



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

2023
Interim Report



* for identification purposes only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, 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 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 SIX-MONTH PERIOD

- For the six months ended 30 June 2023, revenue of the Group was approximately HK\$35.8 million, representing a decrease of 60.2% compared with the same period of last fiscal year. The Group recorded the gross profit of approximately HK\$11.7 million for the six months ended 30 June 2023 (30 June 2022: approximately HK\$9.9 million).
- Loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK\$4.5 million (30 June 2022: approximately HK\$105.4 million).
- Basic loss per share for the six months ended 30 June 2023 was approximately HK\$0.18 cent (30 June 2022: approximately HK\$4.24 cents).
- Total equity attributable to owners of the Company as at 30 June 2023 was approximately HK\$1,808.8 million (31 December 2022: approximately HK\$1,827.2 million) or net asset value per share of approximately HK\$0.73 (31 December 2022: approximately HK\$0.73).
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

INTERIM RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months and three months ended 30 June 2023 together with the comparative figures for the same periods in 2022, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	5	23,165	60,290	35,769	89,835
Cost of sales		(13,866)	(51,417)	(24,107)	(79,960)
Gross profit		9,299	8,873	11,662	9,875
Other revenue and net (loss)/income	5	(6,132)	(40,509)	43,712	(44,339)
Distribution and selling expenses		(1,347)	(1,379)	(2,414)	(3,485)
General and administrative expenses		(43,212)	(22,876)	(75,932)	(44,524)
Reversal of write-down/ (Write-down) of cryptocurrencies	7	22,593	(21,401)	22,593	(21,401)
Other operating expenses		(11)	(437)	(1,033)	(561)
Net changes in fair value of investment properties		(1,991)	2,716	(1,991)	2,716
Loss on disposal of a subsidiary	22	-	(1,696)	-	(1,696)
Loss from operations		(20,801)	(76,709)	(3,403)	(103,415)
Finance costs	6	(150)	(591)	(324)	(1,228)
Loss before tax	7	(20,951)	(77,300)	(3,727)	(104,643)
Income tax expenses	8	(537)	(301)	(1,368)	(1,242)
Loss for the period		(21,488)	(77,601)	(5,095)	(105,885)
Loss attributable to:					
Owners of the Company		(21,266)	(77,168)	(4,508)	(105,372)
Non-controlling interests		(222)	(433)	(587)	(513)
		(21,488)	(77,601)	(5,095)	(105,885)
Loss per share	10				
- Basic		(0.85) cent	(3.10) cents	(0.18) cent	(4.24) cents
- Diluted		(0.85) cent	(3.10) cents	(0.18) cent	(4.24) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(21,488)	(77,601)	(5,095)	(105,885)
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	(2,076)	61,455	(2,076)	61,455
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of the PRC subsidiaries	(16,361)	(30,678)	(11,790)	(26,833)
Release of translation reserves upon disposal of a subsidiary	–	1,696	–	1,696
Total other comprehensive (loss)/income for the period	(18,437)	32,473	(13,866)	36,318
Total comprehensive loss for the period	(39,925)	(45,128)	(18,961)	(69,567)
Total comprehensive loss attributable to:				
Owners of the Company	(39,703)	(44,695)	(18,374)	(69,054)
Non-controlling interests	(222)	(433)	(587)	(513)
	(39,925)	(45,128)	(18,961)	(69,567)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
	<i>Note</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Investment properties		107,681	934,696
Property, plant and equipment		166,217	179,522
Right-of-use assets		72,620	74,402
Intangible assets	11	32,318	48,686
Deposits paid	12	18,640	33,459
Prepayment for construction	12	17,995	648
Financial assets at fair value through profit or loss	13	121,397	113,160
		536,868	1,384,573
CURRENT ASSETS			
Cryptocurrencies	15	96,840	61,967
Inventories		18,110	16,897
Loans receivable	16	102,686	103,180
Trade and other receivables	12	380,011	423,581
Financial assets at fair value through profit or loss	13	111,520	87,001
Income tax recoverable		550	567
Pledged bank deposits		200	200
Cash and bank balances		88,520	177,089
		798,437	870,482
Assets classified as held-for-sale	17	850,200	-
		1,648,637	870,482

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and other payables	18	309,299	361,037
Dividend payables		31	31
Bank and other loans	19	12,316	12,888
Lease liabilities		3,053	2,145
		324,699	376,101
NET CURRENT ASSETS			
		1,323,938	494,381
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,860,806	1,878,954
NON-CURRENT LIABILITIES			
Deferred tax liabilities		42,661	43,146
Income tax payable		10,088	8,532
Lease liabilities		1,077	1,339
		53,826	53,017
NET ASSETS			
		1,806,980	1,825,937
EQUITY			
Share capital	20	62,193	62,193
Reserves		1,746,594	1,764,966
Equity attributable to owners of the Company		1,808,787	1,827,159
Non-controlling interests		(1,807)	(1,222)
TOTAL EQUITY			
		1,806,980	1,825,937

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Attributable to owners of the Company											
		Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2023		62,193	280,057	8,668	234,621	-	84,992	16,136	4,201	1,136,291	1,827,159	(1,222)	1,825,937
Loss for the period		-	-	-	-	-	-	-	-	(4,508)	(4,508)	(587)	(5,095)
Other comprehensive loss:													
Revaluation of property, plant and equipment upon transfer to investment properties							(2,076)				(2,076)		(2,076)
- Loss on revaluation													
Exchange differences arising on translation of the PRC subsidiaries								(11,790)			(11,790)		(11,790)
Total other comprehensive loss							(2,076)	(11,790)			(13,866)		(13,866)
Total comprehensive loss for the period							(2,076)	(11,790)		(4,508)	(18,374)	(587)	(18,961)
Transactions with owners:													
<i>Change in ownership interest</i>									2		2	2	4
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 23)													
Total transactions with owners									2		2	2	4
As at 30 June 2023		62,193	280,057	8,668	234,621	-	82,916	4,346	4,203	1,131,783	1,808,787	(1,807)	1,806,980

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	-	-	-	-	(105,372)	(105,372)	(513)	(105,885)
Other comprehensive income:												
Revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	-	61,455	-	-	-	61,455	-	61,455
- Gain on revaluation	-	-	-	-	-	-	(26,833)	-	-	(26,833)	-	(26,833)
Exchange differences arising on translation of the PRC subsidiaries	-	-	-	-	-	-	(26,833)	-	-	(26,833)	-	(26,833)
Release of translation reserves upon disposal of a subsidiary (note 22)	-	-	-	-	-	-	1,696	-	-	1,696	-	1,696
Total other comprehensive income	-	-	-	-	-	61,455	(25,137)	-	(105,372)	(69,054)	(513)	(69,567)
Total comprehensive loss for the period	-	-	-	-	-	61,455	(25,137)	-	(105,372)	(69,054)	(513)	(69,567)
As at 30 June 2022	62,193	280,057	8,668	234,621	8,948	87,568	28,875	4,201	1,312,089	2,027,220	(6,570)	2,020,650

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
Cash used in operations		(42,561)	(112,238)
Income tax refund/(paid), net		188	(498)
Net cash used in operating activities		(42,373)	(112,736)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(31,225)	(35,700)
Net deposits paid for acquisition of investment properties		–	(14,687)
(Increase)/Decrease in prepayment for construction		(17,347)	456
Interest received		4,401	412
Grant of new loans receivable		(4,338)	(400)
Repayment of loans receivable		4,338	–
Dividend received		434	239
Net cash inflow on disposal of a subsidiary		–	151,247
Net cash (used in)/generated from investing activities		(43,737)	101,567
FINANCING ACTIVITIES			
Principal elements of lease payments		(1,388)	(3,771)
Repayment of bank loans		–	(6,255)
Interest paid		(324)	(1,228)
Net cash used in from financing activities		(1,712)	(11,254)
Net decrease in cash and cash equivalents		(87,822)	(22,423)
Cash and cash equivalents at beginning of reporting period		177,289	344,361
Effect of foreign exchange rate changes		(747)	(2,346)
Cash and cash equivalents at end of reporting period		88,720	319,592
Analysis of the balances of cash and cash equivalents:			
– Cash and bank balances		88,520	319,392
– Pledged bank deposits with maturity less than three months		200	200
		88,720	319,592

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the GEM Listing Rules. These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. They have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2023 as described below.

Amendments to HKAS 1
Amendments to HKAS 8
Amendments to HKAS 12

HKFRS 17
Amendments to HKFRS 17

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

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

3. Fair value measurements

In the opinion of the Directors, the carrying amounts of financial assets approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these unaudited condensed consolidated interim financial statements on a recurring basis at 30 June 2023 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

Assets measured at fair value on a recurring basis

		As at 30 June 2023			
	Carrying Amount	Level 1	Level 2	Level 3	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Investment properties	107,681	–	79,957	27,724	
Financial assets at fair value through profit or loss	13 232,917	104,308	15,582	113,027	
Assets classified as held-for-sale	17 850,200	–	–	850,200	

		As at 31 December 2022			
	Carrying Amount	Level 1	Level 2	Level 3	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Investment properties	934,696	–	84,496	850,200	
Financial assets at fair value through profit or loss	13 200,161	79,789	16,429	103,943	

During the six months ended 30 June 2023, the investment property situated in the United States is expected to be disposed of within the next twelve months. Therefore, it has been reclassified as assets held-for-sale. Such investment property was classified as Level 3 fair value measurements, upon transferring to assets classified as held-for-sale.

During the six months ended 30 June 2023 and 2022, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 fair value measurements.

Valuation techniques and inputs in Level 2 fair value measurement

(a) *Investment properties situated in the People's Republic of China (the "PRC")*

One of the investment properties situated in the PRC of approximately HK\$79,957,000 (31 December 2022: approximately HK\$84,496,000) were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach.

(b) *Financial assets at fair value through profit or loss: Unlisted equity securities outside Hong Kong*

Included in financial assets at fair value through profit or loss are equity securities delisted from the New York Stock Exchange amounted to approximately HK\$15,582,000 (31 December 2022: approximately HK\$16,429,000). The fair value of the equity securities is based on the price quoted by the investment manager with reference to quoted price on trading platform.

Movements in Level 3 fair value measurements

The details of the movements of the recurring fair value measurements categorised as Level 3 for the six months ended 30 June 2023 and 2022 are shown as follows:

	Investment properties	Financial assets at fair value through profit or loss	Assets classified as held-for-sale
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2023	850,200	103,943	–
Additions	27,724	–	–
Net changes in fair value recognised in profit or loss	–	9,084	–
Transfer to assets classified as held-for-sale	(850,200)	–	850,200
As at 30 June 2023	27,724	113,027	850,200

	Investment properties HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Assets classified as held-for-sale HK\$'000
As at 1 January 2022	–	174,290	–
Transfer from property, plant and equipment	796,848	–	–
Net changes in fair value recognised in profit or loss	–	(33,081)	–
As at 30 June 2022	<u>796,848</u>	<u>141,209</u>	<u>–</u>

Valuation techniques and inputs in Level 3 fair value measurement

(a) Investment properties situated in the PRC

One of the investment properties situated in the PRC of approximately HK\$27,724,000 was acquired by the Group on 20 March 2023. It was estimated by the Directors using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 6.00%. In the opinion of the Directors, the change in the fair value of the investment properties during the period from acquisition date to 30 June 2023 did not have material impact to the results of the Group.

(b) *Financial assets at fair value through profit or loss: Unlisted equity securities*

The fair value of one of the unlisted equity securities without an active market classified in Level 3 was valued by Fairdex Valuation Advisory Limited (30 June 2022: Fairdex Valuation Advisory Limited), an independent professional qualified valuer, using direct comparison approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the enterprise-value-to-revenue ratio of 12.392 (30 June 2022: 10.868).

As at 30 June 2023, if the expected enterprise-value-to-revenue ratio had been 10% (30 June 2022: 10%) higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$11,149,000 respectively (30 June 2022: approximately HK\$14,659,000).

The fair value of another unlisted equity securities without an active market classified in Level 3 was stated at fair value as at 30 June 2023 was valued by Peak Vision Appraisals Limited (30 June 2022: as estimated by the Directors with reference to the valuation provided by Peak Vision Appraisals Limited performed on 31 December 2021), an independent professional qualified valuer, using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 18.70% (30 June 2022: 17.64%).

As at 30 June 2023, if the expected discount rate had been 10% (30 June 2022: 10%) higher/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK\$20,531,000 or decreased by approximately HK\$27,965,000 respectively (30 June 2022: increased by approximately HK\$18,580,000 or decreased by approximately HK\$25,207,000 respectively).

The fair value of another unlisted equity securities without an active market classified as in Level 3 was estimated by the Directors with reference to the valuation provided by Peak Vision Appraisals Limited (30 June 2022: Nil), an independent professional qualified valuer, which was performed on 31 December 2022 using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 19.28% (30 June 2022: Nil). In the opinion of the Directors, the change in fair value of the unlisted equity securities during the period from 31 December 2022 to 30 June 2023 did not have material impact to the results of the Group.

As at 30 June 2023, if the expected discount rate had been 10% (30 June 2022: Nil) high/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK\$1,193,000 or decreased by approximately HK\$1,500,000 respectively (30 June 2022: Nil).

(c) *Financial assets at fair value through profit or loss: Contingent consideration receivable*

The fair value of contingent consideration receivable classified as Level 3 is derived from the estimated cash consideration to be received by the Group from disposal of a subsidiary in 2021 estimated by the management of the Group with reference to the up-to-date progress of the relevant reconstruction registration with unobservable inputs. The significant unobservable input used in fair value measurement is the weighted distribution of the possible outcomes of 50% (30 June 2022: 50%). In the opinion of the Directors, the change in fair value of the contingent consideration receivable during the period from 31 December 2022 to 30 June 2023 did not have material impact to the results of the Group.

As at 30 June 2023, if the expected weighted distribution of the possible outcomes has been 10% (30 June 2022: 10%) higher/lower while other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$14,424,000 respectively (30 June 2022: approximately HK\$14,424,000).

(d) *Assets classified as held-for-sale situated in the United States*

The fair value of investment property situated in the United States transferred from property, plant and equipment of approximately HK\$796,858,000 on 31 May 2022 was revalued Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach with unobservable inputs. The significant unobservable input used in fair value measurement at 31 May 2022 is the average adjusted unit price on gross floor area of US\$1,279 per square feet. Such investment property was revalued by Roma Appraisals Limited on the market value basis using direct comparison approach with unobservable inputs on 30 April 2023. The significant unobservable input used in fair value measurement at 30 April 2023 is the average adjusted unit price on gross floor area of US\$1,360 per square feet. The investment properties were re-classified as assets held-for-sale during the reporting period. In the opinion of the Directors, the change in fair value of the Group's assets classified as held-for-sale situated in the United States during the period from 30 April 2023 to 30 June 2023 did not have material impact to the results of the Group.

As at 30 June 2023, if the overall adjustments on asking factor has been 5% (30 June 2022: 5%) higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK\$30,241,000 respectively (30 June 2022: approximately HK\$30,241,000).

4. Segment information

Information reported to executive Directors and chief executive officer of the Company, being the chief operating decision-makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable segments under HKFRS 8 are as follows:

- IHA: Sales and distribution of IHA and complementary products and provision of ancillary services
- IDC: Development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC and facilities used in IDC
- Investing: Investing in digital assets and financial instruments
- Leasing: Leasing out of properties

Other operations segment of the Group mainly consists of trading of miscellaneous goods, office and smart-home living solution services and cloud-based services.

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 income and administrative costs and the basis of preparing such information is consistent with that of the unaudited condensed consolidated interim 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, reversal of write-down/(write-down) of cryptocurrencies, net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

For the six months ended 30 June 2023:

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE	24,122	11,535	-	-	112	-	35,769
OTHER REVENUE AND NET (LOSS)/INCOME	(851)	-	35,498	4,181	21	(15)	38,834
REVERSAL OF WRITE-DOWN OF CRYPTOCURRENCIES	-	-	22,593	-	-	-	22,593
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	-	-	-	(1,991)	-	-	(1,991)
Segment revenue	<u>23,271</u>	<u>11,535</u>	<u>58,091</u>	<u>2,190</u>	<u>133</u>	<u>(15)</u>	<u>95,205</u>
RESULTS							
Segment results	<u>(6,023)</u>	<u>(2,087)</u>	<u>41,551</u>	<u>(129)</u>	<u>(10,421)</u>	-	22,891
Unallocated corporate income							4,225
Interest income from bank deposits							653
Other unallocated corporate expenses							<u>(31,172)</u>
Loss from operations							<u>(3,403)</u>
Finance costs							<u>(324)</u>
Loss before tax							<u>(3,727)</u>
Income tax expenses							<u>(1,368)</u>
Loss for the period							<u>(5,095)</u>

For the six months ended 30 June 2022:

	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE	82,835	7,000	-	-	-	-	89,835
OTHER REVENUE AND NET (LOSS)/INCOME	(968)	-	(64,259)	4,908	97	(28)	(60,250)
WRITE-DOWN OF CRYPTOCURRENCIES	-	-	(21,401)	-	-	-	(21,401)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	-	-	-	2,716	-	-	2,716
Segment revenue	<u>81,867</u>	<u>7,000</u>	<u>(85,660)</u>	<u>7,624</u>	<u>97</u>	<u>(28)</u>	<u>10,900</u>
RESULTS							
Segment results	<u>(9,848)</u>	<u>(3,903)</u>	<u>(87,153)</u>	<u>5,644</u>	<u>(5,340)</u>	<u>-</u>	(100,600)
Unallocated corporate income							15,499
Interest income from bank deposits							412
Loss on disposal of a subsidiary							(1,696)
Other unallocated corporate expenses							<u>(17,030)</u>
Loss from operations							(103,415)
Finance costs							<u>(1,228)</u>
Loss before tax							(104,643)
Income tax expenses							<u>(1,242)</u>
Loss for the period							<u>(105,885)</u>

Segment assets and liabilities

The following table presents segments assets and liabilities of the Group's business segments as at 30 June 2023 and 31 December 2022:

As at 30 June 2023:

	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	58,122	93,757	472,883	146,198	218,197	-	989,157
Assets classified as held-for-sale	-	850,200	-	-	-	-	850,200
Unallocated corporate assets						346,148	346,148
Consolidated total assets							<u>2,185,505</u>
LIABILITIES							
Segment liabilities	46,532	57,938	123,875	18,825	1,090	-	248,260
Unallocated corporate liabilities						130,265	130,265
Consolidated total liabilities							<u>378,525</u>

As at 31 December 2022:

	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	117,373	937,335	422,234	133,099	232,271	-	1,842,312
Unallocated corporate assets						412,743	412,743
Consolidated total assets							<u>2,255,055</u>
LIABILITIES							
Segment liabilities	94,751	53,741	124,101	19,256	124,715	-	416,564
Unallocated corporate liabilities						12,554	12,554
Consolidated total liabilities							<u>429,118</u>

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia, the United States and other overseas markets.

The following table sets out information about the geographical location of (a) the Group's revenue; 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 other revenue and net (loss)/income is based on the location at which other revenue and net (loss)/income is generated.

(a) Revenue

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
The PRC	9,777	34,881
Hong Kong	9,823	27,255
Australia	8,497	19,017
The United States	2,535	–
Other overseas markets	5,137	8,682
	<u>35,769</u>	<u>89,835</u>

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

	Six months ended 30 June 2023					Consolidated HK\$'000
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	(489)	–	728	4,166	21	4,426
Hong Kong	(362)	–	34,770	–	–	34,408
	<u>(851)</u>	<u>–</u>	<u>35,498</u>	<u>4,166</u>	<u>21</u>	<u>38,834</u>

	Six months ended 30 June 2022					Consolidated HK\$'000
	IHA HK\$'000	IDC HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	(737)	–	378	4,844	97	4,582
Hong Kong	(231)	–	(64,637)	36	–	(64,832)
	<u>(968)</u>	<u>–</u>	<u>(64,259)</u>	<u>4,880</u>	<u>97</u>	<u>(60,250)</u>

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
<i>Revenue recognised at a point in time under HKFRS 15:</i>				
IHA:				
Sale of goods	15,521	55,510	24,125	82,055
Ancillary service income	109	780	109	780
IDC:				
Rental income from IDC properties and facilities	7,535	4,000	11,535	7,000
	<u>23,165</u>	<u>60,290</u>	<u>35,769</u>	<u>89,835</u>
Other revenue				
Dividend income from listed securities	392	239	434	239
Rental income from investment properties	2,090	2,384	4,203	4,682
Interest income calculated using the effective interest method:				
Interest income from bank deposits	183	252	653	412
Interest income from loans receivable	1,883	3,876	3,748	7,791
	<u>4,548</u>	<u>6,751</u>	<u>9,038</u>	<u>13,124</u>
Other net (loss)/income				
Foreign exchange (losses)/gains, net	(659)	6,480	(273)	6,117
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(10,184)	(53,927)	34,759	(64,740)
Loss on disposal of property, plant and equipment	(26)	(2)	(26)	(2)
Gain/(Loss) on utilisation of cryptocurrencies	1	(3)	(9)	726
Government subsidies	-	160	-	160
Sundry income	188	32	223	276
	<u>(10,680)</u>	<u>(47,260)</u>	<u>34,674</u>	<u>(57,463)</u>
	<u>(6,132)</u>	<u>(40,509)</u>	<u>43,712</u>	<u>(44,339)</u>

6. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowing costs for bank and other loans	106	510	240	1,045
Imputed interest expenses on lease liabilities	44	81	84	183
	<u>150</u>	<u>591</u>	<u>324</u>	<u>1,228</u>

7. Loss before tax

Loss before tax has been arrived at after charging/(crediting) the following items:

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Reversal of write-down)/Write-down of cryptocurrencies	(22,593)	21,401	(22,593)	21,401
(Reversal of write-down)/Write-down of inventories, net	(317)	160	(64)	160
Amortisation of intangible assets	8,079	9,073	16,368	18,146
– Allocated to cost of cryptocurrencies	–	(9,073)	–	(18,146)
Depreciation of right-of-use assets	1,724	2,793	3,598	5,612
Depreciation of property, plant and equipment (<i>Note</i>)	8,959	4,878	17,913	6,960
– Allocated to cost of cryptocurrencies	(6,749)	(2,747)	(13,498)	(2,747)
	<u>(22,593)</u>	<u>21,401</u>	<u>(22,593)</u>	<u>21,401</u>

Note:

Depreciation of property, plant and equipment for the six months and three months ended 30 June 2023 included depreciation of IDC facilities of approximately HK\$3,615,000 and HK\$1,807,000 respectively (30 June 2022: approximately HK\$3,615,000 and HK\$1,807,000 respectively) recognised as cost of sales for the periods.

8. Income tax expenses

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax (credit)/expenses				
PRC corporate income tax	(245)	301	(188)	498
Overseas withholding tax	782	–	1,556	744
	<u>537</u>	<u>301</u>	<u>1,368</u>	<u>1,242</u>

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

The income tax provision in respect of operations in the PRC is calculated at the corporate income tax (“CIT”) rate of 25% on the estimated assessable profits for the six months and three months ended 30 June 2023 and 2022 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as “Small-Scale and Low-Profit Enterprises” which are charged at the effective preferential CIT rates of 5% (30 June 2022: 2.5% or 5% respectively) on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for the six months and three months ended 30 June 2023.

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

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

9. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

10. Loss per share

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Loss attributable to owners of the Company	<u>(21,266)</u>	<u>(77,168)</u>	<u>(4,508)</u>	<u>(105,372)</u>
	'000	'000	'000	'000
Issued ordinary shares at 1 January	–	–	2,487,705	2,487,705
Issued ordinary shares at 1 April	<u>2,487,705</u>	<u>2,487,705</u>	–	–
Weighted average number of ordinary shares for basic loss per share	2,487,705	2,487,705	2,487,705	2,487,705
Weighted average number of ordinary shares for diluted loss per share	<u>2,487,705</u>	<u>2,487,705</u>	<u>2,487,705</u>	<u>2,487,705</u>
Loss per share:				
– Basic	<u>(0.85) cent</u>	(3.10) cents	<u>(0.18) cent</u>	(4.24) cents
– Diluted (Note)	<u>(0.85) cent</u>	(3.10) cents	<u>(0.18) cent</u>	(4.24) cents

Note:

Diluted loss per share was the same as the basic loss per share as the Company did not have potential dilutive ordinary shares for the six months ended 30 June 2023 and the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share for the six months ended 30 June 2022.

11. Intangible assets

The intangible assets represented the hash-rate capacity for cryptocurrencies mining which enabling the Group to mine the Ethereum (being a mainstream cryptocurrency based on market value) for a contractual term of three years. The hash-rate capacity is initially measured at cost and amortised over three years using the straight-line method.

	Hash-rate capacity HK\$'000
Reconciliation of carrying amount – year ended 31 December 2022	
At beginning of the reporting period	87,907
Additions	209
Amortisation	(36,292)
Impairment loss	(3,138)
	<hr/>
At end of the reporting period	48,686 <hr/> <hr/>
Reconciliation of carrying amount – period ended 30 June 2023	
At beginning of the reporting period	48,686
Amortisation	(16,368)
	<hr/>
At end of the reporting period	32,318 <hr/> <hr/>
As at 31 December 2022	
Cost	109,085
Accumulated amortisation and impairment losses	(60,399)
	<hr/>
	48,686 <hr/> <hr/>
As at 30 June 2023	
Cost	109,085
Accumulated amortisation and impairment losses	(76,767)
	<hr/>
	32,318 <hr/> <hr/>

12. Trade and other receivables and prepayment for construction

	Note	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables		38,127	91,585
Less: Loss allowance		(15)	(15)
	(a)	38,112	91,570
Receivables from disposal of a subsidiary	(b)	257	257
Earnest money paid for acquisition of intangible assets	(c)	61,822	63,808
Deposit paid for acquisition of investment property	(d)	–	26,793
Other receivables, net of loss allowance		6,427	3,612
Prepayments and deposits	(e)	292,033	271,000
Prepayment for construction	(f)	17,995	648
		<u>416,646</u>	<u>457,688</u>
Current portion		380,011	423,581
Non-current portion		36,635	34,107
		<u>416,646</u>	<u>457,688</u>

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:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0–30 days	13,676	42,238
31–60 days	4,569	20,100
61–90 days	1,333	7,790
Over 90 days	18,534	21,442
	<u>38,112</u>	<u>91,570</u>

- (b) Receivables from disposal of a subsidiary comprised cash consideration of approximately US\$33,000 (equivalent to approximately HK\$257,000) (31 December 2022: approximately US\$33,000 (equivalent to approximately HK\$257,000)) receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed Technology Co., Ltd. (“Shanghai Indeed”).
- (c) Earnest money of RMB57,000,000 (equivalent to approximately HK\$61,822,000) (31 December 2022: RMB57,000,000 (equivalent to approximately HK\$63,808,000)) was paid for the procurement of hash-rate capacity which was recognised as intangible assets (note 11) of the Group as at 30 June 2023. The earnest money will be refunded to the Group upon settlement of the remaining outstanding payables for the procurement of hash-rate capacity (note 18(b)(i)).
- (d) On 31 May 2022, an indirect wholly-owned subsidiary of the Company, Meishan Yurui Shengda Pharmaceutical Service Co., Ltd* (眉山裕睿盛達醫藥服務有限公司) and Meishan Pharmacy World Entrepreneurship Incubator Co., Ltd* (眉山藥行天下創業孵化器有限公司), an independent third party, entered into an agreement to acquire a property located in the PRC at a consideration of approximately RMB24,675,000. As at 31 December 2022, approximately RMB23,932,000 (equivalent to approximately HK\$26,793,000) was paid to Meishan Pharmacy World Entrepreneurship Incubator Co., Ltd* and recognised as prepayment under non-current assets. On 20 March 2023, the Group had completed the acquisition of the property upon obtaining the registration certificate and the property is recognised as an investment property under non-current assets in the unaudited condensed consolidated interim financial statements.
- (e) As at 30 June 2023, a total sum of approximately RMB190,082,000 (equivalent to approximately HK\$206,162,000) (31 December 2022: approximately RMB190,082,000 (equivalent to approximately HK\$212,786,000)) 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\$119,306,000) (31 December 2022: RMB110,000,000 (equivalent to approximately HK\$123,139,000)) 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 18(b)(iii)). The Group partially terminated the purchase of cryptocurrency mining machines and the trading deposits of approximately RMB49,977,000 (equivalent to approximately HK\$55,946,000) will be refunded to the Group before December 2023 in accordance with the termination agreement signed with Zhongda Bocheng. For the remaining prepayments of approximately RMB140,105,000 (equivalent to approximately HK\$156,840,000), the Group and Zhongda Bocheng entered into an extension agreement to extend the delivery of the cryptocurrency machines to December 2023.

* For identification purposes only

The Group and an independent third party (the "Vendor"), entered into a corporation agreement for a global sale project during the year ended 31 December 2022. As at 30 June 2023, the Group had paid approximately USD3,200,000 (equivalent to approximately HK\$29,496,000) (31 December 2022: USD3,200,000 (equivalent to approximately HK\$29,496,000)) as earnest money for the project (the "Earnest Money"). On 21 November 2022, the Group and the Vendor entered into a share charge agreement pursuant to which the Vendor has agreed to secure the Earnest Money with the interest of its wholly-owned subsidiary.

- (f) 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 30 June 2023, the Group maintained approximately US\$83,000 (equivalent to approximately HK\$648,000) (31 December 2022: approximately US\$83,000 (equivalent to approximately HK\$648,000)) in the escrow account.

The remaining prepayment for construction is related to the construction of investment property situated in Meishan City, Sichuan Province of approximately RMB15,994,000 (equivalent to approximately HK\$17,347,000) (31 December 2022: Nil).

13. Financial assets at fair value through profit or loss

		30 June 2023	31 December 2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Equity securities listed in Hong Kong	(a)	61,666	58,165
Equity securities listed outside Hong Kong	(a)	42,642	20,304
Money market funds	(a)	–	1,320
Unlisted equity securities	(b)	121,397	113,160
Contingent consideration receivable from disposal of a subsidiary	(c)	7,212	7,212
		232,917	200,161
Current portion		111,520	87,001
Non-current portion		121,397	113,160
		232,917	200,161

Notes:

- (a) The fair value of listed equity securities and money market funds are based on quoted market prices in active markets at the end of the reporting period.
- (b) The investments in unlisted equity securities of companies incorporated in the Cayman Islands and Hong Kong of approximately HK\$105,815,000 (31 December 2022: approximately HK\$96,731,000) are not held for trading. The valuation techniques and inputs applied for fair value measurement have been disclosed in note 3.

As at 30 June 2023, the fair value of equity securities delisted from the New York Stock Exchange but traded actively in the Over-the-Counter market in the United States amounted to approximately HK\$15,582,000 (31 December 2022: approximately HK\$16,429,000) is based on the price quoted by the investment manager with reference to quoted price on trading platform. The fair value measurement has been disclosed in note 3.

- (c) Fair value of contingent consideration receivable from disposal of a subsidiary of approximately HK\$7,212,000 (31 December 2022: approximately HK\$7,212,000) are receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed.

14. Investment portfolio

The Group's ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 30 June 2023 and 31 December 2022 with brief description of the investee companies are as follows:

As at 30 June 2023

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK\$'000	Fair value HK\$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 30 June 2023 HK\$'000	Net gain/(loss) for the six months ended 30 June 2023 HK\$'000	Dividend received during the six months ended 30 June 2023 HK\$'000	Classification of financial assets
	Listed equity securities									
0700	Tencent Holdings Limited		125,100	*	36,977	40,124	3,147	(2,763)	312	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	20,094	(38,301)	5,185	-	FVPL
AAPL	Apple Inc.		15,600	*	24,416	35,403	10,927	11,474	73	FVPL
CMG.L	China Nonferrous Gold Ltd.		7,070,134	1.85%	21,707	1,126	(20,581)	(829)	-	FVPL
LU	Lufax Holding Ltd (American depositing shares)		90,000	0.01%	9,427	1,009	(8,418)	(368)	32	FVPL
TSLA	Tesla		2,500	*	2,498	5,105	2,667	2,667	-	FVPL
	Unlisted equity securities									
	APAL Holdings Limited ("APAL")	(a)	100,000,000	9.47%	78,000	44,833	(33,167)	5,780	-	FVPL
	DDI Global Inc. ("DDI")	(b)	662,600	-	12,729	15,582	2,853	(847)	-	FVPL
	(American depositary shares)	(c)	555,556	10%	11,800	10,362	(1,438)	-	-	FVPL
	HK Zxoud Limited ("Zxoud")	(d)	918	8.41%	48,000	50,620	2,620	3,304	-	FVPL
	Profound View Group ("Profound")									

The above investments represented in aggregate over 95% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 30 June 2023.

* The effective shareholding interest is below 0.01%.

As at 31 December 2022

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK\$ '000	Fair value HK\$ '000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 31 December 2022 HK\$ '000	Net gain/(loss) for the year ended 31 December 2022 HK\$ '000	Dividend received for the year ended 31 December 2022 HK\$ '000	Classification of financial assets
	Listed equity securities									
0700	Percent Holdings Limited		125,100	*	35,873	41,783	5,910	5,910	-	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	14,908	(43,487)	(648)	-	FVPL
AAPL	Apple Inc.		15,600	*	16,357	15,810	(547)	(547)	-	FVPL
CNG.L	China Nonferrous Gold Ltd.		7,070,134	1.85%	21,707	1,955	(19,752)	(3,243)	-	FVPL
LU	Luxa Holding Ltd (American depositary shares)		90,000	0.05%	9,427	1,377	(8,050)	(2,574)	358	FVPL
TSM	Taiwan Semiconductor Manufacturing Company		2,000	*	1,170	1,162	(8)	(8)	-	FVPL
	Unlisted equity securities									
	APAL	(a)	100,000,000	9.47%	78,000	39,053	(38,947)	(15,069)	-	FVPL
	DDI (American depositary shares)	(b)	662,600	-	12,729	16,429	3,700	3,700	-	FVPL
	Zoud	(c)	555,556	10%	11,800	10,362	(1,438)	(1,438)	-	FVPL
	Prolound	(d)	918	8.41%	48,000	47,316	(684)	(731)	-	FVPL

The above investments represented in aggregate over 95% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 31 December 2022.

* The effective shareholding interest is below 0.01%.

Notes:

- (a) APAL is an exempt company incorporated in the Cayman Islands with limited liability. APAL and its subsidiaries are principally engaged in the business of global aircraft leasing, aircraft trading, securitised aircraft leasing financial products, aircraft parts trading, maintenance of aircraft, dismantling aircraft and other related consulting services. As at 30 June 2023, the fair value of the entire unlisted equity securities is approximately HK\$473,444,000 (31 December 2022: approximately HK\$412,405,000) by reference to the valuation provided by an independent professional qualified valuer using direct comparison approach with unobservable inputs.
- (b) DiDi was delisted from the New York Stock Exchange in June 2022 and its shares are traded at Over-the-Counter market in the United States after the delisting. The Group received 178,600 shares of DiDi from the Altive Fund in March 2022 upon redemption. The other shares were acquired in the open market before delisting. As at 30 June 2023, 662,600 shares of DiDi at fair value of approximately HK\$15,582,000 (31 December 2022: approximately HK\$16,429,000) were held by the Group.
- (c) Zxoud is a company incorporated in Hong Kong with limited liability. Zxoud and its subsidiaries are principally engaged in the business of developing cloud-based codec technology and distributed storage technology. As at 30 June 2023, the fair value of the entire unlisted equity securities as estimated by the Directors is approximately RMB112,750,000 (equivalent to approximately HK\$126,217,000) (31 December 2022: approximately RMB112,750,000 (equivalent to approximately HK\$126,217,000)) by reference to the valuation provided by an independent professional qualified valuer, which was performed on 31 December 2022 using income approach with unobservable inputs.
- (d) Profound is a company incorporated in the Cayman Islands with limited liability. Profound and its subsidiaries are principally engaged in the business of biotechnology and new drug research and development. As at 30 June 2023, the fair value of the entire unlisted equity securities is approximately RMB510,300,000 (equivalent to approximately HK\$602,124,000) (31 December 2022: approximately RMB476,200,000 (equivalent to approximately HK\$561,888,000)) by reference to the valuation provided by an independent professional qualified valuer using income approach with unobservable inputs.

15. Cryptocurrencies

The amounts represented the cryptocurrencies held by the Group as at the end of the reporting period.

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Mainstream:		
Ethereum	52,994	35,192
Bitcoin	43,369	25,097
USDC	477	1,678
	<u>96,840</u>	<u>61,967</u>

Note:

Cryptocurrencies held by the Group are generated from the hash-rate capacity under the intangible assets (note 11) and the cryptocurrency mining machines under property, plant and equipment, purchased from the cryptocurrency market and received from redemption of a private investment fund.

At the end of the reporting period, cryptocurrencies were stated at the lower of cost and net realisable value, except for cryptocurrencies of approximately HK\$96,363,000 (31 December 2022: approximately HK\$60,289,000) which are carried at fair value less cost to sell. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to make the sale.

16. Loans receivable

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Loans receivable from third parties	245,573	246,067
Less: Loss allowance	<u>(142,887)</u>	<u>(142,887)</u>
	<u>102,686</u>	<u>103,180</u>

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

- (a) A RMB90,000,000 loan to an independent third party borrower, which 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. In 2021, 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% owned by the Third Guarantor (the "Loan Extension").

The Loan Extension was subject to certain conditions to be fulfilled by the borrower within 45 days from the date of the Loan Extension, being 16 December 2021 (the "Conditions"), details of which are disclosed in the Company's announcement dated 16 December 2021. By the end of the 45 days, none 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 outstanding loans principal and accrued interests. On 14 February 2022, the borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. The Group continually issued demand letters to the borrower and the guarantors on 24 May 2022 and 10 October 2022, respectively. A partial repayment was made near the end of the year ended 31 December 2022. As at the date of this report, no consent to the repayment schedule was reached by both parties.

At the end of the reporting period, the principal of RMB86,000,000 (equivalent to approximately HK\$96,272,000) (31 December 2022: RMB86,000,000 (equivalent to approximately HK\$96,272,000)) and accrued interest receivable of approximately HK\$18,693,000 (31 December 2022: approximately HK\$18,693,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$114,965,000 (31 December 2022: approximately HK\$114,965,000) in respect of this credit impaired loan receivable had 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.

- (b) A HK\$41,000,000 loan to an independent third party borrower, which was secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan was interest-bearing at 8% per annum and was extended to be repayable on 30 June 2023. 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. On the maturity date of 30 June 2023, neither of the principal or the outstanding accrued interest was repaid by the borrower. The Group had issued a demand letter to the borrower on 3 July 2023. As at the date of this report, no consent was reached on the repayment by both parties.

At the end of the reporting period, the principal of HK\$41,000,000 (31 December 2022: HK\$41,000,000) and accrued interest receivable of approximately HK\$2,453,000 (31 December 2022: approximately HK\$827,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$10,482,000 (31 December 2022: approximately HK\$10,482,000) in respect of this loan receivable had 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, 31 December 2021, 30 September 2022 and 13 July 2023 respectively.

- (c) A HK\$60,000,000 loan to an independent third party borrower, which was secured by corporate guarantees provided by two independent third parties. The loan was interest-bearing at 5% per annum and was extended to be repayable on 30 September 2023. Pursuant to the extension of the loan agreement, the loan is secured by accounts receivable and deposits of the borrower of approximately HK\$55,403,000 as collateral, with other terms remain unchanged.

At the end of the reporting period, the principal of HK\$60,000,000 (31 December 2022: HK\$60,000,000) and accrued interest receivable of approximately HK\$748,000 (31 December 2022: approximately HK\$2,756,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$14,036,000 (31 December 2022: approximately HK\$14,036,000) in respect of this loan receivable had 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, 30 September 2021, 1 October 2022 and 31 March 2023 respectively.

- (d) A RMB10,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum and was extended to be repayable on 10 September 2023 with other terms remain unchanged.

At the end of the reporting period, the principal of RMB10,000,000 (equivalent to approximately HK\$10,846,000) (31 December 2022: RMB10,000,000 (equivalent to approximately HK\$11,194,000)) and accrued interest receivable of approximately HK\$1,396,000 (31 December 2022: approximately HK\$1,160,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$3,180,000 (31 December 2022: approximately HK\$3,180,000) in respect of this loan receivable had been recognised at the end of the reporting period.

- (e) A HK\$14,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum and was extended to be repayable on 5 October 2023 with other terms remain unchanged.

At the end of the reporting period, the principal of HK\$14,000,000 (31 December 2022: HK\$14,000,000) and accrued interest receivable of approximately HK\$165,000 (31 December 2022: approximately HK\$165,000) were recognised as loans receivable under current assets. Loss allowance of approximately HK\$224,000 (31 December 2022: approximately HK\$224,000) in respect of the loan receivable had been recognised at the end of the reporting period.

17. Assets classified as held-for-sale

On 29 May 2023, pursuant to a real property purchase and sale and escrow agreement, the Group agreed to conditionally dispose of its property consisting of (a) the real estate situated at 6580 Via Del Oro, San Jose, California 95119 and with an area of approximately 4.725 acres; and (b) one story mission critical data center building with an area of approximately 80,158 square feet located on the land (collectively, the "Land and Property") at the consideration of US\$110,000,000 (equivalent to approximately HK\$858,000,000) (the "Disposal").

On 12 July 2023, the Disposal was approved by the shareholders in a special general meeting of the Company. Details of the Disposal are set out in the Company's announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023.

The assets classified as held-for-sale of approximately HK\$850,200,000 referred to the carrying amount of the Land and Properties transferring from investment properties under non-current assets. The Disposal that resulted in the reclassification of assets held-for-sale as at 30 June 2023 is expected to be completed during the course of 2023.

18. Trade and other payables

		30 June 2023	31 December 2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Trade payables	(a)	6,811	52,748
Contract liabilities		21,596	18,184
Other payables	(b)	266,676	269,284
Accruals		14,216	20,821
		309,299	361,037

Notes:

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
0-30 days	4,384	42,047
31-60 days	1,677	6,338
61-90 days	653	1,527
Over 90 days	97	2,836
	<u>6,811</u>	<u>52,748</u>

- (b) Included in other payables are the following balances:
- (i) Outstanding payable of RMB67,000,000 (equivalent to approximately HK\$79,748,000) (31 December 2022: RMB67,000,000 (equivalent to approximately HK\$79,748,000)) for the procurement of hash-rate capacity, which has been recognised as intangible assets of the Group since the year ended 31 December 2021. The outstanding payable, which is repayable within one year, is not available to set-off against the earnest money of RMB57,000,000 (equivalent to approximately HK\$61,822,000) (31 December 2022: RMB57,000,000 (equivalent to approximately HK\$63,808,000)) paid for the procurement of hash-rate capacity (note 12(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\$119,306,000) (31 December 2022: RMB110,000,000 (equivalent to approximately HK\$123,139,000)) (note 12(e)).
- (iii) Outstanding payable of approximately HK\$44,128,000 (31 December 2022: approximately HK\$44,128,000) for the purchase of cryptocurrency mining machines, which was recognised as property, plant and equipment of the Group as at 30 June 2023, is repayable on demand.

19. Bank and other loans

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Current and secured		
Bank loans with repayment on demand clause	10,846	11,194
Term loans from banks with repayment on demand clause	1,470	1,694
	12,316	12,888

Note:

As at 30 June 2023, the bank loans carried variable interest rates ranging from 3.20% to 4.30% (31 December 2022: 2.45% to 4.50%) per annum. The bank loans are secured by the assets of the Group as set out in note 21.

20. Share capital

	Number of shares		Amount	
	30 June 2023 '000	31 December 2022 '000	30 June 2023 HK\$'000	31 December 2022 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 and end of the reporting period				
Ordinary shares of HK\$0.025 each	2,487,705	2,487,705	62,193	62,193

21. Pledged assets

The Group had pledged the following assets to secure the loan facilities:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Investment properties	61,584	66,652
Leasehold improvements	43	53
Right-of-use assets	65,244	67,001
Financial assets at fair value through profit or loss	–	1,377
Bank deposits	200	200

22. Disposal of a subsidiary

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

* For identification purposes only

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

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

Disposal of interests in a subsidiary without loss of control

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

24. **Capital commitments**

Capital commitments as at 30 June 2023 and 31 December 2022 are analysed as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Contracted for:		
Construction of investment properties but not provided in the unaudited condensed consolidated interim financial statements	<u>6,207</u>	<u>–</u>

25. **Events after the reporting period**

Default of Supplemental Loan Agreement

At the end of the reporting period, Yuxing Technology Company Limited (the “Lender”), an indirectly wholly-owned subsidiary of the Company, had outstanding principal of HK\$41,000,000 (31 December 2022: HK\$41,000,000) (the “Remaining Loan”) and accrued interest receivable of approximately HK\$2,453,000 (31 December 2022: approximately HK\$827,000) from Daily-Tech Hong Kong Co., Limited (the “Borrower”), which were recognised as loans receivable under current assets. Pursuant to the Forth Supplemental Loan Agreement, the Remaining Loan and the outstanding accrued interest payable under the Forth Supplemental Loan Agreement shall be repaid by the Borrower to the Lender on or before the maturity date of 30 June 2023.

On 3 July 2023, the Lender issued a demand letter to the Borrower demanding repayment of the Remaining Loan and the interest accrued thereon. Neither of the Remaining Loan or outstanding accrued interest was repaid by the Borrower as at the date of this report. Details of the default event are set out in the Company’s announcement dated 13 July 2023.

26. **Approval of the unaudited condensed consolidated interim financial statements**

The unaudited condensed consolidated interim financial statements were approved by the Board on 10 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND PROSPECT

IHA Business

The IHA business is principally engaged in sales and distribution of IHA and complementary products. Products launched by the Group in the markets include high digital set-top boxes (“STB”), hybrid dual-STB, over-the-top (“OTT”)/Internet Protocol Television (“IPTV”) STB, STB equipment with Android systems, etc. The Group has extensive experience in designing and manufacturing networked audio and video products, from hardware to software, from operating systems to business integration, covering a wide range of vertical applications.

During the six months ended 30 June 2023 (the “Period”), the Group’s revenue from the IHA business amounted to approximately HK\$24.1 million, representing a drop of 70.9% as compared with the same period of last fiscal year. The segment loss was narrowed down by 38.8% to approximately HK\$6.0 million for the Period as a result of the tightened operating cost measures. The consumption on subscription medium is dragged down by the economic recession resulting from the post-pandemic as well as the fast-changing screen-based entertainment. The popularity of short video as an entertainment medium has gained more views than traditional platforms, in turns affect the demand of STB and further to the segment performances.

Although the novel coronavirus (“COVID-19”) pandemic has been relaxed in early 2023, the prevailing adverse financial and economic condition caused by the post-pandemic economic recession has posted a negative impact on consumer sentiment during the first half year. The Group has endeavoured to control its expenses by taking various measures in budget control. In the long run, the Group is taking an active approach to strengthening the competitive edge of the business by developing new product lines and new markets in other European and Asian regions to cope with the challenging environment.

IDC Business

The IDC business is comprised of the development, construction, operation, mergers, acquisitions and leasing out of properties and facilities used in IDC. The Group's revenue generated from the IDC business was increased by 64.8% to approximately HK\$11.5 million for the Period, as compared with the same period of last fiscal year. The increase was attributed by the lease of the IDC situated in the United States ("US") during the second quarter of the year, in turns decreased the segment loss to approximately HK\$2.1 million for the Period.

Due to the US-China political tensions the continuous scuttling and tightening of regulations regarding internet and data-related businesses and overall risk assessment of the economy, the Group conditionally agreed to dispose of the IDC situated in the US to the purchaser (the "Purchaser"), an independent third party of the Group, at a consideration of US\$110.0 million (equivalent to approximately HK\$858.0 million) on 29 May 2023 (the "Disposal"). The Disposal was approved by the shareholders in a special general meeting of the Company on 12 July 2023. Details of the Disposal are set out in the Company's announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023. Before the completion date of the Disposal, the IDC will be leased to the Purchaser at a fixed monthly rate and such lease will be automatically expired when the Disposal is completed.

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

Investing Business

The Group's investing business was principally engaged in the trading of securities, investing in financial instruments including unlisted equity securities and digital assets. The Group recorded a net profit on financial assets at fair value through profit or loss of approximately HK\$31.5 million (30 June 2022: net loss of approximately HK\$64.7 million) for the Period. The gain was attributed by the unrealised fair value gain from the investment in unlisted equity securities, unrealised gain from the rebound of the US and Hong Kong stock markets and the realised gain from the disposal of listed securities including Tencent Holdings Limited ("Tencent Shares") during the first quarter of the year. The disposals of Tencent Shares are set out in the Company's announcement dated 2 March 2023. The disposals of other listed securities do not constitute notifiable transactions under the GEM Listing Rules individually.

Given that the monetary policy may be tightened, the second half of the year of the stock market may face a correction after the rebound in the first half of the year. Further to the stock market, the value of digital assets for the period also rebound compared to the end of the year 2022 and its expected to continually thrive in the second half of the year. The policy statement made by the Hong Kong government and the announcements from regulators have placed confidence for further innovation and development of digital assets in Hong Kong. The Directors will continually take caution to the investment market together with the macroeconomic environment and potential regulatory influence.

Leasing Business

The leasing business of the Group comprised of leasing out of properties. The rental income from the segment was approximately HK\$4.2 million, representing a slight decrease of 14.5% as compared with the same period of last fiscal year. The decrease was attributed by the depreciation of Renminbi and the decrease in occupancy rate of the investment property situated in Zhongshan, leading to a revaluation loss of approximately HK\$2.0 million and the segment loss of approximately HK\$0.1 million for the Period.

On 24 July 2023, the Group leased out the investment property situated in Meishan City, Sichuan Province at a term of three years commencing from 1 August 2023. It's expected to bring a stable rental income to the segment from the third quarter of the year.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group recorded approximately HK\$35.8 million (30 June 2022: approximately HK\$89.8 million) of revenue for the Period, representing a significant decrease of 60.2% as compared with the same period of last fiscal year. The gross profit increased by 18.1% to approximately HK\$11.7 million due to increase in rental income from IDC business.

Other Revenue and Net (Loss)/Income

The Group recorded a net income of approximately HK\$43.7 million (30 June 2022: a net loss of approximately HK\$44.3 million) from other revenue and net (loss)/income for the Period. The gain was attributed by unrealised fair value gain from the investment in unlisted equity securities and rebound in the stock markets.

Net Changes in Fair Value of Investment Properties

The Group recognised a net revaluation loss of approximately HK\$2.0 million (30 June 2022: a net gain of approximately HK\$2.7 million) on investment properties for the Period. The revaluation loss was attributed to the decrease in occupancy rate of investment properties.

Distribution and selling expenses

The Group's distribution and selling expenses was decreased by 30.7% to approximately HK\$2.4 million (30 June 2022: approximately HK\$3.5 million) for the Period in line with the drop of the sales distribution from IHA business.

General and Administrative Expenses

The Group's general and administrative expense increased by 70.5% to approximately HK\$75.9 million (30 June 2022: approximately HK\$44.5 million) for the Period. The increase was attributed to the amortisation of intangible assets, being the hash-rate capacity of mining machines acquired for cryptocurrencies mining not allocated to cost of cryptocurrencies. Apart from the amortisation of approximately HK\$16.4 million (30 June 2022: Nil), the general and administrative expenses was approximately HK\$59.5 million (30 June 2022: approximately HK\$44.5 million) for the Period, representing an increase of 33.7% which is mainly attributed to research and development costs in product development.

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

The cryptocurrencies held by the Group mainly comprised of Bitcoin and Ethereum, which were generated from the cryptocurrency mining machines categorised under property, plant and equipment and the has-rate capacity of mining machines categorised under the intangible assets. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to market the sale. As a result of the price rebound in the first half of the year, the Group recorded a reversal of write-down of cryptocurrencies of approximately HK\$22.6 million (30 June 2022: write-down of approximately HK\$21.4 million) for the Period.

Finance Costs

The finance costs of the Group was approximately HK\$0.3 million (30 June 2022: approximately HK\$1.2 million) for the Period, representing the interest expenses on the bank borrowings. Due to the decrease in debt financing, the finance costs decreased by 73.6 % as compared to the same period of last fiscal year.

Loss for the Period

As a result of the foregoing, the loss attributable to owners of the Company was narrowed down to approximately HK\$4.5 million (30 June 2022: approximately HK\$105.4 million) for the Period, representing a decrease of 95.7% as compared with the same period of last fiscal year.

Liquidity and Financial Resources

As at 30 June 2023, the Group had net current assets of approximately HK\$1,323.9 million. The Group had cash and bank balances of approximately HK\$88.5 million and pledged bank deposits of approximately HK\$0.2 million respectively. The financial resources were funded mainly by internal resources.

The current ratio, calculated by dividing current assets by current liabilities, was 5.1 times (31 December 2022: 2.3 times) as at 30 June 2023. The gearing ratio, as measured by total liabilities divided by total equity, was 20.9% (31 December 2022: 23.5%) as at 30 June 2023. The gearing ratio decreased as a result of the decrease on trade and other payables in relation to the daily operations. The Group adopts a prudent approach to cash management. Apart from certain debts including lease liabilities, bank and other loans, the Group did not have any material outstanding debts as at 30 June 2023. 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 24 to the unaudited condensed consolidated interim financial statements in this report, the Group had no other capital commitments as at 30 June 2023.

Contingent Liabilities

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

Charges on Group Assets

Details of charges on the Group assets are set out on note 21 to the unaudited condensed consolidated interim financial statements in this report.

Capital Structure

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

Significant Investments/Material Acquisitions and Disposals

Very Substantial Disposal Relating to Disposal of Land and Property

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

Events After the Reporting Period

Default of Supplemental Loan Agreement

At the end of the reporting period, Yuxing Technology Company Limited (the “Lender”), an indirectly wholly-owned subsidiary of the Company, had outstanding principal of HK\$41,000,000 (31 December 2022: HK\$41,000,000) (the “Remaining Loan”) and accrued interest receivable of approximately HK\$2.4 million (31 December 2022: approximately HK\$0.8 million) from Daily-Tech Hong Kong Co., Limited (the “Borrower”), which were recognised as loans receivable under current assets. Pursuant to the Forth Supplemental Loan Agreement, the Remaining Loan and the outstanding accrued interest payable under the Forth Supplemental Loan Agreement shall be repaid by the Borrower to the Lender on or before the maturity date of 30 June 2023.

On 3 July 2023, the Lender issued a demand letter to the Borrower demanding repayment of the Remaining Loan and the interest accrued thereon. Neither of the Remaining Loan or outstanding accrued interest was repaid by the Borrower as at the date of this report. Details of the default event are set out in the Company’s announcement dated 13 July 2023.

Continuing Connected Transactions in Relation to Lease Agreement

On 24 July 2023, Meishan E-rich Shengda Medical Service Co., Limited* (眉山裕睿盛達醫藥服務有限公司), an indirect wholly-owned subsidiary of the Company as landlord, and Chengdu Wuhou Ganluhai Tibetan Hospital Co., Limited* (成都武侯甘露海藏醫院有限公司) as tenant, entered into a lease agreement (the "Lease Agreement") in respect of the leasing of the investment property situated at Meishan City, Sichuan Province with a term of three years commencing from 1 August 2023 to 31 July 2026. Details of the Lease Agreement are set out in the Company's announcement dated 24 July 2023.

Future Plans for Material Investment and Capital Assets

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

TREASURY POLICIES

The Group adopts a conservative approach toward 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.

* For identification purposes only

- (b) Security/Collateral assessment: The Group would assess and decide the necessity and the value of security/collateral for granting or extending 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 reminders to the borrower, instruct its legal advisers to issue demand letters 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.

The Board has exercised its oversight over the loans granted by the Group. Any material changes in the borrowers' financial positions from the annual assessment are required to be reported to the Board.

Among of three loan extension during the Period, 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 reporting period, one of the loans was overdue as at the date of this report. The Group had sent overdue payment reminders and had instructed the legal advisers to issue demand letters demanding the outstanding loans.

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

HUMAN RESOURCES AND RELATIONS WITH THE EMPLOYEES

As at 30 June 2023, the Group have over 140 (30 June 2022: over 140) full-time employees, of which 19 (30 June 2022: 14) were based in Hong Kong and the rest were in the People Republic of China (the "PRC"), the US and Germany. Staff costs of the Group amounted to approximately HK\$31.9 million (30 June 2022: approximately HK\$31.1 million) for the Period. 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 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 rental income from US IDC may fail to meet the expectation due to the US-China political intensions;
- (v) The investment return from the stock market may be subject to frequent changes in market policies and regulations;
- (vi) The value of digital assets held by the Group may be subject to volatile market prices, impairment and unique risks of loss such as cyberattacks, human errors or computer malfunctions;
- (vii) The Group may face regulatory challenges to or limitations on the Group's digital asset investment; and
- (viii) The Group may be impacted by macroeconomic conditions resulting from the global COVID-19 pandemic.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESERVES

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

DIVIDEND

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

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 14 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 of the Company (“Share(s)”) 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 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 7.20% of the total number of Shares in issue as at the date of this report.

On 30 August 2019, the Company offered to grant 11 eligible participants to subscribe for a total of 100,000,000 ordinary Shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$0.33 per Share (the “2019 Share Options”). The 2019 Share Options are exercisable up to three years from the date of grant. As there is no vesting condition for the 2019 Share Options, they were vested immediately at the date of grant. As a result, non-cash share-based compensation expenses in respect of all the 2019 Share Options of approximately HK\$10.4 million was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31 December 2019. For details of the terms of the 2019 Share Options, please refer to the Company’s announcement dated 30 August 2019.

During the Period and the six months ended 30 June 2022, there were no share options granted, exercised, cancelled or lapsed under the 2019 Share Option. As at 30 June 2023 and 31 December 2022, there were no outstanding share options issued under the 2019 Share Option.

As at 1 January 2023 and 30 June 2023, the remaining number of options available for grant under the Share Option Scheme was 79,211,680 Shares.

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

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.19%
Mr. Cong Yu	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.09%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	0.91%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.32%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.01%

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

None of the Directors and Chief Executives has held any share options as at 30 June 2023.

As at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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

Based on the information provided to the Company in notices filed, as at 30 June 2023, the entities and/or persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Unicorn Resources Inc. ("Unicorn") (Note 1)	Corporate	741,379,800	Beneficial owner	29.80%
Cong Yu Company Limited (Note 1)	Corporate	741,379,800	Interest of a controlled corporation	29.80%
Mr. Cong Yu (Note 1)	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Zhu Weisha (Note 2)	Personal	741,379,800	Interest of a controlled corporation	29.80%
		19,000,000	Beneficial owner	0.76%
Honbridge Holdings Limited (Stock Code: 8137) (Note 3)	Corporate	351,867,200	Beneficial owner	14.14%
Hong Bridge Capital Limited (Note 3)	Corporate	351,867,200	Interest of a controlled corporation	14.14%
Geely Group Limited (Note 3)	Corporate	351,867,200	Interest of a controlled corporation	14.14%
Mr. Li Shu Fu (Note 3)	Personal	351,867,200	Interest of a controlled corporation	14.14%

Notes:

1. Unicorn is the beneficial owner of 741,379,800 Shares. Cong Yu Company Limited holds 55% interest in Unicorn and it is deemed to be interested in the 741,379,800 Shares held by Unicorn. Mr. Cong Yu holds 100% interest in Cong Yu Company Limited (which holds 55% interest in Unicorn) and he is therefore deemed to be interested in the 741,379,800 Shares held by Unicorn.
2. Mr. Zhu Weisha holds 45% interest in Unicorn and he is deemed to be interested in the 741,379,800 Shares held by Unicorn. The remaining interest in 19,000,000 Shares is beneficially owned by Mr. Zhu Weisha, representing 19,000,000 underlying shares in respect of the share options granted by the Company on 30 August 2019.
3. Honbridge Holding Limited is the beneficial owner of 351,867,200 Shares. 41.25% Shares of Honbridge Holdings Limited are held by Hong Bridge Capital Limited, which in turn 68.86% held by Geely Group Limited (which 100% held by Mr. Li Shu Fu). By virtue of the provisions of Part XV of the SFO, each of Hong Bridge Capital Limited, Geely Group Limited and Mr. Li Shu Fu was deemed to be interested in the Shares of the Company in which Honbridge Holdings Limited was interested.
4. Based on a total of 2,487,704,800 Shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

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

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

CG Code provision F.2.2

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

AUDIT COMMITTEE

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

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with external 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 interim 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, 10 August 2023

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.