



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 2022

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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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THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- For the nine months ended 30 September 2022, revenue of the Group was approximately HK\$126.9 million, representing an increase of 2.8% compared with the same period of last fiscal year. The Group recorded the gross profit of approximately HK\$14.9 million for the nine months ended 30 September 2022 (30 September 2021: approximately HK\$29.8 million).
- Loss attributable to owners of the Company for the nine months ended 30 September 2022 amounted to approximately HK\$130.8 million (30 September 2021: approximately HK\$19.0 million).
- Basic loss per share for the nine months ended 30 September 2022 was HK5.26 cents (30 September 2021: HK0.77 cent).
- Total equity attributable to owners of the Company as at 30 September 2022 was approximately HK\$1,984.5 million (31 December 2021: approximately HK\$2,096.3 million) or net assets value per share of approximately HK\$0.80 (31 December 2021: approximately HK\$0.84).
- The Board does not recommend the payment of a dividend for the nine months ended 30 September 2022 (30 September 2021: 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 2022 together with comparative figures for the same periods in 2021, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	3	37,105	48,761	126,940	123,495
Cost of sales		(32,097)	(39,710)	(112,057)	(93,699)
Gross profit		5,008	9,051	14,883	29,796
Other revenue and net (loss)/income	3	(7,503)	12,441	(51,842)	(19,094)
Distribution and selling expenses		(1,339)	(2,165)	(4,824)	(5,361)
General and administrative expenses		(20,831)	(45,111)	(65,355)	(94,441)
Other operating expenses		(609)	(476)	(22,571)	(1,861)
Net changes in fair value of investment properties		(48)	(1)	2,668	(589)
Gain/(Loss) on disposal of subsidiaries	7	267	79,381	(1,429)	79,381
(Loss)/Profit from operations		(25,055)	53,120	(128,470)	(12,169)
Finance costs		(411)	(787)	(1,639)	(2,579)
(Loss)/Profit before tax		(25,466)	52,333	(130,109)	(14,748)
Income tax expenses	4	(118)	(1,708)	(1,360)	(4,548)
(Loss)/Profit for the period		(25,584)	50,625	(131,469)	(19,296)
(Loss)/Profit attributable to:					
Owners of the Company		(25,451)	50,679	(130,823)	(19,000)
Non-controlling interests		(133)	(54)	(646)	(296)
		(25,584)	50,625	(131,469)	(19,296)
(Loss)/Earnings per share	6				
– Basic		(1.02) cents	2.04 cents	(5.26) cents	(0.77) cent
– Diluted		(1.02) cents	2.04 cents	(5.26) cents	(0.77) cent

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(25,584)	50,625	(131,469)	(19,296)
Other comprehensive (loss)/income:				
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	(37)	–	61,418	–
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	(16,960)	1,008	(43,793)	9,606
Release of translation reserves upon disposal of subsidiaries	(262)	(13,010)	1,434	(13,010)
Total other comprehensive (loss)/income for the period	(17,259)	(12,002)	19,059	(3,404)
Total comprehensive (loss)/income for the period	(42,843)	38,623	(112,410)	(22,700)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(42,710)	38,677	(111,764)	(22,404)
Non-controlling interests	(133)	(54)	(646)	(296)
	(42,843)	38,623	(112,410)	(22,700)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Total		
	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 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	62,193	280,057	8,668	234,621	-	87,531	11,653	4,201	1,295,586	1,984,510	(6,703)	1,977,807

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserves <i>HK\$'000</i>	Property revaluation reserves <i>HK\$'000</i>	Translation reserves <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2021	51,827	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,173,679	(1,315)	2,172,364
Loss for the period	-	-	-	-	-	-	-	-	(19,000)	(19,000)	(296)	(19,296)
Other comprehensive loss:												
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	9,606	-	-	9,606	-	9,606
Release of translation reserves upon disposal of subsidiaries	-	-	-	-	-	-	(13,010)	-	-	(13,010)	-	(13,010)
Total other comprehensive loss	-	-	-	-	-	-	(3,404)	-	-	(3,404)	-	(3,404)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,404)	-	(19,000)	(22,404)	(296)	(22,700)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of new shares (<i>Note</i>)	10,366	72,558	-	-	-	-	-	-	-	82,924	-	82,924
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	(4,176)	-
Total transactions with owners	10,366	72,558	-	-	(1,475)	-	-	4,176	1,475	87,100	(4,176)	82,924
As at 30 September 2021	<u>62,193</u>	<u>280,057</u>	<u>8,668</u>	<u>234,621</u>	<u>8,948</u>	<u>26,113</u>	<u>42,618</u>	<u>4,201</u>	<u>1,570,956</u>	<u>2,238,375</u>	<u>(5,787)</u>	<u>2,232,588</u>

Note:

Issue of new shares

On 30 December 2020, the Company and the subscribers entered into the subscription agreements pursuant to which the Company issued 414,616,000 new shares at a price of HK\$0.20 per share (“Subscription”). The Subscription was completed on 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 shares rank pari passu with the existing shares in all respects.

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 2022 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 2021. 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 2021, except for the new adoption of the accounting policies on intangible assets and the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2022 as described below.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
<i>Revenue recognised at a point in time under HKFRS 15:</i>				
IHA business				
– Sale of goods	33,105	40,717	115,160	95,059
– Ancillary service income	–	–	780	–
Rental income from IDC business	4,000	8,044	11,000	28,436
	<u>37,105</u>	<u>48,761</u>	<u>126,940</u>	<u>123,495</u>
Other revenue				
Dividend income from listed securities	11	–	250	4,788
Rental income from investment properties	2,131	2,296	6,813	6,756
Interest income calculated using the effective interest method:				
Interest income from bank deposits	575	74	987	239
Interest income from loans receivable	3,838	3,948	11,629	11,746
	<u>6,555</u>	<u>6,318</u>	<u>19,679</u>	<u>23,529</u>
Other net (loss)/income				
Foreign exchange losses, net	(7,904)	(198)	(1,787)	(1,903)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(6,514)	5,984	(71,254)	(41,676)
(Loss)/Gain on disposal of property, plant and equipment	(2)	–	(4)	218
(Loss)/Gain on utilisation of cryptocurrencies	(13)	–	713	–
Loss on leases modifications	–	–	–	(7)
Government subsidies	229	–	389	–
Sundry income	146	337	422	745
	<u>(14,058)</u>	<u>6,123</u>	<u>(71,521)</u>	<u>(42,623)</u>
	<u>(7,503)</u>	<u>12,441</u>	<u>(51,842)</u>	<u>(19,094)</u>

4. Income tax expenses

The taxation charged to profit or loss represents:

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current tax				
Hong Kong profit tax				
– Underprovision in respect of prior years	3	–	3	–
PRC corporate income tax	115	1,001	613	2,528
Overseas withholding tax	–	707	744	2,020
	<u>118</u>	<u>1,708</u>	<u>1,360</u>	<u>4,548</u>

No Hong Kong Profits Tax has been provided for the nine months and three months ended 30 September 2022 and 2021 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 2022 and 2021 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 2021: 2.5% or 10%) respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the nine months and three months ended 30 September 2022.

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 2022 and 2021, 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 2022 and 2021.

5. Dividends

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2022 (30 September 2021: Nil).

6. (Loss)/Earnings per share

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/Profit attributable to owners of the Company	<u>(25,451)</u>	<u>50,679</u>	<u>(130,823)</u>	<u>(19,000)</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	–	–	2,487,705	2,073,089
Issue of new shares	–	–	–	396,391
Issued ordinary shares at 1 July	<u>2,487,705</u>	<u>2,487,705</u>	–	–
Weighted average number of ordinary shares for basic (loss)/earnings per share	2,487,705	2,487,705	2,487,705	2,469,480
Effects of deemed issue of shares under the Company's share option scheme for nil consideration	–	16,735	–	24,391
Number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>2,487,705</u>	<u>2,504,440</u>	<u>2,487,705</u>	<u>2,493,871</u>
(Loss)/Earnings per share:				
– Basic	<u>(1.02) cents</u>	2.04 cents	<u>(5.26) cents</u>	(0.77) cent
– Diluted (<i>Note</i>)	<u>(1.02) cents</u>	2.04 cents	<u>(5.26) cents</u>	(0.77) cent

Note:

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the nine months and three months ended 30 September 2022 and 2021 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic (loss)/earnings per share for the periods.

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	(1,696)
	<hr/>
Consideration received or receivable	–
	<hr/> <hr/>

(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	267
	<hr/>
Consideration received or receivable	–
	<hr/> <hr/>

* For identification purpose only

(c) **Disposal of Shanghai Indeed Technology Co., Ltd.**

On 28 April 2021, the Group entered into an agreement with Empress Investments Pte. Ltd. to dispose of 100% of the equity interest of Shanghai Indeed Technology Co., Ltd. (“Shanghai Indeed”) at an aggregate cash consideration of US\$68,000,000 (subject to adjustments). The disposal was completed on 3 September 2021. Details are disclosed in the Company’s announcement dated 28 April 2021 and the circular dated 26 May 2021.

The assets and liabilities of Shanghai Indeed as at the date of disposal were as follow:

	30 September 2021 <i>HK\$'000</i>
Net assets disposed of:	
Investment properties	369,147
Prepayment for construction	39,355
Other receivables	127,295
Cash and bank balances	5,559
Other payables	(14,658)
Deferred tax liabilities	(10,904)
	<hr/>
	515,794
	<hr/> <hr/>
Gain on disposal of a subsidiary:	
Contingent consideration received or receivable	582,165
Net assets disposed of	(515,794)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	<hr/>
	13,010
	<hr/>
Gain on disposal	79,381
	<hr/> <hr/>

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

The unaudited condensed consolidated financial statements were approved by the Board on 11 November 2022.

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 the sales and distribution of IHA and complementary products and provision of ancillary services. Products launched by the Group in the markets include high digital set-top box (“STB”), hybrid dual-mode STB, Over-the-top (“OTT”)/Internet Protocol Television (“IPTV”) STB, STB equipped with an Android system, etc. During the nine months ended 30 September 2022 (the “Period”), the Group’s revenue from the IHA business amount to approximately HK\$115.9 million, representing an increase of 22.0% compared with the same period of last fiscal year. The relaxed control measures of the novel coronavirus (“COVID-19”) pandemic led to a recovery of consumer sentiment and a rebound in revenue in the Period.

IDC Business

The Group’s revenue generated from leasing of properties used as IDC and facilities used in IDC was decreased from approximately HK\$28.4 million from the nine months ended 30 September 2021 to approximately HK\$11.0 million for the Period. The decline of the revenue was caused by the cease of rental income recorded from the disposed of Shanghai IDC.

Investing Business

The Group’s investing segment was principally engaged in the investing in digital assets and financial instruments including private investment funds and unlisted equity securities. The Group recorded a net loss on financial assets at fair value through profit or loss of approximately HK\$71.3 million (30 September 2021: approximately HK\$41.7 million) for the Period resulting from the price downfall of cryptocurrencies following the collapse of Terra (Luna) and TerraUSD (UST) and unsatisfactory performance of investment in unlisted equity securities of business engaging in aircraft leasing.

Leasing Business

The leasing segment of the Group comprised leasing out of properties. The rental income from the segment was approximately HK\$6.8 million (30 September 2021: approximately HK\$6.8 million), representing a steady segment performance throughout the Period.

On 23 March 2022, the Group has terminated the provisional agreement for the acquisition of a property located in Chengdu, Sichuan. Instead, another sales and purchase agreement was entered with an independent third party for the acquisition of a property located in Meishan, Sichuan for investment purposes to earn stable rental income or sell for a profit if considered appropriate. The acquisition is expected to be completed by the end of the year.

Financial Review

Revenue and Gross Profit

The Group recorded approximately HK\$126.9 million (30 September 2021: approximately HK\$123.5 million) of revenue for the Period, representing an increase of 2.8% as compared with the same period of last fiscal year. The gross profit of the Group dropped by 50.1% due to the downtrend of the revenue from the IDC business.

Operating Results

Other Revenue and Net (Loss)/Income

The Group recorded other revenue and net loss of approximately HK\$51.8 million for the Period (30 September 2021: approximately HK\$19.1 million). This was mainly attributed to the net losses on financial assets at fair value through profit or loss of approximately HK\$71.3 million as a result of the unsatisfactory performance of the Group's investment portfolio representing the slowing growth of the global economy.

Operating Expenses

The Group's distribution and selling expenses mainly attributed to the IHA business decreased by 10% to approximately HK\$4.8 million (30 September 2021: approximately HK\$5.4 million) for the Period due to redundancy. The general and administrative expenses decreased by 30.8% to approximately HK\$65.4 million (30 September 2021: approximately HK\$94.4 million) for the Period as a result of the cost-cutting measures on corporate expenses.

Other Operating Expenses

The other operating expenses are mainly comprised of miscellaneous costs, related tax from investing and leasing activities and write-down of cryptocurrencies. The Group recorded approximately HK\$22.6 million (30 September 2021: approximately HK\$1.9 million) of other operating expenses for the Period, a significant increase was mainly caused by the write-down of cryptocurrencies amounted to approximately HK\$21.4 million (30 September 2021: Nil) for the Period as a result of the volatility of the digital asset market.

Finance Costs

The finance costs of the Group decreased by 36.4% to approximately HK\$1.6 million (30 September 2021: approximately HK\$2.6 million) for the Period due to the decrease in reliance on debt financing.

Loss for the Period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$130.8 million (30 September 2021: approximately HK\$19.0 million) for the Period.

Liquidity and Financial Resources

As at 30 September 2022, the Group had net current assets of approximately HK\$663.2 million. The Group had cash and bank balances of approximately HK\$233.3 million and pledged bank deposits of approximately HK\$0.2 million respectively. The financial resources were funded mainly by debt financing.

The current ratio, calculated by dividing current assets by current liabilities, was 2.8 times (31 December 2021: 3.2 times) as at 30 September 2022. The gearing ratio, as measured by total liabilities divided by total equity, was 19.8% (31 December 2021: 19.9%) as at 30 September 2022.

Contingent Liabilities

The Group had no contingent liabilities as at 30 September 2022 (31 December 2021: Nil).

Charges on Group Assets

Approximately HK\$133.9 million (31 December 2021: approximately HK\$154.2 million) of the assets of the Group have been pledged to secure the loan granted to the Group as at 30 September 2022.

Capital Structure

As at 30 September 2022, the Group had shareholder's capital of approximately HK\$62.2 million (31 December 2021: approximately HK\$62.2 million). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (31 December 2021: 2,487,704,800 shares).

Issue of Listed Securities of the Company and Use of Proceeds

A summary of the issue of listed securities by the Company during last 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 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 30 September 2022:

	Intended use of net proceeds HK\$'000	Utilisation HK\$'000	Remaining balance as at 30 September 2022 HK\$'000
IDC business	66,179	66,179	–
IHA business	8,272	8,272	–
General working capital	8,272	8,272	–
	<hr/>	<hr/>	<hr/>
Total	82,723	82,723	–

The net proceeds were used according to the intentions previously disclosed by the Company.

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

Significant Investments/Material Acquisitions and Disposals

Acquisition of Machines

On 16 May 2022, Rich Universe International Limited (the “Purchaser”), a direct wholly-owned subsidiary of the Company and Inno Century Limited (the “Vendor”) entered into a sales and purchase agreement pursuant to which the Purchaser has agreed to purchase the 6,832 sets of Bitmain Antminer T17E (the “Machines”) from the Vendor at the consideration of HK\$60,121,000. Details of the acquisition are disclosed in the Company’s announcement dated 16 May 2022.

The Purchaser subsequently received the Machines during the second quarter of the year.

Future Plans for Material Investment and Capital Assets

There is no other plan for material investments or capital assets as at 30 September 2022.

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 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 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 subcontractors of the IDC construction may fail to complete as scheduled and the unsatisfactory quality of the work may incur extra costs to the Group to complete the work owing to the prolonged situation of the COVID-19 pandemic;
- (v) The service and rental income from U.S. IDC may fail to meet the expectation due to the spread of the COVID-19 pandemic and the economic crisis from the pandemic recession;
- (vi) The investment return from the stock market may be subject to frequent changes in 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 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 minimize the adverse environmental impacts by encouraging employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

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

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 2021: 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 28 June 2022.

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, 11 November 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 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.