only*

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

This announcement will remain on the "Latest Company Announcements" page of 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.