InvesTech Holdings Limited
威 訊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

2019 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**488,682**	414,864
Gross profit	**65,042**	35,606
Loss before tax	**(22,638)**	(58,416)
Loss for the year	**(24,665)**	(54,657)
Loss attributable to:		
– Owners of the parent	**(21,096)**	(46,171)
– Non-controlling interests	**(3,569)**	(8,486)
	(24,665)	(54,657)
Loss per share		
– Basic and diluted *(RMB cents)*	**(1.51)**	(3.95)

- The Group recorded a total revenue of approximately RMB488.7 million for the year ended 31 December 2019, representing an increase of approximately RMB73.8 million, or approximately 17.8% as compared to the total revenue of approximately RMB414.9 million for the year ended 31 December 2018.

- The Group's net loss amounted to approximately RMB24.7 million for the year ended 31 December 2019, as compared to the net loss of approximately RMB54.7 million for the year ended 31 December 2018.

- Basic loss per share was approximately RMB1.51 cents for the year ended 31 December 2019, as compared to basic loss per share of approximately RMB3.95 cents for the year ended 31 December 2018.

The board (the "Board") of directors (the "Directors") of InvesTech Holdings Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018. The consolidated financial results of the Group for the year ended 31 December 2019 have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	4	**488,682**	414,864
Cost of sales		**(423,640)**	(379,258)
Gross profit		**65,042**	35,606
Other income and gains	4	**3,891**	5,629
Selling and distribution expenses		**(24,654)**	(22,167)
Administrative expenses		**(56,038)**	(47,872)
Other expenses, net		**(6,764)**	(19,877)
Finance costs	5	**(4,115)**	(9,735)
LOSS BEFORE TAX	6	**(22,638)**	(58,416)
Income tax (expense)/credit	7	**(2,027)**	3,759
LOSS FOR THE YEAR		**(24,665)**	(54,657)
Loss attributable to:			
Owners of the parent		**(21,096)**	(46,171)
Non-controlling interests		**(3,569)**	(8,486)
		(24,665)	(54,657)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For loss for the year		**(RMB1.51 cents)**	(RMB3.95 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(24,665)**	(54,657)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(57,997)**	602
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**60,052**	402
Financial asset at fair value through other comprehensive income:		
Change in fair value	**(230,370)**	12,939
Income tax effect	**3,235**	(3,235)
	(167,083)	10,106
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(225,080)**	10,708
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(249,745)**	(43,949)
Total comprehensive loss attributable to:		
Owners of the parent	**(246,278)**	(35,436)
Non-controlling interests	**(3,467)**	(8,513)
	(249,745)	(43,949)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,487**	2,351
Right-of-use assets		**8,248**	–
Goodwill		**192,564**	192,564
Other intangible assets		**118,936**	139,181
Deferred tax assets		**3,002**	2,570
Financial asset at fair value through other comprehensive income	10	**382,569**	612,939
Loan receivables	12	**3,913**	5,741
Total non-current assets		**710,719**	955,346
CURRENT ASSETS			
Inventories		**12,881**	13,398
Trade and bills receivables	11	**210,280**	209,690
Loan receivables	12	**27,034**	40,244
Interest receivables		**343**	1,356
Prepayments, other receivables and other assets	13	**53,743**	35,232
Equity investment at fair value through profit or loss	14	**1,249**	4,039
Debt investment at fair value through profit or loss	15	**13,856**	–
Pledged deposits		**31,018**	2,189
Cash and cash equivalents		**48,781**	98,278
Total current assets		**399,185**	404,426
CURRENT LIABILITIES			
Trade payables	16	**170,915**	159,642
Contract liabilities		**24,932**	6,979
Other payables and accruals	17	**33,788**	36,471
Interest-bearing bank and other borrowings		**57,664**	36,979
Coupon notes		**–**	48,921
Tax payable		**14,140**	8,645
Total current liabilities		**301,439**	297,637
NET CURRENT ASSETS		**97,746**	106,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**808,465**	1,062,135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December

	Note	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities		**2,296**	–
Loan from a director	17	**–**	32,510
Interest-bearing bank and other borrowings		**6,966**	5,705
Deferred tax liabilities		**17,841**	24,112
Total non-current liabilities		**27,103**	62,327
Net assets		**781,362**	999,808
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**188,710**	156,928
Reserves		**539,383**	786,144
		728,093	943,072
Non-controlling interests		**53,269**	56,736
Total equity		**781,362**	999,808

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December

	2019	2018
	RMB'000	*RMB'000*
Net cash flows from operating activities	**39,347**	89,088
Net cash flows used in investing activities	**(40,333)**	(195,393)
Net cash flows used in financing activities	**(47,486)**	(2,902)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(48,472)**	(109,207)
Cash and cash equivalents at beginning of year	**98,278**	211,514
Effect of foreign exchange rate changes, net	**(1,025)**	(4,029)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**48,781**	98,278

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 1201, 12/F, C C Wu Building, 302-308 Hennessy Road, 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through other comprehensive income, an equity investment at fair value through profit or loss and a debt investment at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 and IFRIC 23, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of machinery and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the lease liabilities at 1 January 2019 were the carrying amounts of the recognised liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase ***RMB'000***
Assets	
Increase in right-of-use assets	**9,926**
Increase in total assets	**9,926**
Liabilities	
Increase in interest-bearing bank and other borrowings	**9,926**
Increase in total liabilities	**9,926**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

Financial impact at 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	13,030
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(934)
	12,096
Weighted average incremental borrowing rate as at 1 January 2019	5.35%
Discounted operating lease commitments as at 1 January 2019	9,926
Add: Finance lease liabilities recognised as at 31 December 2018	7,592
Lease liabilities as at 1 January 2019	**17,518**

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's tax compliance study, the Group determined that it is probable that its tax treatment will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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 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, 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, non-lease-related 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, equity investment at fair value through profit or loss, debt investment 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 (other than lease liabilities), coupon notes, tax payable, deferred tax liabilities, a loan from a director and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2019

	Communication system *RMB'000*	Money lending *RMB'000*	Total *RMB'000*
Segment revenue (note 4)			
Sales to external customers	**484,655**	**4,027**	**488,682**
Segment results	**(10,732)**	**3,206**	**(7,526)**
Interest income			**292**
Unallocated income and gains			**1,233**
Finance costs (other than interest on lease liability)			**(3,149)**
Corporate and other unallocated expenses			**(13,488)**
Loss before tax			**(22,638)**
Segment assets	**986,264**	**25,398**	**1,011,662**
Corporate and other unallocated assets			**98,242**
Total assets			**1,109,904**
Segment liabilities	**231,119**	**480**	**231,599**
Corporate and other unallocated liabilities			**96,943**
Total liabilities			**328,542**
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	**4,819**	**–**	**4,819**
Depreciation and amortisation	**26,267**	**–**	**26,267**
Capital expenditure*	**3,508**	**–**	**3,508**

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Communication system *RMB'000*	Money lending *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	406,038	8,826	414,864
Segment results	(49,926)	8,204	(41,722)
Interest income			1,898
Finance costs			(9,735)
Corporate and other unallocated expenses			(8,857)
Loss before tax			(58,416)
Segment assets	1,212,273	39,571	1,251,844
Corporate and other unallocated assets			107,928
Total assets			1,359,772
Segment liabilities	182,359	230	182,589
Corporate and other unallocated liabilities			177,375
Total liabilities			359,964
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	20,742	–	20,742
Depreciation and amortisation	21,287	–	21,287
Capital expenditure	1,588	–	1,588
Additions to a financial asset at fair value through other comprehensive income	280,000	–	280,000

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**400,858**	385,977
Vietnam	**72,934**	–
Hong Kong	**6,152**	23,006
United States of America	**4,661**	2,269
Other countries/regions	**4,077**	3,612
	488,682	414,864

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**707,669**	952,590
Hong Kong	**48**	186
	707,717	952,776

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue of approximately RMB72,934,000 was derived from sales by the communication system segment to a single customer during the year ended 31 December 2019.

None of the sales to external customers individually amounted to over 10% of the total revenue of the Group for the year ended 31 December 2018.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**484,655**	406,038
Revenue from other sources		
Interest income from money lending business	**4,027**	8,826
	488,682	414,864

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

Disaggregated revenue information

Communication system segment

	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Sales of goods	**418,579**	335,490
Rendering of services	**66,076**	70,548
Total revenue from contracts with customers	**484,655**	406,038
Geographical markets		
Mainland China	**400,858**	385,977
Vietnam	**72,934**	–
United States of America	**4,661**	2,269
Hong Kong	**2,125**	14,180
Other countries/regions	**4,077**	3,612
Total revenue from contracts with customers	**484,655**	406,038
Timing of revenue recognition		
Goods transferred at a point in time	**418,579**	335,490
Services transferred over time	**66,076**	70,548
Total revenue from contracts with customers	**484,655**	406,038

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**292**	1,898
Finance income on the net investment in a lease/ interest income arising from finance lease	**553**	416
Fair value gain on debt investment at fair value though profit or loss	**1,233**	–
Government grants released**	**1,631**	1,026
Gain on collection of impaired trade receivables acquired in a business combination*	**116**	2,266
Foreign exchange differences, net	**–**	10
Others	**66**	13
	3,891	5,629

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**2,339**	2,306
Interest on coupon notes	**810**	7,099
Interest on lease liabilities	**966**	–
Interest on finance leases	**–**	330
	4,115	9,735

6. LOSS BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold*	**371,188**	301,069
Depreciation of property, plant and equipment	**1,208**	1,042
Depreciation of right-of-use assets	**4,814**	–
Amortisation of other intangible assets**	**20,245**	20,245
Impairment of goodwill***	**–**	15,016
Impairment of financial assets, net:		
Impairment of trade receivables, net***	**3,641**	4,270
Impairment of other loan receivables, net***	**172**	74
(Reversal of impairment)/impairment of deposits and other receivables, net***	**(16)**	278
	3,797	4,622
Minimum lease payments under operating leases	**–**	7,903
Lease payments not included in the measurement of lease liabilities	**1,407**	–
Auditor's remuneration	**2,220**	2,150
Research and development costs	**14,317**	11,693
Foreign exchange differences, net	**146**	(10)
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	**44,313**	40,167
– Equity-settled share option expense	**–**	778
– Pension scheme contributions	**5,222**	5,254
	49,535	46,199
Write-down of inventories to net realisable value*	**1,022**	1,104
Net fair value loss on equity investment at fair value through profit or loss***	**2,821**	226

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

** The amortisation of other intangible assets for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	RMB'000	*RMB'000*
Current – Hong Kong		
Overprovision in prior years	**(8)**	(774)
Current – Mainland China		
Charge for the year	**1,996**	–
Current – Vietnam		
Charge for the year	**3,507**	–
Deferred income tax	**(3,468)**	(2,985)
Total tax charge/(credit) for the year	**2,027**	(3,759)

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

	2019	2018
Beijing Wafer*	**15.0%**	15.0%
Xi'an Wafer**	**12.5%**	12.5%

* The entity is qualified as High and New Technology Enterprises and was entitled to a preferential CIT rate of 15% for the years ended 31 December 2019 and 2018.

** 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 ended 31 December 2019.

The subsidiary which operates in Vietnam was subject to CIT at a rate of 20% on taxable income.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2019 and subsequent to the end of the reporting period (2018: 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,396,947,945 (2018: 1,170,000,000) in issue during the year.

The calculation of basic loss per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(21,096)**	(46,171)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,396,947,945**	1,170,000,000
Loss per share:		
Basic and diluted	**(RMB1.51 cents)**	(RMB3.95 cents)

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 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. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement ("Agreement") with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* "CCT") which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company would inject an amount of RMB600,000,000 to CCT. The capital injection was completed on 25 July 2018 when the Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. Upon completion of the capital injection into CCT and other conditions as stipulated in the Agreement, the Group has irrevocably designated this unlisted equity investment at fair value through other comprehensive income at initial recognition as the Group considers this investment to be strategic in nature. As at 31 December 2019, resulting from CCT's capital increase during the year, the Company's shareholding percentage decreased to approximately 3.91% of the enlarged registered capital of CCT.

	2019	2018
	RMB'000	*RMB'000*
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
CCT	**382,569**	612,939

During the year ended 31 December 2019, the fair value loss netting of the income tax in respect of the above unlisted equity investment recognised in other comprehensive loss amounted to RMB227,135,000 (2018: fair value gain netting of the income tax RMB9,704,000). The fair value loss was mainly attributable to the significant decrease in net profit generated by CCT during the year ended 31 December 2019.

* The English name is for identification purpose only.

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**217,785**	216,226
Impairment	**(9,392)**	(8,240)
Trade receivables, net	**208,393**	207,986
Bills receivable	**1,887**	1,704
	210,280	209,690

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**100,763**	88,157
3 to 6 months	**37,928**	30,540
6 to 12 months	**42,351**	65,913
1 to 2 years	**24,431**	13,550
Over 2 years	**2,920**	9,826
	208,393	207,986

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**8,240**	5,959
Impairment losses, net	**3,641**	4,270
Amounts written off as uncollectible	**(2,497)**	(1,995)
Exchange realignment	**8**	6
At end of year	**9,392**	8,240

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**636**	–
3 to 6 months	**1,151**	1,704
6 to 12 months	**100**	–
	1,887	1,704

At 31 December 2019 and 2018, no amounts due from related parties of the Group were included in the trade and bills receivables.

12. LOAN RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Finance lease receivables	**5,900**	7,578
Other loan receivables	**25,300**	38,484
Impairment	**(253)**	(77)
Other loan receivables, net	**25,047**	38,407
Total loan receivables, net	**30,947**	45,985
Portion classified as non-current assets:		
– Finance lease receivables	**(3,913)**	(5,741)
Current portion	**27,034**	40,244

(A) Finance lease receivables

	Minimum lease receivables		**Present value of minimum lease receivables**	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,433**	2,431	**1,987**	1,837
In the second to fifth years, inclusive	**4,257**	6,490	**3,913**	5,741
	6,690	8,921	**5,900**	7,578
Less: Unearned finance income	**(790)**	(1,343)		
Present value of minimum lease receivables	**5,900**	7,578		

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 year ended 31 December 2019.

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 its loan receivables in order to minimise credit risk by reviewing the borrowers' and their guarantors' financial positions.

Loan receivables are interest-bearing at rates mutually agreed between the Group and the borrowers, ranging from 6% to 15% per annum. As at 31 December 2019, other loan receivables of RMB6,973,000 were guaranteed by properties of the borrowers (31 December 2018: RMB6,854,000).

Movements in the loss allowance for impairment of other loan receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**77**	–
Impairment losses, net	**172**	74
Exchange realignment	**4**	3
At end of year	**253**	77

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**6,903**	28,323
3 to 6 months	**15,046**	7,015
6 to 12 months	**3,098**	3,069
	25,047	38,407

At 31 December 2019 and 2018, no amounts due from related parties of the Group were included in other loan receivables.

13. **PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	2019	2018
	RMB'000	*RMB'000*
Advances to suppliers	**37,707**	18,855
Deposit and other receivables	**12,726**	16,495
Tax recoverable	**3,530**	164
	53,963	35,514
Impairment allowance	**(220)**	(282)
	53,743	35,232

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

At 31 December 2019 and 2018, no amounts due from related parties were included in prepayments, other receivables and other assets.

Movements in the provision for impairment of deposits and other receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**282**	–
Impairment losses, net	**(16)**	278
Amounts written off as uncollectible	**(47)**	–
Exchange realignment	**1**	4
At end of year	**220**	282

14. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'000	*RMB'000*
Listed equity investment, at fair value	**1,249**	4,039

During the year ended 31 December 2017, the Group acquired shares of a listed company in Hong Kong, the trading of which has been suspended since October 2017. The equity investment is classified as held for trading and measured at fair value through profit or loss.

A fair value loss of RMB2,821,000 was recognised for changes in fair value of equity investment at fair value through profit or loss in "other expenses, net" in the consolidated statement of profit or loss for the year ended 31 December 2019 (2018: RMB226,000).

15. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'000	*RMB'000*
Unlisted debt investment	**13,856**	–

On 20 March 2019, the Group subscribed an unlisted bond issued by an independent third party with an aggregate principal amount of HK$15,000,000 (equivalent to RMB12,980,000), bearing interest at a rate of 12% per annum. The investment is measured at fair value through profit or loss and will mature in 1 year.

A fair value gain of RMB1,233,000 was recognised for changes in fair value of debt investment at fair value through profit or loss in "other income and gains" in the consolidated statement of profit or loss for the year ended 31 December 2019.

Subsequently to the end of the reporting period, on 18 March 2020, the Company entered into a supplemental subscription agreement, pursuant to which, the maturity date of the debt investment is extended to 19 March 2021. Details of the extension have been set out in the announcement of the Company dated 18 March 2020.

16. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**97,187**	98,796
3 to 12 months	**39,298**	38,104
1 to 2 years	**16,418**	6,034
Over 2 years	**18,012**	16,708
	170,915	159,642

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

At 31 December 2019 and 2018, no amounts due to related parties of the Group were included in the trade payables.

17. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Loan from a director	**6,258**	43,933
Accruals	**11,276**	8,516
Other taxes payable	**4,296**	4,362
Other payables	**11,958**	12,170
Total other payables and accruals	**33,788**	68,981
Portion classified as non-current liabilities		
– Loan from a director	**–**	(32,510)
Current portion	**33,788**	36,471

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 March 2020, the Company entered into a supplemental subscription agreement, pursuant to which, the maturity date of the debt investment is extended to 19 March 2021. Details of the extension have been set out in the announcement of the Company dated 18 March 2020.

(b) There was an outbreak of the novel coronavirus around the world. As the epidemic is fluid and rapidly evolving, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

PERFORMANCE REVIEW

During the year ended 31 December 2019 (the "Year"), the Group continued to focus on its core business of the network communication business and the sales of mobile office automation ("OA") software business. Mainland China continued to be the major source of revenue contributed to the Group. Despite the uncertainties in global economy and keen competition in the industry, the Group still recorded a steady growth of revenue. The improvement in overall performance was due to continuous investment in advanced technology and exploration of overseas market.

During the Year, the Group recorded a net loss of approximately RMB24.7 million. Total revenue amounted to approximately RMB488.7 million, representing an increase of approximately RMB73.8 million, or approximately 17.8% as compared to approximately RMB414.9 million for the corresponding period in 2018. The Group's gross profit amounted to approximately RMB65.0 million, representing an increase of approximately RMB29.4 million, or approximately 82.6% as compared with that of approximately RMB35.6 million for the corresponding period in 2018. The gross profit margin for the Year increased to approximately 13.3% from approximately 8.6% for the corresponding period in 2018.

BUSINESS DEVELOPMENT

During the Year, the ongoing trade arguments between the United States of America and China were affecting the business environment and global economic growth. By mutual understanding and cooperation, the phase one of trade agreement between the United States of America and China was entered in January 2020. Despite of the aforesaid volatile global environment, as a result of the successful strategy on diversification of risk by investments in Vietnam and the effective execution of operational efficiency and cost control measures, the Group has achieved growth on both revenue and gross margin during the Year.

The Group believes that in the 5G era, there are growing demand for advanced technology, such as cloud computing, B2B platform, Artificial Intelligence, Software Defined Networking (SDN) technology, Internet of Things (IOT) etc. Therefore, the Group develops and upgrades its mobile OA software continuously, and actively explores new business application and solutions, to cope with the customers' requirements and future trends of the coming 5G world. Furthermore, the Group continues to establish strategic alliance with industry leaders in order to enhance its competitiveness and accelerate the distribution channel of OA software.

OUTLOOK

Looking forwards, the Group views that the outlook of the market in China and the global business environment are challenging in 2020, it is mainly due to the trade war between the United States of America and China as well as the recent outbreak of novel coronavirus (COVID-19) (the "Coronavirus") epidemic. The uncertain business environment and wide suspension of production and business activities in certain countries and regions of Asia, Europe and America are likely to affect the enterprise spending on IT services or IT investments in the forthcoming year. As the epidemic is fluid and rapidly evolving, the related impact on the Group's operations, cash flows and financial condition could not be reasonably estimated at this stage. The Group will closely monitor the latest development in the global economy and the impact of the Coronavirus epidemic on its business and operation.

By virtue of its competitive advantages, the Group remains cautiously optimistic about the prospects of its core business in the long run, as it is expected the (i) the trade tension between the United States of America and China may be alleviated or released; and (ii) the Coronavirus epidemic may become controllable due to the emergency public health measures taken by the Chinese government. Moreover, the strong demand for mobile OA software is raised from the awareness of benefit from the use of OA software, such as VPN, cloud computing to facilitate home office and mobile office operation. In light of the above, the Group foresees that more enterprises will become aware of and seek for such technology to fit in sustainable operation and risk management as the safeguard against any uncertainty in the future. The Group is ready to take this opportunity.

In addition, the Group will continue to explore proactively and make investments in overseas market with business opportunities, including but not limited to the opportunities from "One Belt and One Road Initiative" and "Guangdong-Hong Kong-Macao Greater Bay Area Development" policies, so as to reduce market risks and provide a better return to the shareholders (the "Shareholders") of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

Revenue

The Group recorded a total revenue of approximately RMB488.7 million for the year ended 31 December 2019, representing an increase of approximately RMB73.8 million, or approximately 17.8% as compared with that of approximately RMB414.9 million for the year ended 31 December 2018. The increase of revenue was primarily attributable to improvement of competitive strength by continued investment in business development.

Cost of Sales

The cost of sales increased by approximately RMB44.3 million, or approximately 11.7%, from approximately RMB379.3 million for the year ended 31 December 2018, to approximately RMB423.6 million for the year ended 31 December 2019. The increase was primarily attributable to the increase in sales volume.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2019 amounted to approximately RMB65.0 million, representing an increase of approximately RMB29.4 million, or approximately 82.6% as compared with that of approximately RMB35.6 million for the year ended 31 December 2018. The increase was primarily attributable to an increase of revenue contribution from network equipment and software product with higher gross profit margin in the sales portfolio of the Group.

The gross profit margin increased to approximately 13.3% for the year ended 31 December 2019 from approximately 8.6% for the year ended 31 December 2018. The increase in gross profit margin was primarily attributable to an increase of revenue contribution from sales with higher gross profit margin for the year ended 31 December 2019.

Other Income and Gains

The Group recorded other income and gains of approximately RMB3.9 million for the year ended 31 December 2019, mainly including (i) government grants released of approximately RMB1.6 million; (ii) a fair value gain on debt investment at fair value through profit or less of approximately RMB1.2 million; and (iii) finance income on the net investment in a lease of approximately RMB0.5 million.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately RMB2.5 million for the year ended 31 December 2019, or approximately 11.3%, as compared with that of approximately RMB22.2 million for the year ended 31 December 2018. The increase was primarily due to an increase in the salary and commission for the staff in sales and marketing department which was in line with the increase in revenue for the year ended 31 December 2019.

Administrative Expenses

The administrative expenses increased by approximately RMB8.1 million for the year ended 31 December 2019, or approximately 16.9%, as compared with that of approximately RMB47.9 million for the year ended 31 December 2018. The increase was primarily due to an increase in staff cost for business development for the year ended 31 December 2019.

Other Expenses

Other expenses amounted to approximately RMB6.8 million for the year ended 31 December 2019, which was primarily resulted from (i) impairment of trade receivables of approximately RMB3.6 million and (ii) fair value loss on equity investment at fair value through profit or loss of approximately RMB2.8 million.

Finance Costs

The finance costs decreased by approximately RMB5.6 million to approximately RMB4.1 million for the year ended 31 December 2019, as compared with that of approximately RMB9.7 million for the year ended 31 December 2018. The significant decrease was mainly attributable to early redemption of coupon notes with an aggregate principal amount of approximately RMB48.9 million in January and February 2019.

Income Tax

The Group incurred income tax expense of approximately RMB2.0 million for the year ended 31 December 2019 primarily due to the current income tax expense of approximately RMB5.5 million, which was offset by deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015 of approximately RMB3.5 million. Overall, the Group's effective tax rate for the year ended 31 December 2019 was -9.0%, compared with 6.4% for the year ended 31 December 2018, as certain subsidiaries of the Group recorded taxable profits during the current year.

Loss for the Year

The net loss decreased by approximately RMB30.0 million for the year ended 31 December 2019, or approximately 54.8%, as compared with that of approximately RMB54.7 million for the year ended 31 December 2018. The decrease was mainly attributable to (i) the increase in gross profit of approximately RMB29.4 million; (ii) the decrease in other expenses of approximately RMB13.1 million; and (iii) the decrease in finance costs of approximately RMB5.6 million. The decrease of net loss was partially offset by (i) the increase in administrative expenses of approximately RMB8.1 million; and (ii) the increase in selling and distribution expenses of approximately RMB2.5 million.

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 31 December 2019, the Group's gearing ratio (measured by total of short-term and long-term borrowings and coupon notes divided by total assets) was approximately 5.8% (31 December 2018: approximately 6.7%). The decrease in gearing ratio was mainly due to the early redemption of coupon notes with an aggregated principal amount of HK$56.1 million in January and February 2019.

As at 31 December 2019, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB64.6 million (31 December 2018: approximately RMB42.7 million), among which approximately RMB38.9 million was unsecured and guaranteed by a director of the Company. As at 31 December 2019, the interest-bearing bank and other borrowings of approximately RMB42.3 million carried at fixed interest rates and approximately RMB22.3 million carried at floating interest rates.

As at 31 December 2019, there were no outstanding coupon notes of the Group (31 December 2018: approximately RMB48.9 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 31 December 2019.

Save as disclosed in this announcement, the Directors have confirmed that there has been no material change in the indebtednesses and contingent liabilities of the Group since 31 December 2019 to the date of this announcement.

Working Capital

Inventories balance as at 31 December 2019 was approximately RMB12.9 million (31 December 2018: approximately RMB13.4 million). The average turnover days for inventories was 11 days as at 31 December 2019 (31 December 2018: 11 days).

Trade and bills receivables balance as at 31 December 2019 was approximately RMB210.3 million (31 December 2018: approximately RMB209.7 million). The average turnover days for trade and bills receivables decreased to 157 days as at 31 December 2019 (31 December 2018: 193 days) which was mainly due to effective collection of payments from customers.

Trade payables balance as at 31 December 2019 was approximately RMB170.9 million (31 December 2018: approximately RMB159.6 million). The average turnover days for trade payables decreased to 142 days as at 31 December 2019 (31 December 2018: 150 days). The decrease in turnover days was mainly due to the rising proportion of purchase with relatively shorter payment period.

The Group's cash conversion cycle for the year ended 31 December 2019 was 26 days as compared with 54 days for the year ended 31 December 2018.

Cash Flows

The net cash flows from operating activities for the year ended 31 December 2019 amounted to approximately RMB39.3 million.

The net cash flows used in investing activities for the year ended 31 December 2019 of approximately RMB40.3 million was mainly attributable to cash used in (i) placement of pledged bank deposits of approximately RMB28.6 million and (ii) purchase of a debt investment of approximately RMB13.0 million, was partially offset by interest received from debt investment of approximately RMB0.8 million.

The net cash flows used in financing activities for the year ended 31 December 2019 of approximately RMB47.5 million was primarily attributable to (i) repayment of bank and other borrowings of approximately RMB62.3 million; and (ii) payment for early redemption of coupon notes of approximately RMB49.3 million and (iii) repayment of a loan payable to a director of approximately RMB37.8 million, and was partially offset by (i) new bank and other borrowings of approximately RMB76.9 million; and (ii) net proceeds from issue of shares of approximately RMB31.3 million.

Capital Expenditures

For the year ended 31 December 2019, the Group had capital expenditures of approximately RMB3.5 million for additions to property, plant and equipment, and right-of-use assets.

Capital Commitments

The Group had no significant capital commitments as at 31 December 2019 and 31 December 2018.

Contingent Liabilities

The Group underwent several reorganisations, including disposals of the entire interests in 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 the 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 of the Company believe that the taxes arising from those reorganisations have been properly dealt with and provided for in the financial statements. Given the complexity of relevant tax laws and regulations and the diversified practice of respective tax authorities in the PRC, there exists a possibility that tax authorities may levy and collect additional taxes for those reorganisations.

* *The English name is for identification purpose only.*

Employees

As at 31 December 2019, the total number of employees of the Group was 256 (31 December 2018: 245). The breakdown of employees of the Group as at 31 December 2019 and 2018 is as follows:

	As at 31 December 2019	As at 31 December 2018
Manufacturing and technical engineering	**78**	75
Sales and marketing	**59**	64
General and administration	**49**	46
Research and development	**70**	60
Total	**256**	245

Compensation policy of the Group is determined by evaluating individual performance of the employees and has been reviewed regularly.

INVESTMENTS IN LISTED EQUITY SECURITIES

During the year ended 31 December 2019, the Group recorded a net fair value loss on a held for trading listed securities investment of approximately RMB2.8 million, details as follows:

Movement during the year ended 31 December 2019

Stock code	Name of investee company	Carrying amount as at 1 January 2019	Unrealised loss	Exchange realignment	Carrying amount as at 31 December 2019	Dividend income for the year ended 31 December 2019	Net loss for the year ended 31 December 2019	Number of shares held and % of total share held by the Group as at 31 December 2019	Percentage to the Group's total assets as at 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
6108	New Ray Medicine International Holding Ltd.	4,039	(2,821)	31	1,249	–	(2,821)	25,080,000/ 1.5000%	0.1125%
		4,039	(2,821)	31	1,249	–	(2,821)		

Investee Company's Principal Business, Performance and Future

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 2019, revenue of New Ray was approximately HK$118.6 million which has decreased by approximately 68.2% when compared to that of approximately HK$372.4 million for the corresponding period in 2018. A change from a profit attributable to owners of New Ray of approximately HK$33.2 million for the year ended 31 December 2018 to a loss attributable to owners of New Ray of approximately HK$44.1 million for the year ended 31 December 2019.

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 RMB2.8 million for the year ended 31 December 2019. The Group remained holding 25.08 million shares of New Ray in its investment portfolio as at 31 December 2019. 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 RMB1.2 million as at 31 December 2019.

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

INVESTMENTS IN NON-LISTED EQUITY SECURITIES

Investee Company's Principal Business, Performance and Future

China Communication Technology Co., Ltd.* ("CCT")

CCT is a company incorporated in the PRC with limited liability which together with its subsidiaries are principally engaged in research and development, design, production and sales of computer software and hardware, communication products, metal, semi-conductor and provision of network information service. Its major businesses include high-frequency satellite communication systems, military communication and provision of related supporting services.

During the year ended 31 December 2017, the Company entered into a capital injection agreement to inject an amount of RMB600 million to CCT (the "CCT Investment"). The CCT Investment was completed on 25 July 2018 and the Company was interested in approximately 3.91% of the enlarged registered capital of CCT as at 31 December 2019. The CCT Investment was booked as a financial asset at fair value through other comprehensive income of the Group. The fair value of the CCT Investment was approximately RMB382.6 million which accounted for approximately 34.5% of the Company's total asset as at 31 December 2019.

Pursuant to the unaudited consolidated management account of CCT for the year ended 31 December 2019, CCT recorded revenue of approximately RMB7,828.8 million for the year ended 31 December 2019, representing a decrease of approximately 22.8% as compared to approximately RMB10,145.4 million for the year ended 31 December 2018, mainly as a result of the significant decrease in revenue contributed from (i) satellite communication products segment due to the trade war between the United States of America and China; and (ii) military communications and ancillary services segment due to restructuring of military related industries in China. CCT recorded profit attributable to the owners of CCT of approximately RMB408.5 million for the year ended 31 December 2019, representing a decrease of approximately 56.9% as compared to approximately RMB948.3 million for the year ended 31 December 2018, mainly attributable to the decrease in revenue and a significant increase in finance costs. As a result of the financial performance of CCT for the year ended 31 December 2019, the Group recorded a fair value loss, netting of the income tax, amounted to approximately RMB227.1 million in respect of the above unlisted equity investment recognised in other comprehensive loss.

In accordance with the business outlook of CCT management, CCT plans to focus on spectrum, satellite and terahertz businesses and enhance its leading position in satellite communication while integrating with the "One Belt and One Road Initiative" of the PRC to develop its global satellite communications products. In 2020, CCT commercialises its satellite-cloud systems related services with large state-owned enterprises and government authorities in China. Having considered the above, the Group expects the CCT Investment will contribute favourable return and capital appreciation to the Group in the long run. Therefore, the CCT Investment has been treated as a long-term investment of the Group. As of the date of this announcement, the Group does not have any plan to realise the CCT Investment or to make any further capital contribution to CCT.

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REDEMPTION OF COUPON NOTES

During the year ended 31 December 2019, an aggregate principal amount of approximately HK$56.1 million of coupon notes was early redeemed in January and February 2019. As at the date of this announcement, there are no outstanding coupon notes.

PLACING OF NEW SHARES

On 20 December 2018, the Company entered into the placing agreement with the Supreme China Securities Limited, pursuant to which the Company appointed Supreme China Securities Limited as its placing agent to procure not less than six placees who are independent third parties to subscribe for up to 234,000,000 placing shares at the placing price of HK$0.160 per placing share on a best effort basis in accordance with the terms and conditions of the placing agreement. The Company carried out the placing offers since it offered a good opportunity to raise further capital for broaden the shareholders base of the Company thereby increasing the liquidity of the Shares as well as strengthening the financial position of the Group.

The placing was completed on 11 January 2019. An aggregate of 234,000,000 placing shares have been successfully placed to not less than six placees. The net proceeds from the placing were approximately HK$36.1 million. The net proceeds were used for the general working capital of the Group.

Details of the placing have been set out in the announcements of the Company dated 20 December 2018 and 11 January 2019, respectively.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 18 March 2020, the Company as the subscriber and Elite Foster International Investment Limited as the issuer entered into a supplemental subscription agreement in relation to the extension of the maturity date of an one-year 12% unlisted bond in principal amount of HK$15 million issued by the issuer from 19 March 2020 to 19 March 2021 (the "Extension"). As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in respect of the Extension is more than 5% but less than 25%, the Extension constituted a disclosable transaction of the Company. Details of the Extension have been set out in the announcement of the Company dated 18 March 2020.

There was an outbreak of the Coronavirus around the world. As the epidemic is fluid and rapidly evolving, the related impact on the Group's operations, cash flows and financial condition could not be reasonably estimated at this stage.

Save as disclosed in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2019 and up to the date of this announcement.

DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Board does not recommend any final dividend for the financial year ended 31 December 2019 (2018: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

ANNUAL GENERAL MEETING

The annual general meeting will of the Company be held on or around 29 May 2020 (Friday) and the notice of annual general meeting will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 25 May 2020 (Monday) to 29 May 2020 (Friday) (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 22 May 2020 (Friday).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they complied with the required standards set out in the Model Code during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

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 year except for the following deviations.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer ("CEO") 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 and other 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 annual general meeting held on 27 May 2019 due to their respective business engagements. Other Board members who attend the aforesaid annual general meeting were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meetings.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has set up the written terms of reference which was revised on 22 March 2012 first and further revised on 26 November 2015 and 1 January 2019. 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 at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee currently 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 applicable code provisions in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2019, the consolidated financial statements for the year ended 31 December 2019 and this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement of results.

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 year ended 31 December 2019.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2019 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.investech-holdings.com**). And the printed copies of the annual report will be despatched to Shareholders of the Company in due course.

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

Hong Kong, 27 March 2020

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. Lu Chengye and Mr. Ching Chau Wa, the non-executive Director is Mr. Wong Tsu Wai, Derek and the independent non-executive Directors are Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.