



**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*

**First Quarterly Report  
2019**

\* for identification purposes only

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

## HIGHLIGHTS FOR THE THREE-MONTH PERIOD

- For the three months ended 31st March 2019, overall revenue and gross profit of the Group increased by 6.8% and 67.8% to approximately HK\$126.9 million and HK\$8.9 million, respectively as compared with the same period of last year.
- Gross profit margin of the Group has improved to 7.0% for the three months ended 31st March 2019 (three months ended 31st March 2018: 4.5%).
- Profit attributable to owners of the Company for the three months ended 31st March 2019 amounted to approximately HK\$110.3 million (three months ended 31st March 2018: loss attributable to owners of the Company of approximately HK\$40.1 million).
- Basic earnings per share for the three months ended 31st March 2019 was HK\$0.06 (three months ended 31st March 2018: basic loss per share HK\$0.02).
- Total equity attributable to owners of the Company as at 31st March 2019 was approximately HK\$2,112.7 million (31st December 2018: approximately HK\$1,987.9 million) or net asset value per share of approximately HK\$1.2 (31st December 2018: approximately HK\$1.1).
- The Board does not recommend the payment of any interim dividend for the three months ended 31st March 2019 (three months ended 31st March 2018: Nil).

## THREE-MONTH RESULTS (UNAUDITED)

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2019, together with the comparative unaudited figures for the same period in 2018, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31st March 2019

	Notes	For the three months ended 31st March	
		2019 HK\$'000	2018 HK\$'000
Revenue	2	<b>126,912</b>	118,853
Cost of sales		<b>(117,993)</b>	(113,537)
Gross profit		<b>8,919</b>	5,316
Other revenue and net income	3	<b>125,786</b>	20,030
Distribution and selling expenses		<b>(2,197)</b>	(3,663)
General and administrative expenses		<b>(18,733)</b>	(22,843)
Other operating expenses		<b>(1,548)</b>	(2,318)
Profit/(Loss) from operations		<b>112,227</b>	(3,478)
Finance costs		<b>(1,899)</b>	(36,644)
Profit/(Loss) before tax		<b>110,328</b>	(40,122)
Income tax expenses	4	<b>–</b>	–
Profit/(Loss) for the period		<b>110,328</b>	(40,122)
<b>Profit/(Loss) attributable to owners of the Company</b>		<b>110,328</b>	(40,122)
		<b>HK\$</b>	<b>HK\$</b>
Earnings/(Loss) per share	5		
– Basic		<b>0.06</b>	(0.02)
– Diluted		<b>0.06</b>	(0.02)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31st March 2019

	For the three months ended	
	31st March	
	2019	2018
	HK\$'000	HK\$'000
Profit/(Loss) for the period	<b>110,328</b>	(40,122)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of PRC subsidiaries	<u>14,393</u>	<u>33,825</u>
Other comprehensive income for the period	<u>14,393</u>	<u>33,825</u>
Total comprehensive income/(loss) for the period	<u><b>124,721</b></u>	<u>(6,297)</u>
<b>Total comprehensive income/(loss) attributable to owners of the Company</b>	<u><b>124,721</b></u>	<u>(6,297)</u>

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

For the three months ended 31st March 2019

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1st January 2019	45,077	133,249	8,668	234,621	55,612	24,540	16,752	1,469,413	1,987,932
<b>Profit for the period</b>	-	-	-	-	-	-	-	110,328	110,328
<b>Other comprehensive income:</b>									
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	14,393	-	14,393
<b>Total other comprehensive income</b>	-	-	-	-	-	-	14,393	-	14,393
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	14,393	110,328	124,721
<b>Transactions with owners:</b>									
<i>Contributions and distributions</i>									
Share options lapsed	-	-	-	-	(2,154)	-	-	2,154	-
<b>Total transactions with owners</b>	-	-	-	-	(2,154)	-	-	2,154	-
<b>As at 31st March 2019</b>	<b>45,077</b>	<b>133,249</b>	<b>8,668</b>	<b>234,621</b>	<b>53,458</b>	<b>24,540</b>	<b>31,145</b>	<b>1,581,895</b>	<b>2,112,653</b>

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

For the three months ended 31st March 2018

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Translation reserves	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2018	45,077	133,249	8,668	234,621	69,439	276,848	37,676	18,835	52,208	1,538,958	2,415,579
Change in accounting policy on adoption of HKFRS 9	–	–	–	–	–	(276,848)	–	–	–	276,848	–
As at 1st January 2018 (as restated)	45,077	133,249	8,668	234,621	69,439	–	37,676	18,835	52,208	1,815,806	2,415,579
<b>Loss for the period</b>	–	–	–	–	–	–	–	–	–	(40,122)	(40,122)
<b>Other comprehensive income:</b>											
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	33,825	–	33,825
<b>Total other comprehensive income</b>	–	–	–	–	–	–	–	–	33,825	–	33,825
<b>Total comprehensive loss for the period</b>	–	–	–	–	–	–	–	–	33,825	(40,122)	(6,297)
<b>Transactions with owners:</b>											
<i>Contributions and distributions</i>											
Share options lapsed	–	–	–	–	(6,013)	–	–	–	–	6,013	–
<b>Total transactions with owners</b>	–	–	–	–	(6,013)	–	–	–	–	6,013	–
As at 31st March 2018	45,077	133,249	8,668	234,621	63,426	–	37,676	18,835	86,033	1,781,697	2,409,282

## NOTES:

### 1. Basis of preparation

The Group's unaudited condensed consolidated financial statements for the three months ended 31st March 2019 have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2018. They have been prepared on the historical cost basis, except for investment properties and financial assets and liabilities at fair value through profit or loss, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31st December 2018, except for the adoption of the new/ revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1st January 2019 as described below.

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of these amendments to HKFRSs, except for HKFRS 16, did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.



## 1. **Basis of preparation** *(Continued)*

### ***HKFRS 16: Leases***

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

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1st January 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. No reclassification and adjustment arising from the new leasing standard was recognised in the opening balance on 1st January 2019 as the effect on the financial results and financial position of the Group was insignificant.

On the first adoption of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with remaining lease term of less than 12 months as at 1st January 2019 as short-term leases;
- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

## 1. **Basis of preparation** (Continued)

### **HKFRS 16: Leases** (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liabilities was measured at the present value of the remaining minimum lease payments, discounted using the Group's incremental borrowing rates as of 1st January 2019, with the relevant interest charged to profit or loss over the lease period. The Group applied single discount rate to a portfolio of leases with reasonably similar characteristics in Hong Kong and the People's Republic of China (the "PRC"). The weighted average incremental borrowing rates applied to the lease liabilities in Hong Kong and the PRC on 1st January 2019 were 2.65% and 5.58% respectively. The right-of-use assets were recognised at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets were depreciated over the lease period on a straight-line basis. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the three months ended 31st March 2019 was approximately HK\$38,000 and HK\$529,000 respectively. The operating lease expenses on leases with remaining lease term of less than 12 months as at 1st January 2019 recognised in profit or loss during the three months ended 31st March 2019 amounted to approximately HK\$1,775,000.

## 2. **Revenue**

Revenue, 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 Group is principally engaged in sales and distribution of information home appliances and complementary products to consumer markets.

## 3. Other revenue and net income

	For the three months ended	
	31st March 2019 HK\$'000	2018 HK\$'000
<b>Other revenue</b>		
Dividend income from listed securities	7	324
Rental income from investment properties	9,553	9,338
Interest income calculated using the effective interest method:		
Interest income from bank deposits	1,632	2,154
Interest income from loans receivable	2,381	3,214
	<u>13,573</u>	<u>15,030</u>
<b>Other net income</b>		
Consultancy fee income	523	–
Foreign exchange (loss)/gain, net	(163)	8,823
Fair value gains/(losses) on financial assets at fair value through profit or loss	110,841	(10,124)
Fair value gains on financial liabilities at fair value through profit or loss	984	4,567
Sundry income	28	1,734
	<u>112,213</u>	<u>5,000</u>
	<u>125,786</u>	<u>20,030</u>

#### 4. Income tax expenses

The taxation charged to profit or loss represents:

	For the three months ended	
	31st March	
	2019	2018
	HK\$'000	HK\$'000
Current tax	—	—

No PRC enterprise income tax has been provided for the three months ended 31st March 2019 and 2018 as the Group did not have any assessable profit from the PRC for both periods.

No Hong Kong Profits Tax has been provided for the three months ended 31st March 2019 and 2018 as the Group did not have any assessable profit from Hong Kong for both periods.

#### 5. Earnings/(Loss) per share

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

	For the three months ended	
	31st March	
	2019	2018
	HK\$'000	HK\$'000
Profit/(Loss) attributable to owners of the Company	<b>110,328</b>	(40,122)

5. **Earnings/(Loss) per share** (Continued)

	For the three months ended	
	31st March	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for basic earnings/(loss) per share	1,803,089	1,803,089
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>1,803,089</u>	<u>1,803,089</u>
	HK\$	HK\$
Earnings/(Loss) per share:		
– Basic	0.06	(0.02)
– Diluted (Note)	<u>0.06</u>	<u>(0.02)</u>

Note:

Diluted earnings per share is the same as the basic earnings per share for the three months ended 31st March 2019 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme have an anti-dilutive effect on the basic earnings per share during the period.

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

6. **Event after the reporting period****Construction contract in respect of the internet data centre in the United States**

In April 2019, the Company's indirectly wholly-owned subsidiary, RiCloud Corp. and a United States private company entered into a construction contract at contract sum of approximately USD62,495,000 (equivalent to approximately HK\$487,459,000) in respect of construction of the Group's internet data centre (the "IDC") in the United States. Phase one of the IDC is expected to be delivered in 2019, with phase two being expected to be completed in 2020.

## RESERVES

Movements in the reserves of the Group during the three months ended 31st March 2019 (the "Period") are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (three months ended 31st March 2018: Nil).

## FINANCIAL AND BUSINESS REVIEW

The Group's information home appliances ("IHA") business is principally engaged in sales and distribution of IHA and complementary products. Products launched by the Group in the markets include high digital set-top box ("STB"), hybrid dual mode STB, Over-the-top ("OTT")/Internet Protocol Television ("IPTV") STB, and intelligent STB equipped with Android system products, etc.. During the Period, the Group's overall revenue amounted to approximately HK\$126.9 million, representing an increase of 6.8% as compared with the same period of last year. The increase in revenue is mainly due to the increase in revenue derived from the People's Republic of China (the "PRC") market as further discussed below. At the same time, the Group has outsourced the production since the second half of last year to reduce production and operating costs. The overall gross profit margin of the Group improved to 7.0% for the Period (three months ended 31st March 2018: 4.5%).

As the Hong Kong market is getting saturated, the Group's overall revenue in the Hong Kong market decreased by 6.1% to approximately HK\$20.0 million for the Period as compared with the same period of last year.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

In the overseas markets, the Group keeps maintaining good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Brazil, Russia, Spain, etc.. At the same time, the Group is actively exploring new markets in Europe. Although sales orders from some overseas customers increased for the Period, the revenue from the Australian market decreased significantly by 52.6% to approximately HK\$41.9 million as compared with the same period of last year. As a result, the overall revenue of the overseas markets for the Period decreased by 16.3% to approximately HK\$81.0 million as compared with the same period of last year.

In the PRC market, the increased sales of raw materials to outsourced producers led to the significant increase in the overall revenue in the PRC market to approximately HK\$25.9 million for the Period (three months ended 31st March 2018: approximately HK\$0.8 million).

Despite an increase in the Group's overall revenue, the Group's distribution and selling expenses for the Period decreased by 40.0% to approximately HK\$2.2 million as compared with the same period of last year. At the same time, the Group's general and administrative expenses also decreased by 18.0% to approximately HK\$18.7 million for the Period. Moreover, no convertible bond was issued and outstanding during the Period. As a result, no imputed interest expenses were recorded for the Period (three months ended 31st March 2018: approximately HK\$33.3 million), which caused the finance costs of the Group decreased significantly to approximately HK\$1.9 million for the Period (three months ended 31st March 2018: approximately HK\$36.6 million).

The Group's other revenue and net income increased significantly to approximately HK\$125.8 million for the Period (three months ended 31st March 2018: approximately HK\$20.0 million), mainly because the Group recorded net fair value gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$111.8 million (three months ended 31st March 2018: net losses of approximately HK\$5.6 million) due to the significant rebound in the stock markets during the Period. This was also one of the major reasons for the turnaround to profit attributable to owners of the Company for the Period.

## FINANCIAL AND BUSINESS REVIEW *(Continued)*

Other operating expenses of the Group decreased to approximately HK\$1.5 million for the Period (three months ended 31st March 2018: approximately HK\$2.3 million). This decrease was mainly due to the decrease in management fees to investment fund managers as a result of the disposal of several private investment funds during the year ended 31st December 2018.

With respect to the internet data centre (“IDC”) business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services. During the Period, the Group’s rental income generated from leasing of IDC was approximately HK\$7.0 million (three months ended 31st March 2018: approximately HK\$7.4 million). In respect of the Group’s project on construction of its first IDC in the United States, it is currently entering the construction stage of which phase one is expected to be delivered in 2019 and phase two is expected to be completed in 2020. As the IDC business is still at the investing stage, the Group will continue to deploy resources in this business.

With respect to investment business, the Group made some investments in the secondary market and private investment funds during the Period. Based on the value investing strategy, the Group only selected investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment goals. Maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. During the Period, due to the significant rebound in the stock markets, the Group recognised net fair value gains on financial assets/liabilities at fair value through profit or loss of approximately HK\$111.8 million (three months ended 31st March 2018: net losses of approximately HK\$5.6 million).

As a result of the foregoing, the Group recorded profit attributable to owners of the Company of approximately HK\$110.3 million for the Period (three months ended 31st March 2018: loss attributable to owners of the Company of approximately HK\$40.1 million).



## FINANCIAL AND BUSINESS REVIEW *(Continued)*

### Significant Investments/Material Acquisitions and Disposals

The Group had no significant investment and no material acquisition or disposal during the Period.

### Key Risks and Uncertainties

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

## **FINANCIAL AND BUSINESS REVIEW** *(Continued)*

### **Environmental Policies and Performance**

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

### **Compliance with Laws and Regulations**

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

## **BUSINESS PROSPECT**

2019 is still challenging for the Group while the global economy and markets fall short of expectations and capital markets are subject to constant fluctuations, and the Group will be confronted with more severe challenges in the future. Being one of the earliest companies researching and developing in broadband STB products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products to adapt to new market opportunities, so as to maintain strong competitive edge. The Group vigorously expands the market of small and medium-sized overseas operators with an objective to increase its operating revenue and to boost the overall gross profit margin of its STB business. The Group expects its STB business to achieve a better performance in near future.

## **BUSINESS PROSPECT** *(Continued)*

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. In recent years, with economic globalisation and the implementation of China's "Belt and Road" strategy, the development of Chinese enterprises in overseas markets has accelerated significantly. The industries involved have been further expanded from traditional manufacturing industry to multimedia, games, video, mobile internet and other industries. Therefore, the overseas Chinese enterprises have strong demand for cloud computing and big data services locally. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to provide safe and reliable data centre facilities and services for renowned domestic and overseas enterprises, and by proactively expanding internationally, the Group will develop global cloud computing data centres for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region.

The Group's project on construction of its first IDC in the United States is currently entering the construction stage, with phase one being expected to be delivered in 2019 and phase two being expected to be completed in 2020. The Group will start a feasibility study for a second IDC in the United States thereafter. The Group, through preparation of the construction of its first IDC in the United States, will expand its IDC portfolio and explore new sources of revenue, so as to increase the Group's overall profitability in near future. In future, the Group will also actively cooperate with various parties in the PRC, Hong Kong and overseas markets, in order to develop into an internationally renowned and leading cloud computing enterprise in the era of big data.

The market outlook remains highly uncertain in 2019. Our management and all our staff will carry on with the spirit of dedication, diligence, passion, and entrepreneurship, focus on the objective and dare to shoulder responsibilities with assiduity and composure so as to provide customers with exquisite IHA products and high-quality IDC services "with the spirit of craftsmanship" and to create more value for shareholders and society.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the shareholders of the Company (the "Shareholders") at the special general meeting ("SGM") on 14th January 2015 (the "Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains an approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Share Option Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the Option Adoption Date and 0.61% of the total number of shares in issue as the date of this report.

On 16th January 2015, the Company offered to grant 186 eligible participants to subscribe for a total of 107,527,008 ordinary shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$2.2 per share ("Share Options"). These Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing Share Options which are outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such Share Options therefore shall be immediately vested with the consent of relevant Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested Share Options at the date of approval of removal of vesting period of the Share Options of approximately HK\$7,564,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31st December 2016. For details of the amendment of the terms of Share Options, please refer to the Company's announcement dated 18th May 2016 and the circular dated 23rd May 2016.

## SHARE OPTION SCHEME (Continued)

Details of the movements of Share Options granted to subscribe for the shares of the Company (the “Shares”) are as follows:

### For the three months ended 31st March 2019

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the Share Options					Outstanding as at 31st March 2019
				Outstanding as at 1st January 2019	Granted during the period	Reclassification of Category during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>									
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	–	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	39,998,776	–	(252,000)	–	–	39,746,776
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	920,000	–	–	–	–	920,000
<b>Other eligible participants</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	18,630,232	–	252,000	–	(2,928,000)	15,954,232
				<u>75,049,008</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,928,000)</u>	<u>72,121,008</u>
<b>Outstanding as at 31st March 2019</b>									<u>72,121,008</u>
<b>Weighted average exercise price (HK\$)</b>				<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>–</u>	<u>2.2</u>	<u>2.2</u>

## SHARE OPTION SCHEME (Continued)

For the three months ended 31st March 2018

Category	Date of grant	Exercise price per share (HK\$)	Exercisable period*	Number of shares issuable under the Share Options					Outstanding as at 31st March 2018
				Outstanding as at 1st January 2018	Granted during the period	Reclassification of Category during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>									
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	–	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	1,000,000
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	50,516,776	–	–	–	(200,000)	50,316,776
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	–	–	–	–	1,920,000
<b>Other eligible participants</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	25,934,232	–	–	–	(8,000,000)	17,934,232
				<u>93,871,008</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(8,200,000)</u>	<u>85,671,008</u>
Outstanding as at 31st March 2018									<u>85,671,008</u>
Weighted average exercise price (HK\$)				<u>2.2</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2.2</u>	<u>2.2</u>

- \* Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants are subject to vesting conditions. However, the vesting period of all existing Share Options granted to the Directors, Chief Executive Officer, continuous contract employees, suppliers of goods or services and other eligible participants which are outstanding and unvested has been removed with the approval of the Shareholders at the SGM held on 8th June 2016.

## SHARE OPTION SCHEME (Continued)

Notes:

- (i) The price of the Shares before the date of the grant of the Share Options is the closing price of the Shares as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.
- (ii) 2,928,000 (three months ended 31st March 2018: 8,200,000) Share Options were lapsed according to the terms of the Share Option Scheme during the Period.

The cost of Share Options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

Date of grant	16th January 2015
Number of shares issuable under options granted	107,527,008
Exercise price	HK\$2.2
Fair value at the date of grant	HK\$0.72 – HK\$0.75
Risk-free interest rate based on the yields of the 5-year Exchange Fund Notes	0.88%
Expected volatility <sup>#</sup>	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

<sup>#</sup> The expected volatility is based on statistical analysis of daily share prices annualised for one year immediately preceding the grant date.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated financial statements for the Period, no other Share Options were exercised subsequent to the end of the Period.

When the Share Options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

The fair value of the Share Options are subject to a number of assumptions and the limitation of the Binomial Model.

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

As at 31st March 2019, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.26%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.12%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.26%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%
Mr. Zhong Pengrong	Personal	144,000	Beneficial owner	0.01%



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

(Continued)

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

Pursuant to the Share Option Scheme adopted by the Shareholders on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the Shares, details of which as at 31st March 2019 were as follows:

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the Share Options				Outstanding as at 31st March 2019
				Outstanding as at 1st January 2019	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	1,000,000
				15,500,000	–	–	–	15,500,000

Further details regarding the Share Option Scheme are set out under the heading “Share Option Scheme” in this report.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st March 2019, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2019, the following persons (other than Directors or chief executive of the Company) have interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares	Capacity	Approximate percentage of the total issued share capital of the Company
Cloudrider Limited ("Cloudrider") (Note 1)	Corporate	450,357,200	Beneficial owner	24.98%
Lontrue Co., Ltd* (朗源股份有限公司) ("Lontrue") (Note 1)	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Honbridge Holdings Limited (Stock code: 8137) ("Honbridge") (Note 2)	Corporate	450,357,200	Person having a security interest in shares	24.98%
Hong Bridge Capital Limited ("Hong Bridge") (Note 2)	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Mr. He Xuechu (Note 2)	Personal	450,357,200	Interest of a controlled corporation	24.98%
Ms. Foo Yatyan (Note 2)	Personal	450,357,200	Interest of a controlled corporation	24.98%
Super Dragon Co., Ltd. ("Super Dragon") (Note 3)	Corporate	121,533,800	Beneficial owner	6.74%

\* for identification purposes only

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

Notes:

1. According to the disclosure forms filed by Cloudrider and Lontrue on 19th May 2016, Lontrue holds 35.65% of the equity interest of Cloudrider and is deemed to be interested in 450,357,200 shares of the Company. Mr. Li Qiang, the executive Director and chairman of the Board of the Company, is the sole shareholder and director of Capital Melody Limited, holding 32.09% of the equity interest of Cloudrider as at 31st March 2019.
2. According to the disclosure forms filed by Honbridge, Hong Bridge, Mr. He Xuechu and Ms. Foo Yatyan on 23rd September 2016, Hong Bridge holds more than one-third of the issued share capital of Honbridge and Mr. He Xuechu holds more than one-third of the issued share capital of Hong Bridge which in turn holds more than one-third of the issued share capital of Honbridge. As such, Mr. He Xuechu and Hong Bridge are deemed interested in 450,357,200 shares of the Company in which Honbridge has an interest. Ms. Foo Yatyan is deemed to be interested in 450,357,200 shares of the Company because the interests are related to the interests of spouse.
3. Mr. Zhu Weisha, a former Director, holds these shares through Super Dragon, a company in which Mr. Zhu holds the entire issued share capital and of which he is the sole director.

Save as disclosed above, as at 31st March 2019, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

## **COMPETING INTERESTS**

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

## CORPORATE GOVERNANCE

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

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

## AUDIT COMMITTEE

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

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting system, risk management, internal control systems and relationship with 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.

The Group's unaudited condensed consolidated results for the Period have been reviewed by the Audit Committee pursuant to the relevant provisions contained in the CG Code and 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 COMPANY'S LISTED SECURITIES

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. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Required Standard of Dealings during the Period.

By order of the Board

**Yuxing InfoTech Investment Holdings Limited**

**Li Qiang**

*Chairman*

Hong Kong, 8th May 2019

*As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Gao Fei, Mr. Shi Guangrong and Mr. Zhu Jiang; the independent non-executive Directors are Ms. Shen Yan, Mr. Zhong Pengrong and Ms. Dong Hairong.*