InvesTech Holdings Limited
威訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**207,254**	214,900
Gross profit	**11,420**	22,627
Loss before tax	**(26,444)**	(21,655)
Loss for the period	**(24,960)**	(21,720)
Loss attributable to:		
— Owners of the parent	**(18,888)**	(19,443)
— Non-controlling interests	**(6,072)**	(2,277)
	(24,960)	(21,720)
Loss per share		
— Basic and diluted (RMB cents)	**(1.61)**	(2.27)

Selected Financial Ratios

	Six months ended 30 June	
	2018	2017
	(Approximate)	*(Approximate)*
Gross profit margin	**5.5%**	10.5%
Net loss margin	**(12.0%)**	(10.1%)
	As at 30 June 2018	As at 30 June 2017
	(Approximate)	*(Approximate)*
Current ratio (times)	**1.6**	4.1
Gearing ratio(1)	**7.2%**	15.7%
Return on total assets(2)	**(1.8%)**	(1.4%)
Return on total equity(2)	**(2.4%)**	(2.0%)

(1) Calculated by using the total sum of short term and long term borrowings and coupon notes divided by total assets.

(2) Calculated by using average balances of total assets and total equity.

PERFORMANCE REVIEW

During the six months ended 30 June 2018 (the "Period"), InvesTech Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") continued to work with its suppliers to accelerate product upgrades, and is committed to providing its customers with integrated solutions. Meanwhile, the management strives to accelerate the integration of internal and external resources and constantly enhance the operational efficiency to generate profits. The Group continued to establish strategic partnerships with various suppliers to advance the integration solutions provided to the customers. In 2018, the Group will adhere to a prudent business strategy and develop new business areas.

During the Period, the Group recorded a net loss of approximately RMB25.0 million. Total revenue amounted to approximately RMB207.3 million, representing a decrease of approximately RMB7.6 million, or approximately 3.5% as compared to approximately RMB214.9 million in the same period in 2017. The Group's gross profit amounted to approximately RMB11.4 million, representing a decrease of approximately RMB11.2 million, or approximately 49.6% as compared with that of approximately RMB22.6 million in the same period in 2017. The gross profit margin decreased to approximately 5.5% from approximately 10.5% of the same period in 2017.

BUSINESS DEVELOPMENT

The Group focused on its core business to rivet on research and development and innovation, as well as integration of internal and external resources, and has established strategic partnerships with major international enterprises to develop high-growth, high-value products in enterprise-level wireless network routers and network switches sectors, and strengthen its hardware and software platforms, cloud optimization and Software Defined Networking ("SDN") technologies, so as to provide customers with integrated solutions and services. However, due to keen competition within the industry, the life cycle of the network products has been compressed in response to the rapid changes in the market, which has led to a short-term decline in the gross profit of the Group. The Group has strengthened the added value of its products in various aspects, in order to improve its gross profit, and provided a wide range of products and services to increase its revenue and profit through the integration of software and hardware and establishment of related upstream and downstream partnerships. In regards to its technologies, the Group is actively committed to deepening the roots of its technologies to establish entry barriers for its competitors, to expand its business scope, and rapidly replicate and expand into other emerging markets in Asia and other application in vertical markets, and strengthen its presence and operations in regional markets through subsidiaries in such locations.

The Group's money lending financial services business continued its steady growth based on its stringent risk control policy, and recorded an increase in both the revenue and profit from this segment during the Period. Based on a sound risk control policy, the Hong Kong money lending business maintained a healthy condition on the loan quality, interest collection and recovery of mature loans.

OUTLOOK

The forecast of global economic growth in 2018 is similar to that of 2017. However, there remains uncertainties in the global economy in 2018. As the world's major economies begin to regulate their monetary policies, the adjustment process will lead to financial market volatility, coupled with the Sino-US trade war which creates additional doubt for the future economy.

Gartner, the world's leading information technology research and consulting firm, stated that the global IT spending in 2018 is expected to reach USD3.7 trillion, representing an increase of 4.5% from 2017. Gartner forecasted that China's total spending on technology products and services will increase by 6.7% in 2018, exceeding RMB2.6 trillion. The enterprise software market maintained its strong growth. Global software spending is expected to increase by 9.5% in 2018 and by another 8.4% in 2019, whereas the total value will reach USD421.0 billion.

The Group has technological advantages to assist corporate customers in accelerating the set up and application of new products and solutions. The Group shall strive to develop SDN-related applications. SDN is regarded as the core technology of the Next Generation Enterprise cloud based network and the upcoming 5G infrastructure network, providing automation in large scale, delivery-per-application and mobility functions to support the cloud computing architecture. Such technology further enhances the advantages of virtualized data centres, improve the flexibility and utilization of resources, and reduces the infrastructure costs and expenses. With the rapid development of enterprises and data centre markets and the replacement and upgrades of network equipment, it is believed that the Ethernet switch market and operators, enterprise router market shall maintain an upward trend.

The Group shall continue to expand its business in the vertical market with its advanced network communication products and office automation ("OA") software, while investing in advance new technologies and developing high-value new customers to increase the Group's market share. The Group will also endeavour to provide high value professional solutions to attain positive customer satisfaction. In addition to China's major sales areas, the Group continues to explore business opportunities in other Asian countries to boost the growth momentum of the Group.

The Group's capital injection into China Communication Technology Company Limited* (華訊方舟科技有限公司) ("CCT") was completed on 25 July 2018. It is expected that the cooperation between the Group and CCT will create more business opportunities by combining the technologies know-how and existing products and services of both companies to jointly develop the satellite communications market, thus generate revenue and profit for the Group. The Group's long-term strategic partnership with CCT is believed to help expanding the Group's client base and business coverage to the satellite communication sector, and provide profitable contributions to the Group.

The Group will strive to expand and widen its business scale, and continue to establish strategic cooperation with its partners to increase the Group's sales and establish its customer network, so as to generate profits and enhance the competitiveness of the Group.

UNAUDITED INTERIM CONSOLIDATED RESULTS

The board (the "Board") of directors (the "Directors") of the Company announces the unaudited interim consolidated financial results of the Group for the six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017. The interim consolidated financial results have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

* *The English name is for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**207,254**	214,900
Cost of sales		**(195,834)**	(192,273)
Gross profit		**11,420**	22,627
Other income and gains	*4*	**2,100**	12,593
Selling and distribution expenses		**(10,671)**	(10,691)
Administrative expenses		**(21,114)**	(29,262)
Other expenses, net		**(2,354)**	(3,923)
Finance costs	*5*	**(5,825)**	(12,999)
LOSS BEFORE TAX	*6*	**(26,444)**	(21,655)
Income tax credit/(expense)	*7*	**1,484**	(65)
LOSS FOR THE PERIOD		**(24,960)**	(21,720)
Attributable to:			
Owners of the parent		**(18,888)**	(19,443)
Non-controlling interests		**(6,072)**	(2,277)
		(24,960)	(21,720)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB(1.61 cents)**	RMB(2.27 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(24,960)**	(21,720)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,322)**	(7,764)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(26,282)**	(29,484)
Attributable to:		
Owners of the parent	**(20,123)**	(27,153)
Non-controlling interests	**(6,159)**	(2,331)
	(26,282)	(29,484)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,603**	1,795
Goodwill		**207,580**	207,580
Other intangible assets		**149,304**	159,426
Deferred tax assets		**2,622**	2,622
Prepayments for an available-for-sale investment	*10*	**—**	320,000
Prepayments for a financial asset at fair value through other comprehensive income	*10*	**520,000**	—
Loan receivables	*12*	**6,832**	—
Total non-current assets		**887,941**	691,423
CURRENT ASSETS			
Inventories		**8,920**	10,410
Trade and bills receivables	*11*	**221,086**	228,152
Loan receivables	*12*	**72,696**	144,049
Interest receivables		**1,209**	2,687
Prepayments, deposits and other receivables		**42,488**	58,732
Equity investments at fair value through profit or loss	*13*	**—**	4,034
Financial assets at fair value through profit or loss	*13*	**3,936**	—
Pledged deposits		**1,766**	85,117
Cash and cash equivalents		**89,664**	211,514
Total current assets		**441,765**	744,695
CURRENT LIABILITIES			
Trade and bills payables	*14*	**161,108**	152,825
Contract liabilities		**5,728**	—
Other payables and accruals		**17,819**	53,062
Interest-bearing bank and other borrowings		**42,027**	34,985
Coupon notes		**46,871**	42,162
Tax payable		**9,864**	39,778
Total current liabilities		**283,417**	322,812

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NET CURRENT ASSETS	**158,348**	421,883
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,046,289**	1,113,306
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**6,821**	775
Deferred tax liabilities	**22,396**	23,914
Coupon notes	**—**	45,638
Total non-current liabilities	**29,217**	70,327
Net assets	**1,017,072**	1,042,979
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**156,928**	156,928
Reserves	**801,054**	820,802
	957,982	977,730
Non-controlling interests	**59,090**	65,249
Total equity	**1,017,072**	1,042,979

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**34,043**	19,731
Net cash flows used in investing activities	**(117,284)**	(462,495)
Net cash flows (used in)/from financing activities	**(40,202)**	120,955
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(123,443)**	(321,809)
Cash and cash equivalents at beginning of period	**211,514**	533,491
Effect of foreign exchange rate changes, net	**1,593**	4,958
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**89,664**	216,640

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

InvesTech Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's principal place of business in Hong Kong is Room 2106, 21/F, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, the network equipment rental business, the trading of telecommunications equipment and money lending business.

2.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current period's condensed consolidated financial statements.

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendents to IFRS 15	*Classification to IFRS 15 Revenue from Contracts from Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 40	*Transfers of Investment Property*
Annual improvements 2014 – 2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as further explained below, the adoption of the above new and revised IFRSs has had no significant financial effect on the Group's condensed consolidated financial statements.

<u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers (continued)

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained profits as at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. The effect of the adoption of IFRS 15 are further explained as below:

(a) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customers. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. Contract liabilities are obligations to transfer goods or services to customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

The Group received short-term advances from customers. Prior to the adoption of IFRS 15, the Group represented these advances in "other payables and accruals" in the consolidated statement of financial position. Upon the adoption of IFRS 15, the Group reclassified the advances amount to "contract liabilities".

(b) Presentation and disclosure requirements

As required for the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group had adopted IFRS 9 from 1 January 2018. The Group did not restate comparative information and recognised any material transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Under IFRS 9, financial assets are subsequently measured at amortised cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). The classification of debt financial instruments is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *loan receivables*, *trade and bills receivables, financial assets included in prepayments, deposits and other receivables.*

– Financial assets at FVTPL are the Group's listed equity investments which are held for trading. Upon the adoption of IFRS 9, the "Equity investments at fair value through profit or loss" have been reclassified as "Financial assets at fair value through profit or loss".

– Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as available-for-sale investments.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 9 Financial Instruments (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For loan receivables and financial assets included in prepayments, deposits and other receivables, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The impact of adopting ECL model under IFRS 9 was not significant and, therefore, the Group made no adjustment to retained profits and accumulated other comprehensive income as of 1 January 2018.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the six months ended 30 June 2018 as follows:

(a) the communication system segment, which is engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, network equipment rental business, and the trading of telecommunications products; and

(b) the money lending segment, which provides credit financing to entities and individuals in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, unallocated income and gains, finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss/equity investments at fair value through profit or loss, and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, coupon notes, tax payable, deferred tax liabilities, and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

	Six months ended 30 June 2018 (Unaudited)		
	Communication system *RMB'000*	**Money lending** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	201,736	5,518	207,254
Segment results	(24,692)	5,285	(19,407)
Interest income			1,754
Unallocated income and gains			9
Finance costs			(5,825)
Corporate and other unallocated expenses			(2,975)
Loss before tax			(26,444)
Segment assets	1,146,408	70,283	1,216,691
Corporate and other unallocated assets			113,015
Total assets			1,329,706
Segment liabilities	176,006	150	176,156
Corporate and other unallocated liabilities			136,478
Total liabilities			312,634
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	2,744	—	2,744
Depreciation and amortisation	10,641	—	10,641
Capital expenditure*	334	—	334
Prepayments for a financial asset at fair value through other comprehensive income	200,000	—	200,000

* Capital expenditure consisted of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2017 (Unaudited)		
	Communication system *RMB'000*	**Money lending** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	211,935	2,965	214,900
Segment results	1,705	2,727	4,432
Interest income			359
Unallocated income and gains			567
Finance costs			(12,999)
Corporate and other unallocated expenses			(14,014)
Loss before tax			(21,655)
Segment assets	954,907	71,435	1,026,342
Corporate and other unallocated assets			548,538
Total assets			1,574,880
Segment liabilities	189,169	—	189,169
Corporate and other unallocated liabilities			311,772
Total liabilities			500,941
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	220	—	220
Depreciation and amortisation	10,659	—	10,659
Capital expenditure	677	—	677
Prepayment for an available-for-sale investment	150,000	—	150,000

4. REVENUE, OTHER INCOME AND GAINS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June 2018 *RMB'000* **(Unaudited)**
Revenue	
Type of goods or service	
Sales of goods and software products	**158,388**
Rendering of services	**43,348**
Interest income from money lending business	**5,518**
Total revenue from contracts with customers	**207,254**
Timing of revenue recognition	
Transferred at a point in time	**162,703**
Transferred over time	**44,551**
Total revenue from contracts with customers	**207,254**

	Six months ended 30 June 2017 *RMB'000* (Unaudited)
Sales of goods and software products	139,751
Rendering of services	72,184
Interest income from money lending business	2,965
	214,900

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Other income and gains</u>		
Bank interest income	**1,754**	359
Government grants released**	**—**	7,202
Gains from investment deposits***	**—**	304
Gain on disposal of available-for-sale investment	**—**	3,000
Gain on disposal of assets classified as held for sale	**—**	1,000
Foreign exchange differences, net	**20**	57
Gain on collection of impaired trade receivables acquired in a business combination*	**268**	625
Others	**58**	46
	2,100	12,593

* The gain was generated by the cash collection of trade receivables which were fully impaired when they were acquired by the Group through business combination during the year ended 31 December 2015.

** There are no unfulfilled conditions or contingencies relating to these grants.

*** The gain arose from disposal of investment deposits which were purchased from licensed banks in Mainland China during the period ended 30 June 2017.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**1,396**	1,392
Interest on coupon notes	**4,383**	11,607
Interest on finance lease	**46**	—
	5,825	12,999

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**195,834**	192,273
Depreciation	**519**	336
Amortisation of other intangible assets**	**10,122**	10,323
Impairment of trade receivables, net*** (note 11)	**2,158**	111
Reversal of impairment of other receivables and prepayments	**—**	(46)
Minimum lease payments under operating leases	**3,596**	3,312
Auditor's remuneration	**600**	600
Research and development costs	**5,384**	5,815
Government grants released	**—**	(7,202)
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**18,812**	16,307
– Pension scheme contributions	**2,535**	2,365
– Equity-settled share option expense	**375**	1,278
	21,722	19,950
Foreign exchange differences, net	**(20)**	(57)
Write-down of inventories to net realisable value*	**586**	155
Loss on disposal of items of property, plant and equipment***	**—**	142
Bank interest income	**(1,754)**	(359)
Gain on disposal of assets classified as held for sale#	**—**	(1,000)
Gain on disposal of an available-for-sale investment&	**—**	(3,000)
Net fair value loss on equity investments at fair value through profit or loss*** (note 13)	**—**	3,670
Net fair value loss on financial assets at fair value through profit or loss*** (note 13)	**206**	—
Gains from investment deposits	**—**	(304)

* Inclusive of write-down of inventories to net realisable value.

** Amortisation of other intangible assets is included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statement of profit or loss.

*** These items of expenses are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

6. LOSS BEFORE TAX (CONTINUED)

On 4 December 2015, Shenyang New Postcom Co., Ltd., ("Shenyang New Postcom") which was a then indirect wholly-owned subsidiary of the Company and merged into Chunlin Finance Lease during the year ended 31 December 2017, entered into sale and purchase agreements ("Agreement") with 沈陽市聯盛科技有限公司 to dispose of 2 parcels of land with a total site area of approximately 151,132 square meters with buildings located in the PRC at a cash consideration of RMB98.5 million. The transaction was completed on 6 February 2017. A net gain (after deducting the relevant transaction costs) of RMB1,000,000 was recognised in "other income" in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017.

& On 27 March 2017, Shenyang New Postcom entered into a sale and purchase agreement with an independent third party, to dispose of the unlisted equity investment in 沈陽沈北富民村鎮銀行股份有限公司 at a cash consideration of RMB18,000,000. The cash consideration was received by Shenyang New Postcom and the transaction was completed during the six months ended 30 June 2017. A gain of RMB3,000,000 was recognised in "other income" in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits arising in Hong Kong during the six months ended 30 June 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Except for the following companies, the subsidiaries of the Company established in Mainland China are subject to corporate income tax ("CIT") at the statutory tax rate of 25% in the following periods:

	Six months ended 30 June	
Name of the subsidiaries	**2018**	2017
北京威發新世紀信息技術有限公司 Beijing Wafer New Century Information Technology Co., Ltd. *^	**15.0%**	15.0%
威發(西安) 軟件有限公司 Wafer (Xi'an) Software Co., Ltd. **^	**12.5%**	12.5%

* The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the six months ended 30 June 2018 and 2017.

** The entity has been recognised as a software enterprise and was exempted from CIT for the years ended 31 December 2015 and 2016, and is entitled to a 50% reduction in the applicable tax rate for CIT for the subsequent three years ending 31 December 2019.

^ The English names are for identification purposes only.

7. INCOME TAX (CONTINUED)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**34**	1,418
Deferred	**(1,518)**	(1,353)
Total tax (credit)/charge for the period	**(1,484)**	65

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2018 and subsequent to the end of the reporting period (six months ended 30 June 2017: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,170,000,000 (six months ended 30 June 2017: 856,922,652) in issue during the period.

The calculation of the basic loss per share is based on:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(18,888)**	(19,443)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**1,170,000,000**	856,922,652
Loss per share:		
Basic	**RMB(1.61 cents)**	RMB(2.27 cents)

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2018 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. PREPAYMENTS FOR AN AVAILABLE-FOR-SALE INVESTMENT/PREPAYMENTS FOR A FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* "CCT") and certain shareholders of CCT, pursuant to which the Company conditionally agreed to inject an amount of RMB600,000,000 to CCT, of which RMB520,000,000 has been prepaid up to 30 June 2018 (31 December 2017: RMB32,000,000). A further payment of RMB80,000,000 was made by the Company subsequent to the reporting period and the capital injection was completed on 25 July 2018 upon completion of the relevant registration procedures. The Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. The investment was accounted for as an equity instrument at fair value through other comprehensive income.

Details of the above transaction have been set out in the circular of the Company dated 23 June 2017 and the announcements of the Company dated 25 July 2018, 19 June 2017, 29 May 2017, 27 April 2017, 27 March 2017, 9 March 2017 and 17 February 2017, respectively.

* The English name is for identification purpose only.

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade receivables	**227,387**	233,711
Impairment	**(7,630)**	(5,959)
Trade receivables, net	**219,757**	227,752
Bills receivable	**1,329**	400
	221,086	228,152

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aging analysis of the trade receivables of the Group as at the end of the reporting period, based on the transaction date and net of provision, is as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Within 3 months	**112,863**	105,655
3 to 6 months	**34,576**	44,784
6 to 12 months	**37,923**	34,122
1 to 2 years	**14,658**	39,471
Over 2 years	**19,737**	3,720
	219,757	227,752

The movements in provision for impairment of trade receivables are as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
At beginning of period/year	**5,959**	9,682
Provided in the current period/year (note 6)	**7,313**	5,490
Impairment losses reversed (note 6)	**(5,155)**	(3,793)
Amounts written off as uncollectible	**(487)**	(5,408)
Exchange realignment	**—**	(12)
	7,630	5,959

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Within 3 months	**14**	—
3 to 6 months	**1,315**	400
	1,329	400

As at 30 June 2018 and 31 December 2017, no amounts due from related parties of the Group were included in trade and bills receivables.

12. LOAN RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Non-current		
Finance lease receivables	**6,832**	—
Current		
Finance lease receivables	**3,631**	—
Other loan receivables	**69,065**	144,049
	72,696	144,049
	79,528	144,049

(A) Finance lease receivables

	Minimum lease receivables		**Present value of minimum lease receivables**	
	30 June 2018 ***RMB'000***	**31 December 2017** ***RMB'000***	**30 June 2018** ***RMB'000***	**31 December 2017** ***RMB'000***
Within one year	**4,257**	—	**3,631**	—
In the second to fifth years, inclusive	**7,907**	—	**6,832**	—
	12,164	—	**10,463**	—
Less: Unearned finance income	**(1,701)**	—		
Present value of minimum lease receivables	**10,463**	—		

The Group's finance lease receivables are denominated in RMB. The effective interest rate of the receivables is 8.9% per annum. There are no unguaranteed residual value of assets leased under finance leases and no contingent rent arrangement that needed to be recognised for the six months ended 30 June 2018.

12. LOAN RECEIVABLES (CONTINUED)

(B) Other loan receivables

Other loan receivables represented outstanding principals, which are denominated in Hong Kong dollars, arising from the Group's money lending business in Hong Kong. Other loan receivables have fixed terms of repayment, all of which are within 1 year. The Group seeks to maintain strict control over other loan receivables in order to minimise credit risk by reviewing the borrowers' and their guarantors' financial positions.

Other loan receivables are interest-bearing at rates mutually agreed between the Group and the borrowers, ranging from 6% to 15% per annum. As at 30 June 2018, RMB6,585,000 of other loan receivables were guaranteed by properties of the borrowers (31 December 2017: Nil). As at 30 June 2018, none of the other loan receivables were guaranteed by directors and shareholders of the borrowers (31 December 2017: RMB74,373,000).

The maturity profile of other loan receivables of the Group as at the end of the reporting period is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 *RMB'000* (Audited)
Within 3 months	**12,665**	67,544
3 to 6 months	**35,461**	41,526
6 to 12 months	**20,939**	34,979
	69,065	144,049

As at 30 June 2018 and 31 December 2017, no amounts due from related parties of the Group were included in loan receivables.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity securities listed in Hong Kong	**3,936**	4,034

During the year ended 31 December 2017, the Group acquired a portfolio of shares listed in Hong Kong, which were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. Except for an investment in shares of a listed company in Hong Kong, the trading of which has been suspended since October 2017, all these equity securities were measured at market value.

A net fair value loss of RMB206,000 was recognised for net changes in fair value of financial assets at fair value through profit or loss in "other expenses, net" in the condensed consolidated statement of profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB3,670,000).

Upon the adoption of IFRS 9, the "Equity investments at fair value through profit or loss" have been reclassified as "Financial assets at fair value through profit or loss".

14. TRADE AND BILLS PAYABLES

An aging analysis of the trade payables of the Group, based on the invoice date, as at the end of the reporting period is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**99,275**	84,151
3 to 12 months	**37,077**	47,317
1 to 2 years	**6,222**	3,613
Over 2 years	**18,534**	17,744
	161,108	152,825

The Group normally obtains credit terms ranging from 1 to 3 months from its suppliers. Trade payables are unsecured and interest-free.

As at 30 June 2018 and 31 December 2017, no amounts due to related parties of the Group and no bills payable were included in trade and bills payables.

15. EVENTS AFTER THE REPORTING PERIOD

Other than the information disclosed in note 10 to the condensed consolidated financial statements, the Group did not have any significant subsequent event.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group recorded a total revenue of approximately RMB207.3 million for the six months ended 30 June 2018, representing a decrease of approximately RMB7.6 million, or approximately 3.5% as compared with that of approximately RMB214.9 million for the six months ended 30 June 2017. The decrease of revenue was primarily attributable to the uncertainty of worldwide economy and the continuous intense competition in network communication industry.

Cost of Sales

The cost of sales increased by approximately RMB3.5 million, or approximately 1.8%, from approximately RMB192.3 million for the six months ended 30 June 2017, to approximately RMB195.8 million for the six months ended 30 June 2018. The increase was primarily attributable to the increase in the costs of rendering of professional network services.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit for the six months ended 30 June 2018 amounted to approximately RMB11.4 million, representing a decrease of approximately RMB11.2 million, or approximately 49.6% as compared with that of approximately RMB22.6 million for the six months ended 30 June 2017. The significant decrease was primarily attributable to the drop of revenue contribution of software products with higher gross profit margin in the sales portfolio of the Company.

The gross profit margin decreased to approximately 5.5% for the six months ended 30 June 2018 from approximately 10.5% for the six months ended 30 June 2017. The decrease in gross profit margin was primarily attributable to (i) drop of gross profit contribution from the sales of software products with higher gross profit margin for the six months ended 30 June 2018 as some enterprises deferred or reduced their IT investment plans due to the uncertain economic environment during the first half of 2018; and (ii) decrease in gross profit margin of sales of the network communication products due to intensive competition in the market.

Other Income and Gains

The Group recorded other income and gains of approximately RMB2.1 million for the six months ended 30 June 2018, including (i) bank interest income of approximately RMB1.8 million; and (ii) gains on collection of impaired trade receivables acquired in a business combination of approximately RMB0.3 million.

Selling and Distribution Expenses

The selling and distribution expenses amounted to approximately RMB10.7 million for the six months ended 30 June 2018 and 2017.

Administrative Expenses

The administrative expenses decreased by approximately RMB8.2 million for the six months ended 30 June 2018, as compared with that of approximately RMB29.3 million for the six months ended 30 June 2017. The decrease was primarily due to less professional fee incurred during the six months ended 30 June 2018.

Other Expenses

Other expenses amounted to approximately RMB2.4 million, which was primarily resulted from impairment of trade receivables of approximately RMB2.2 million.

Finance Costs

The finance costs decreased by approximately RMB7.2 million for the six months ended 30 June 2018, as compared with that of approximately RMB13.0 million for the six months ended 30 June 2017. The significant decrease was mainly due to the early redemption of coupon notes of an aggregate principal amount of HK$209.0 million in December 2017 and January 2018.

Income Tax Credit/(Expense)

The Group incurred income tax credit of approximately RMB1.5 million for the six months ended 30 June 2018 primarily due to deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015. Overall, the Group's effective tax rate for the six months ended 30 June 2018 was 5.7%, compared with -0.3% for the six months ended 30 June 2017.

Loss for the Period

The net loss increased by approximately RMB3.3 million for the six months ended 30 June 2018, or approximately 15.2%, as compared with that of approximately RMB21.7 million for the six months ended 30 June 2017. The increase was mainly attributable to (i) the significant decrease of gross profit of approximately RMB11.2 million; and (ii) the decrease of other income and gains of approximately RMB10.5 million. The increase of net loss was partially offset by (i) the decrease in administrative expenses of approximately RMB8.2 million; (ii) the decrease in finance costs RMB7.2 million; and (iii) income tax credit of approximately RMB1.5 million recorded for the six months ended 30 June 2018.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a relatively low gearing ratio during its operations. As at 30 June 2018, the Group's gearing ratio (measured by total sum of short-term and long-term borrowings and coupon notes divided by total assets) was approximately 7.2% (31 December 2017: approximately 8.6%). The decrease in gearing ratio was mainly due to the early redemption of 8.5% coupon notes with an aggregated principal amount of HK$52.7 million in January 2018.

As at 30 June 2018, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB48.8 million (31 December 2017: approximately RMB35.8 million), among which approximately RMB24.6 million (31 December 2017: approximately RMB24.9 million) was unsecured and guaranteed by a director of the Company. As at 30 June 2018, the interest-bearing bank and other borrowings of RMB38.8 million (31 December 2017: RMB25.8 million) carried at fixed interest rates and RMB10.0 million (31 December 2017: RMB10.0 million) carried at floating interest rates.

As at 30 June 2018, the carrying amount of coupon notes of the Group amounted to approximately RMB46.9 million (31 December 2017: RMB87.8 million). The coupon notes were unsecured.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2018.

Foreign Currency Risk

As certain of the Group's trade and other receivables, cash and cash equivalents and trade and other payables are denominated in foreign currency, exposure to exchange rate fluctuation arises. The Group has relevant policy to monitor the risk associated with the fluctuation of foreign currency and control such risk, if necessary.

Working Capital

Inventories balance as at 30 June 2018 was approximately RMB8.9 million (31 December 2017: approximately RMB10.4 million). The average turnover days for inventories were 9 days as at 30 June 2018 (30 June 2017: 11 days).

Trade and bills receivables balance as at 30 June 2018 was approximately RMB221.1 million (31 December 2017: approximately RMB228.2 million). The average turnover days for trade and bills receivables increased to 195 days (30 June 2017: 164 days) which was mainly due to several new customers with relatively longer credit terms. As at 30 June 2018, approximately 51.4% of the trade receivables was aged within three months.

Trade and bills payables balance as at 30 June 2018 was approximately RMB161.1 million (31 December 2017: approximately RMB152.8 million). The average turnover days for trade and bills payables increased to 144 days as at 30 June 2018 (30 June 2017: 112 days). The increase in turnover days was mainly due to several new suppliers with relatively longer payment terms.

The Group's cash conversion cycle for the six months ended 30 June 2018 was 60 days as compared with 63 days for the six months ended 30 June 2017.

Cash Flows

For the six months ended 30 June 2018, the net cash flows from operating activities was approximately RMB34.0 million, which was primarily due to cash collected from loan receivables of approximately RMB102.4 million and was partially offset by (i) cash paid for income taxes of approximately RMB29.9 million; (ii) cash paid for new addition of loan receivables of approximately RMB28.3 million and (ii) cash paid for interest of approximately RMB3.4 million.

The net cash used in the investing activities for the six months ended 30 June 2018 of approximately RMB117.3 million was mainly attributable to cash used in prepayments for a financial asset at fair value through other comprehensive income in relation to capital injection to CCT of RMB200 million. The net cash used in the investing activities was partially offset by the proceeds from release of pledged deposits of approximately RMB81.4 million.

The net cash used in financing activities for the six months ended 30 June 2018 of approximately RMB40.2 million was primarily attributable to payment for redemption of coupon notes.

Capital Expenditures

For the six months ended 30 June 2018, the Group had no material capital expenditures.

Commitments

As at 30 June 2018, the Group had a commitment of RMB80.0 million in relation to the capital to be injected to CCT. The capital injection was completed on 25 July 2018. The Group had a significant commitment of RMB280.0 million in relation to the capital to be injected to CCT as at 31 December 2017.

Contingent Liabilities

The Group underwent several reorganisations, including disposal of the entire interest of Honglin International Limited and 威海市裕博線纜科技有限公司 (Weihaishi Yubo Wire & Cable Technology Co., Ltd.*) during the year ended 31 December 2015 and transfers of several subsidiaries within the Group. The Group has conducted filings of the reorganisations, if required, with the relevant tax authorities. However, those reorganisations may be subject to further investigations if initiated and requested by the relevant tax authorities. The Directors believe that the taxes arising from those reorganisations have been properly dealt with and provided for in the financial statements. Given the complexity of the relevant tax laws and regulations and the diversified practice of the respective tax authorities in the PRC, there exists a possibility that the tax authorities may levy and collect additional taxes for those reorganisations.

Employees

As at 30 June 2018, the total number of employees of the Group was 244 (30 June 2017: 257).

The breakdown of the employees of the Group as at 30 June 2018 and 2017 is as follows:

	As at 30 June 2018	As at 30 June 2017
Manufacturing and technical engineering	**74**	67
Sales and marketing	**65**	64
General and administration	**48**	54
Research and development	**57**	72
Total	**244**	257

The decrease in the number of employees as at 30 June 2018 as compared with that as at 30 June 2017 was mainly due to the Group streamlined departments and reduced the number of employees as the Group redressed its business strategy towards the development of the business of network communication business and mobile OA software business. Compensation policy of the Group is determined by evaluating individual performance of the employees and has been reviewed regularly.

MAJOR TRANSACTION IN RELATION TO PROPOSED CAPITAL INJECTION INTO CHINA COMMUNICATION TECHNOLOGY COMPANY LIMITED*

On 17 February 2017, the Company, CCT and the shareholders holding approximately 79.08% equity interest in CCT, namely, Mr. Wu Guangsheng, Mr. Huang Yongjiang, Mr. Xiang Junhui, Mr. Feng Junzheng and Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), entered into a capital injection agreement (the "Capital Injection Agreement"), pursuant to which the Company should, subject to the fulfillment of conditions precedent therein, inject an amount of RMB600 million into CCT in exchange for approximately 4.41% interest in CCT.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) in relation to the Capital Injection Agreement was more than 25% but less than 100%, the Capital Injection Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules.

On 19 June 2017, the Company, CCT and the said CCT's shareholders entered into the supplemental agreement (the "Supplemental Agreement") to the Capital Injection Agreement, pursuant to which the parties agreed to extend the long stop date under the Capital Injection Agreement from 30 June 2017 to 31 July 2017.

In the extraordinary general meeting of the Company held on 10 July 2017, the ordinary resolutions in relation to the Capital Increase Agreement were duly passed by the Shareholders by way of poll.

Pursuant to the Capital Injection Agreement, the Group shall settle the injection amount within six months after the completion of the relevant registration procedures with the local administration bureau of industry and commerce (the "Relevant Registration Procedures") in respect of the Proposed Capital Injection. As the Relevant Registration Procedures were completed on 29 January 2018, the capital injection amount shall be settled on or before 29 July 2018. The capital injection amount was fully settled and all of the conditions under the Capital Injection Agreement were fulfilled as at 25 July 2018.

During the exclusivity period under the Capital Injection Agreement, CCT introduced two third party investors (the "Third Party Investors") in relation to a capital injection in aggregate of RMB1.6 billion into CCT (the "Subsequent Capital Injection"). In view that (i) CCT has notified the Company the major terms of the Subsequent Capital Injection; (ii) the subscription price borne by the Third Party Investors is equal to that borne by the Company in the Proposed Capital Injection; (iii) the

* *The English name is for identification purpose only*

control of CCT has remained unchanged upon completion of the Subsequent Capital Injection; and (iv) the aggregated equity interest of the Company in CCT was diluted by not more than 1.0% upon completion of the Subsequent Capital Injection, the Subsequent Capital Injection has not violated any provision under the Capital Injection Agreement as set out in the section headed "Exclusivity" in the Circular and therefore CCT is not obligated to pay any Compensation Amount to the Company. As a result of the Subsequent Capital Injection, following the Capital Injection Completion and the Subsequent Capital Injection, the Company owns approximately 3.95% of the enlarged registered capital of CCT instead of 4.41% as set out in the Circular.

Details of the Capital Injection Agreement (as supplemented by the Supplemental Agreement) have been set out in the announcements of the Company dated 16 November 2016, 17 February 2017, 19 June 2017 and 25 July 2018 and the circular of the Company dated 23 June 2017.

INVESTMENTS IN LISTED EQUITY SECURITIES

During the six months ended 30 June 2018, the Company has conducted a series of on-market listed securities investments to expand its investment portfolio with quality assets and the goal of investment is to attain a reasonable return within manageable risk level. The Group recorded unrealised fair value losses on held for trading listed securities investments of net amount of loss approximately RMB206,000.

		Movement during the six months ended 30 June 2018								
Stock code	**Name of investee company**	**Carrying amount as at 1 January 2018**	**Addition**	**Unrealised fair value loss**	**Exchange realignment**	**Carrying amount as at 30 June 2018**	**Dividend income for the six months ended 30 June 2018**	**Net loss for the six months ended 30 June 2018**	**Number of shares held and % of total share held by the Group as at 30 June 2018**	**Percentage to the Group's total assets as at 30 June 2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
1833	Ping An Healthcare And Technology Co. Ltd.	—	58	(5)	2	55	—	(5)	1,300/ 0.0001%	0.0041%
6108	New Ray Medicine International Holding Ltd.	4,034	—	(201)	48	3,881	—	(201)	25,080,000/ 1.5000%	0.2919%
		4,034	58	(206)	50	3,936	—	(206)		

Investee Company's Principal Business, Performance and Future Prospect

Ping An Healthcare And Technology Co. Ltd. ("Ping An Healthcare")

Ping An Healthcare is a China-based company principally engaged in the provision of healthcare services and products. Ping An Healthcare mainly provides medical and wellness services, such as family doctor services, consumer healthcare services, health mall services, as well as health management and wellness interaction services.

For the six months ended 30 June 2018, revenue of Ping An Healthcare was approximately RMB1,122.8 million which has increased by approximately 150.3% when compared to that of approximately RMB448.6 million for the same period of 2017. Net loss attributable to owners of Ping An Healthcare for the six months ended 30 June 2018 was approximately RMB444.2 million, which has decreased by approximately 2.6% when compared to that of approximately RMB456.0 million for the same period of 2017.

During the Period, the Group had acquired 1,300 shares of Ping An Healthcare and recorded an unrealised fair value loss of investment in Ping An Healthcare amounted to approximately RMB5,000.

New Ray Medicine International Holding Ltd. ("New Ray")

New Ray is an investment holding company principally engaged in the trading of pharmaceutical products in China. New Ray operates its business through four segments. The injection drugs segment is engaged in the trading of injection drugs. The capsule and granule drugs segment is engaged in the trading of capsule and granule drugs. The tablet drugs segment is engaged in the trading of tablet drugs. The others segment is engaged in the trading of miscellaneous types of goods and drugs.

For the year ended 31 December 2017, revenue of New Ray was approximately HK$235.2 million which has increased by approximately 4.4% when compared to that of approximately HK$225.4 million for the year ended 31 December 2016. Net loss attributable to owners of New Ray for the year ended 31 December 2017 was approximately HK$105.0 million, which has increased by approximately HK$84.5 million when compared to that of approximately HK$20.5 million for the year ended 31 December 2016.

New Ray was suspended trading on 6 October 2017 due to Securities and Futures Commission has issued a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend trading in the shares of New Ray. The Group recorded an unrealised fair value loss from its investment in New Ray amounted to approximately RMB201,000 for the Period.

The Group remained holding 25.08 million shares of New Ray in its investment portfolio as at 30 June 2018. The Group's management appointed an external valuer to be responsible for the valuation of shares of New Ray. The fair value of shares of New Ray held by the Group was approximately RMB3,881,000 as at 30 June 2018.

The Group will keep monitoring New Ray's operation status or any update of resumption of trading of New Ray.

REDEMPTION OF COUPON NOTES

An aggregate principal amount of HK$52.7 million of coupon notes issued by the Company on 24 January 2017 was early redeemed in January 2018. As at the date of this announcement, the aggregate outstanding principal amount of coupon notes is HK$56.7 million.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Completion of Capital Injection into China Communication Technology Company Limited*

The Capital Injection has been completed and all of the conditions under the Capital Injection Agreement have been fulfilled as at 25 July 2018, details are set out in the section headed "MAJOR TRANSACTION IN RELATION TO PROPOSED CAPITAL INJECTION INTO CHINA COMMUNICATION TECHNOLOGY COMPANY LIMITED*".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The Company has adopted and complied with the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules throughout the the six months ended 30 June 2018 except for the following deviations.

* *The English name is for identification purpose only*

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and CEO by Mr. Chan Sek Keung, Ringo can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in future.

Code provision A.6.7 of the CG Code provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors were not able to attend the general meeting held on 24 May 2018 due to their respective business engagements. Other Board members who attend the general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meeting.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control procedures of the Company. As at the date of this announcement, the Audit Committee consists of three members, namely, Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai, all of whom are independent non-executive Directors. Mr. Wong Chun Sek, Edmund currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Listing Rules and the CG Code. During the six months ended 30 June 2018 under review, the Audit Committee convened one meeting.

The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed about the auditing, risk management, internal controls, and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 and this announcement.

The financial results for the six months ended 30 June 2018 have not been audited.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding the Directors' securities transactions during the six months ended 30 June 2018.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

OUTLOOK

The network communication market will continue to be robust with continued growth in following year. The Group will keep expand its business in the vertical market with its advanced network communication products and OA software, while investing in advance new technologies and developing high-value new customers to increase the Group's market share. The Group will also endeavour to provide high value professional solutions to attain positive customer satisfaction. In addition to China's major sales areas, the Group continues to explore business opportunities in other Asian countries to boost the growth momentum of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the six months ended 30 June 2018.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2018 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.investech-holdings.com) in due course. Printed copies will be dispatched to the Shareholders in due course.

By Order of the Board
InvesTech Holdings Limited
Chan Sek Keung, Ringo
Chairman and Chief Executive Officer

Hong Kong, 30 August 2018

As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Ms. Wang Fang, Mr. Wu Chi Luen and Mr. Lu Chengye and the independent non-executive Directors are Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.