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InvesTech Holdings Limited

威訊控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Re-presented) ⁽¹⁾
Revenue	230,406	200,032
Gross profit	20,354	23,147
Loss before tax	(14,773)	(67,965)
(Loss)/profit for the period		
– Continuing operation	(13,526)	(68,938)
– Discontinued operation	1,329	331
	<u>(12,197)</u>	<u>(68,607)</u>
(Loss)/profit for the period attributable to owners of the parent		
– Continuing operation	(10,888)	(66,926)
– Discontinued operation	1,329	331
	<u>(9,559)</u>	<u>(66,595)</u>
Loss for the period attributable to non-controlling interests		
– Continuing operation	(2,638)	(2,012)
	<u>(2,638)</u>	<u>(2,012)</u>
(Loss)/earnings per share		
From continuing operation		
– Basic and diluted (RMB cents)	(15.51)	(95.34)
	<u>(15.51)</u>	<u>(95.34)</u>
From discontinued operation		
– Basic and diluted (RMB cents)	1.89	0.47
	<u>1.89</u>	<u>0.47</u>

SELECTED FINANCIAL RATIOS

	Six months ended 30 June	
	2021 <i>(approximate)</i>	2020 (Re-presented) ⁽¹⁾ <i>(approximate)</i>
Gross profit margin	8.8%	11.6%
Net loss margin ⁽²⁾	<u>(5.9%)</u>	<u>(34.5%)</u>
	As at 30 June 2021 <i>(approximate)</i>	As at 30 June 2020 <i>(approximate)</i>
Current ratio (<i>times</i>)	1.3	1.3
Gearing ratio ⁽³⁾	8.1%	7.9%
Return on total assets ⁽⁴⁾	(1.8%)	(6.8%)
Return on total equity ⁽⁴⁾	<u>(3.2%)</u>	<u>(10.0%)</u>

⁽¹⁾ Comparative amounts are re-presented as a result of certain subsidiaries being disposed of for the six months ended 30 June 2021, which constitutes a discontinued operation.

⁽²⁾ Calculated by using loss for the period from continuing operation divided by revenue.

⁽³⁾ Calculated by using the total sum of short term and long term borrowings divided by total assets.

⁽⁴⁾ Calculated by using loss for the period divided by average balances of total assets or total equity.

BUSINESS REVIEW

During the six months ended 30 June 2021 (the “Period”), the Group continued to focus on the IT infrastructure system integration and the sales of smart office software business. The majority of the Group’s revenue was generated from the market in the People’s Republic of China (the “PRC”).

Notwithstanding the on-going adverse trade policies are continuously implemented between the United States of America (the “US”) and the PRC and the outbreak of COVID-19 pandemic (the “COVID-19”) has continuously affected the global economy in the first half of the 2021, the sales and financial performance of Group has been recovering gradually during the Period. Most of the organisation or institutions has resumed their normal operation since the second half of 2020, especially in the PRC. The Group reactivated the sales activities with existing and potential customers. Meanwhile, the Group was able to capture the business opportunities and expand its income stream by providing Smart Office Software Solutions collaborated with the internet of things (IoT) technology to cope with the increasing demand on products due to COVID-19. Despite the gross profit margin of the Group dropped due to keen market competition and the increase in sales of hardware which had a relatively low profit margin for the Period, the Group effectively implemented cost control measures in order to maintain the Group’s overall competitiveness and operating efficiency. As a result, the overall financial performance of the Group for the Period is comparable to that of the corresponding period in 2020, by excluding the effect of impairment loss of goodwill recorded in the corresponding period in 2020.

During the Period, the Group’s money lending business was regarded as a discontinued operation.

OUTLOOK

The Group is beginning to see results from our investment in development of Smart Office Software Solutions and Property Technology solutions (the “PropTech Solutions”). The development of Artificial Intelligence (AI) and IoT technology and the global awareness of the importance of sustainability, green, productivity and manageability in commercial real estate sector have presented and promising prospect for the Group. In addition, the Group would continue to develop its IT infrastructure system integration business to generate stable source of income and to expand our customer base for our Smart Office Software Solutions & PropTech Solutions.

Furthermore, the Group is developing an ego-system of partners to enhance the promotion of our Smart Office Software Solutions and PropTech Solutions and to provide cross broader system integration solutions to regional and global customers.

Looking forward, the Group is cautiously optimistic with our business prospect, where appropriate and, opportunities arise, the Group will proactively make investment to strengthen our market position in the PRC, Hong Kong and further develop the overseas market in other countries.

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 Period together with the unaudited comparative figures for the corresponding period in 2020. The interim consolidated financial results have been reviewed by the Company’s audit committee (the “Audit Committee”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited) (Re-presented)
CONTINUING OPERATION			
Revenue	4	230,406	200,032
Cost of sales		<u>(210,052)</u>	<u>(176,885)</u>
Gross profit		20,354	23,147
Other income and gains	4	2,190	4,378
Selling and distribution expenses		(12,495)	(11,989)
Administrative expenses		(23,684)	(23,295)
Other expenses, net		(49)	(58,582)
Finance costs	5	<u>(1,089)</u>	<u>(1,624)</u>
Loss before tax	6	(14,773)	(67,965)
Income tax credit/(expense)	7	<u>1,247</u>	<u>(973)</u>
Loss for the period from continuing operation		(13,526)	(68,938)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	17	<u>1,329</u>	<u>331</u>
LOSS FOR THE PERIOD		<u>(12,197)</u>	<u>(68,607)</u>

	Six months ended 30 June	
	2021	2020
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Re-presented)
(Loss)/profit for the period attributable to:		
Owners of the parent		
– From continuing operation	(10,888)	(66,926)
– From discontinued operation	1,329	331
	<u> </u>	<u> </u>
	(9,559)	(66,595)
Non-controlling interests		
– From continuing operation	(2,638)	(2,012)
	<u> </u>	<u> </u>
	(12,197)	(68,607)
	<u><u> </u></u>	<u><u> </u></u>
(LOSS)/EARNINGS PER SHARE		
 ATTRIBUTABLE TO OWNERS OF THE		
 PARENT	9	
From continuing operation		
– Basic and diluted	RMB(15.51) cents	RMB(95.34) cents
	<u><u> </u></u>	<u><u> </u></u>
From discontinued operation		
– Basic and diluted	RMB1.89 cents	RMB0.47 cents
	<u><u> </u></u>	<u><u> </u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Re-presented)
LOSS FOR THE PERIOD	(12,197)	(68,607)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operation	13,845	(7,233)
Recycle of exchange differences upon disposal of foreign operations and discontinued operation	(657)	–
	13,188	(7,233)
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of the Company's financial statements into presentation currency	(14,245)	8,317
Change in fair value of financial asset at fair value through other comprehensive income	(59,558)	(129,882)
	(73,803)	(121,565)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(60,615)	(128,798)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(72,812)	(197,405)

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited) (Re-presented)
TOTAL COMPREHENSIVE (LOSS)/			
INCOME FOR THE PERIOD			
Continuing operation		(74,228)	(197,732)
Discontinued operation	17	<u>1,416</u>	<u>327</u>
		<u>(72,812)</u>	<u>(197,405)</u>
Total comprehensive (loss)/income attributable to:			
Owners of the parent			
– From continuing operation		(71,567)	(195,771)
– From discontinued operation		<u>1,416</u>	<u>327</u>
		<u>(70,151)</u>	<u>(195,444)</u>
Non-controlling interests			
– From continuing operation		<u>(2,661)</u>	<u>(1,961)</u>
		<u>(72,812)</u>	<u>(197,405)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,147	1,044
Right-of-use assets		15,296	2,963
Goodwill	10	134,952	134,952
Other intangible assets		88,570	98,691
Deferred tax assets		3,650	3,650
Financial asset at fair value through other comprehensive income	11	51,520	111,078
Loan receivables	12	595	1,749
		<hr/>	<hr/>
Total non-current assets		295,730	354,127
CURRENT ASSETS			
Inventories		23,660	12,648
Trade and bills receivables	13	211,614	199,575
Loan receivables	12	2,259	14,783
Interest receivables		–	149
Prepayments, other receivables and other assets		40,428	42,916
Equity investment at fair value through profit or loss	14	1,227	999
Debt investment at fair value through profit or loss	15	12,537	13,055
Pledged deposits		4,824	6,090
Cash and cash equivalents		59,781	76,128
		<hr/>	<hr/>
Total current assets		356,330	366,343
CURRENT LIABILITIES			
Trade payables	16	153,908	161,709
Contract liabilities		40,782	23,284
Other payables and accruals		25,134	35,413
Interest-bearing bank and other borrowings		42,064	46,184
Tax payable		11,624	13,196
		<hr/>	<hr/>
Total current liabilities		273,512	279,786

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NET CURRENT ASSETS	82,818	86,557
TOTAL ASSETS LESS CURRENT LIABILITIES	378,548	440,684
NON-CURRENT LIABILITIES		
Contract liabilities	6,528	3,344
Interest-bearing bank and other borrowings	11,004	1,991
Deferred tax liabilities	13,285	14,805
Total non-current liabilities	30,817	20,140
Net assets	347,731	420,544
EQUITY		
Equity attributable to owners of the parent		
Issued capital	188,710	188,710
Reserves	112,237	182,389
	300,947	371,099
Non-controlling interests	46,784	49,445
Total equity	347,731	420,544

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	<u>(16,078)</u>	<u>(9,329)</u>
Net cash flows from investing activities	<u>12,398</u>	<u>23,163</u>
Net cash flows (used in)/from financing activities	<u>(12,184)</u>	<u>4,244</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(15,864)	18,078
Cash and cash equivalents at beginning of period	76,128	48,781
Effect of foreign exchange rate changes, net	<u>(483)</u>	<u>(965)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>59,781</u>	<u>65,894</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Company announced on 3 May 2021 that the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The changes became effective on 7 July 2021 (Bermuda time). The address of the registered office of the Company has been changed from P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands to Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda after the change of domicile. 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 is 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 smart office software solutions, and the network equipment rental business. During the six months ended 30 June 2021, the Group had discontinued its money lending business.

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has 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. These interim condensed consolidated financial information 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 interim condensed consolidated financial information are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the revised International Financial Reporting Standards (“IFRSs”) (which also include International Accounting Standards (“IASs”) and Interpretations) as disclosed in note 2.2 below.

These interim condensed consolidated financial information does 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 2020.

The interim condensed consolidated financial information is unaudited, but has been reviewed by the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

In April 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 9 April 2021.

The Group has early adopted this amendment for its annual reporting period beginning on 1 January 2021. The application of the amendments did not have any significant impact on the interim condensed consolidated financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The application of the amendments did not have a significant impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

In prior periods, for management purposes, the Group was organised into business units based on their products and services and had 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, smart office software solutions, and the network equipment rental business; and
- (b) the money lending segment, which provides credit financing to entities and individuals in Hong Kong.

During the six months ended 30 June 2021, the Group's money lending segment was regarded as a discontinued operation which details are set out in note 17 to this announcement.

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.

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), tax payable, deferred tax liabilities, loans from a director and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

	Six months ended 30 June 2021 (Unaudited)		
	Continuing operation	Discontinued operation	
	Communication system RMB'000	Money lending RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	<u>230,406</u>	<u>48</u>	<u><u>230,454</u></u>
Segment results	(10,277)	1,329	(8,948)
Interest income			124
Finance costs (other than interest on lease liabilities)			(798)
Corporate and other unallocated expenses			<u>(3,822)</u>
Loss before tax			<u><u>(13,444)</u></u>
Other segment information:			
Reversal of impairment losses recognised in the statement of profit or loss, net	(2,088)	–	(2,088)
Depreciation and amortisation	13,372	–	13,372
Capital expenditure*	<u>15,836</u>	<u>–</u>	<u>15,836</u>

	As at 30 June 2021 (Unaudited)		
	Continuing operation	Discontinued operation	
	Communication system	Money lending	Total
	RMB'000	RMB'000	RMB'000
Segment assets	566,477	–	566,477
Corporate and other unallocated assets			85,583
Total assets			652,060
Segment liabilities	233,377	–	233,377
Corporate and other unallocated liabilities			70,952
Total liabilities			304,329
	Six months ended 30 June 2020 (Unaudited)		
	Continuing operation	Discontinued operation	
	Communication system	Money lending	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	200,032	1,313	201,345
Segment results	(63,708)	1,184	(62,524)
Interest income			320
Unallocated income and gains			860
Finance costs (other than interest on lease liabilities)			(1,232)
Corporate and other unallocated expenses			(5,058)
Loss before tax			(67,634)
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	58,296	913	59,209
Depreciation and amortisation	13,496	–	13,496
Capital expenditure*	2,076	–	2,076

	As at 31 December 2020 (Audited)		Total RMB'000
	Continuing operation	Discontinued operation	
	Communication system RMB'000	Money lending RMB'000	
Segment assets	607,538	12,777	620,315
Corporate and other unallocated assets			<u>100,155</u>
Total assets			<u><u>720,470</u></u>
Segment liabilities	215,735	243	215,978
Corporate and other unallocated liabilities			<u>83,948</u>
Total liabilities			<u><u>299,926</u></u>

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains, net, is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Continuing operation</i>		
Revenue from contracts with customers	<u><u>230,406</u></u>	<u><u>200,032</u></u>
<i>Discontinued operation</i>		
Interest income from money lending business	<u><u>48</u></u>	<u><u>1,313</u></u>

Disaggregated revenue information for revenue from contracts with customers

Communication system segment

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Types of goods or services		
<i>Continuing operation</i>		
Sales of goods	<u>154,384</u>	133,028
Rendering of services	<u>76,022</u>	<u>67,004</u>
Total revenue from contracts with customers	<u><u>230,406</u></u>	<u><u>200,032</u></u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical markets		
<i>Continuing operation</i>		
Mainland China	226,495	175,597
Vietnam	198	19,680
Hong Kong	1,040	2,705
United States of America	–	319
Other countries/regions	2,673	1,731
	<u>230,406</u>	<u>200,032</u>
Total revenue from contracts with customers	<u>230,406</u>	<u>200,032</u>

Timing of revenue recognition

<i>Continuing operation</i>		
Goods transferred at a point in time	154,384	133,028
Services transferred over time	76,022	67,004
	<u>230,406</u>	<u>200,032</u>
Total revenue from contracts with customers	<u>230,406</u>	<u>200,032</u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income and gains		
<i>Continuing operation</i>		
Bank interest income	124	320
Finance income on the net investment in a lease	120	244
Fair value gain on debt investment at fair value through profit or loss (<i>note 15</i>)	736	816
Gain on collection of impaired trade receivables acquired in a business combination*	–	44
Government grants**	956	2,919
Others	254	35
	<u>2,190</u>	<u>4,378</u>

* 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.

5. FINANCE COSTS

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<i>Continuing operation</i>		
Interest on bank and other borrowings	798	1,232
Interest on lease liabilities	291	392
	1,089	1,624

6. LOSS BEFORE TAX FROM CONTINUING OPERATION

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited) (Re-presented)
<i>Continuing operation</i>		
Cost of inventories sold*	139,076	111,027
Depreciation of property, plant and equipment	368	551
Depreciation of right-of-use assets	2,883	2,823
Amortisation of other intangible assets**	10,121	10,122
Impairment of goodwill*** (note 10)	–	57,612
Impairment of trade receivables, net*** (note 13)	49	578
Impairment of deposits and other receivables***	–	14
Short-term lease expense	635	581
Research and development costs	7,842	6,359
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	22,315	20,953
– Pension scheme contributions	5,656	984
	27,971	21,937
(Reversal of write-down)/write-down of inventories to net realisable value	(2,137)	92
Fair value (gain)/loss on equity investment at fair value through profit or loss (note 14)	(238)	221
	25,596	22,250
<i>Discontinued operation</i>		
Impairment of other loan receivables (note 17)	–	913
Short-term lease expense	15	27
	15	940

* Inclusive of (reversal of write-down)/write-down of inventories to net realisable value.

** Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

*** Included in "Other expenses, net" in the interim condensed consolidated statement of profit or loss.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the six months ended 30 June 2021. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions 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:

Name of the subsidiaries	Six months ended 30 June	
	2021	2020
北京威發新世紀信息技術有限公司		
Beijing Wafer New Century Information Technology Co., Ltd.*^	15%	15%
威發（西安）軟件有限公司		
Wafer (Xi'an) Software Co., Ltd.**^	10%	25%

* 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 2021 and 2020.

** The entity is qualified as Small Low-Profit Enterprises and entitled to a preferential CIT rate of 10% for the six months ended 30 June 2021.

^ *The English names are for identification purposes only.*

No provision for Vietnam CIT has been made as the Group did not have any assessable profits arising in Vietnam during the six months ended 30 June 2021. The subsidiary which operates in Vietnam was subject to CIT at a rate of 20% on taxable income for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Continuing operation</i>		
Current – Mainland China	271	1,221
Current – Vietnam	–	1,270
Deferred	(1,518)	(1,518)
Total tax (credit)/charge for the period	(1,247)	973

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2021 and subsequent to the end of the reporting period (six months ended 30 June 2020: Nil).

10. GOODWILL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost:		
At beginning and end of the period/year	<u>207,580</u>	<u>207,580</u>
Accumulated impairment:		
At beginning of the period/year	(72,628)	(15,016)
Impairment during the period/year	<u>–</u>	<u>(57,612)</u>
At end of the period/year	<u>(72,628)</u>	<u>(72,628)</u>
Net carrying amount:		
At end of the period/year	<u><u>134,952</u></u>	<u><u>134,952</u></u>

Impairment testing of goodwill

Network system integration cash-generating unit

The carrying amount of goodwill acquired through business combination allocated to the network system integration cash-generating unit is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Before impairment loss	<u><u>207,580</u></u>	<u><u>207,580</u></u>
After impairment loss	<u><u>134,952</u></u>	<u><u>134,952</u></u>

Goodwill related to the network system integration cash-generating unit arose from the acquisition of Fortune Grace Management Limited in 2015. Details of the acquisition are set out in the announcements of the Company dated 6 and 13 November 2015. To support the management to determine the recoverable amount of the network system integration cash-generating unit (the “Recoverable Amount of CGU”), the Group engaged an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to perform a valuation.

The Recoverable Amount of CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period with the budgeted revenue growth rate, the budgeted gross margins, the discount rate and the long term growth rate applied in the cash flow projections. During the year ended 31 December 2020, the Group recognised an impairment loss of approximately RMB57,612,000 against goodwill following a reduction in the future cash flow projection of Fortune Grace Management Limited and its subsidiaries (“Fortune Grace Group”). As at 30 June 2021, based on the goodwill impairment assessment results, the Recoverable Amount of CGU and the carrying amount of the network system integration cash-generating unit is approximately RMB300,252,000 (31 December 2020: RMB302,249,000) and RMB284,949,000 (31 December 2020: RMB282,635,000) respectively. No impairment loss was recorded for the six months ended 30 June 2021 as the recoverable amount of CGU exceeds its carrying amount, which includes the net carrying amount of the goodwill.

The cash flow projections have taken into account (i) the outbreak of the COVID-19 would continuously affect the global economy in coming years notwithstanding most of the enterprises in worldwide had resumed their normal operations, the Group does not expect rapid growth for its network infrastructure business while the Group foresees that the customers’ awareness of and demand for the Group’s software solutions increase as a result of the change of customers’ demand and operating practice due to the outbreak of COVID-19; (ii) the uneasy political relationship between the US and the PRC as a result of the trade war may affect the Group’s business development of network infrastructure and software; and (iii) the stagnant growth in business development in respect of the agency agreement entered into between the Group and IBO Technology Company Limited (details of which are set out in the announcement of the Company dated 15 June 2020). The directors of the Company considered that these reasons directly affected the parameters applied in the assumptions used in the value-in-use calculation for network system integration cash-generating unit as at 30 June 2021 as mentioned below.

Assumptions used in the value-in-use calculation for network system integration cash-generating unit for the six-months ended 30 June 2021 are the same as those used for the year ended 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue growth rates – The budgeted revenue growth rates are based on the historical revenue growth data and market outlook perceived by management. The five-year period with estimated revenue growth rate applied at 30 June 2021 is 2.19% to 19.64% per annum (31 December 2020: 4.36% to 17.69% per annum).

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected market development. The gross margin applied in the cash flow projections ranges from 18.35% to 32.19% (31 December 2020: 24.15% to 33.28%).

Discount rate – The discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied at 30 June 2021 is 26.64% (31 December 2020: 26.07%).

Long term growth rate – The long term growth rate is based on market data and management’s expectation on the future development of the technology industry. The long term growth rate applied at 30 June 2021 is 3% (31 December 2020: 3%).

The values assigned to the key assumptions on market development and discount rate are consistent with external information sources.

If the key assumptions on which the Group had based its determination of the Recoverable Amount of CGU changed in an unfavourable extent, the changes would cause a further impairment loss.

11. 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 ended 31 December 2019, the Company’s shareholding percentage decreased to approximately 3.91% of the enlarged registered capital of CCT. There is no change on the shareholding percentage as at 30 June 2021.

	30 June 2021	31 December 2020
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
CCT	<u>51,520</u>	<u>111,078</u>

During the six months ended 30 June 2021, the fair value loss net of the income tax effect in respect of the above unlisted equity investment recognised in other comprehensive loss amounted to RMB59,558,000 (six months ended 30 June 2020: RMB129,882,000; 31 December 2020: RMB271,491,000). The fair value loss for the six months ended 30 June 2021 was primarily attributable to (i) the continuous poor business and economic environment in the industry of satellite communication products as a result of the sanctions imposed by the US and the slowdown in the global economy caused by the outbreak and the escalation of the COVID-19; (ii) the asset impairment for a major subsidiary of CCT that undergoes bankruptcy reorganisation procedures; and (iii) the substantial decrease in the fair value of properties and equity investments held by CCT.

To support management to determine the fair value of CCT, the Group engaged an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to perform a valuation.

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

12. LOAN RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Finance lease receivables	<u>2,854</u>	<u>3,913</u>
Other loan receivables	–	21,722
Impairment	–	<u>(9,103)</u>
Other loan receivables, net	–	<u>12,619</u>
Total loan receivables, net	<u>2,854</u>	<u>16,532</u>
Portion classified as non-current assets:		
– Finance lease receivables	<u>(595)</u>	<u>(1,749)</u>
Current portion	<u><u>2,259</u></u>	<u><u>14,783</u></u>

(A) Finance lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	2,433	2,433	2,259	2,164
In the second to fifth years, inclusive	<u>608</u>	<u>1,825</u>	<u>595</u>	<u>1,749</u>
	<u>3,041</u>	<u>4,258</u>	<u><u>2,854</u></u>	<u><u>3,913</u></u>
Less: Unearned finance income	<u>(187)</u>	<u>(345)</u>		
Present value of minimum lease receivables	<u><u>2,854</u></u>	<u><u>3,913</u></u>		

The Group's finance lease receivables are denominated in RMB. The effective interest rate of the receivables is 8.9% per annum. There is no unguaranteed residual value of assets leased under finance leases and no contingent rent arrangement that needs to be recognised for the six months ended 30 June 2021.

(B) Other loan receivables

During the six months ended 30 June 2021, the Group disposed of its loan receivables with a carrying amount of RMB12,511,000 by the disposal of Disposal Group and the details are set out in note 17 to this announcement.

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

As at 31 December 2020, other loan receivables were interest-bearing at rates mutually agreed between the Group and the borrowers, ranging from 6% to 15% per annum and approximately RMB6,548,000 were guaranteed by a property of a borrower.

ECLs of other loan receivables measured at amortised cost were estimated by applying a loss rate approach and adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. It was assessed that the ECL rates for the above other loan receivables were ranging from 0.3% to 100% for the year ended 31 December 2020.

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of the period/year	9,103	253
Impairment losses, net	–	9,367
Disposal of subsidiaries	(9,103)	–
Exchange realignment	–	(517)
	<hr/>	<hr/>
At end of the period/year	–	9,103

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Overdue	–	6,071
Within 3 months	–	6,548
	<hr/>	<hr/>
	–	12,619

13. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	210,586	194,481
Impairment	(8,080)	(8,189)
	<hr/>	<hr/>
Trade receivables, net	202,506	186,292
	<hr/>	<hr/>
Contract assets	6,358	6,402
Bills receivable	2,750	6,881
	<hr/>	<hr/>
	211,614	199,575
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables of the Group represented proceeds receivable from the sale of goods and rendering of services. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit term generally ranges from 30 to 90 days, and a longer credit term will be granted to certain major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 30 June 2021, except for an amount due from one (31 December 2020: one) customer exceeding 10% of the Group's total trade and bills receivables, the remaining balances of the trade receivables related to a large number of diversified customers. In view of the aforementioned, there is no significant concentration of credit risk as at 30 June 2021. Trade receivables were interest-free and unsecured as at 30 June 2021.

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	94,740	79,279
3 to 6 months	56,808	46,699
6 to 12 months	24,315	41,071
1 to 2 years	27,660	25,042
Over 2 years	5,341	603
	<hr/>	<hr/>
	208,864	192,694
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of the period/year	8,189	9,392
Provision for/(reversal of) impairment losses, net (<i>note 6</i>)	49	(71)
Amounts written off as uncollectible	–	(1,405)
Exchange realignment	(158)	273
	<u>8,080</u>	<u>8,189</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	–	2,486
3 to 6 months	1,087	1,800
6 to 12 months	1,663	2,595
	<u>2,750</u>	<u>6,881</u>

14. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Listed equity investment, at fair value	<u>1,227</u>	<u>999</u>

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 gain of RMB238,000 (six months ended 30 June 2020: fair value loss of RMB221,000) was recognised for changes in fair value of equity investment at fair value through profit or loss in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021.

15. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted debt investment	12,537	13,055

The investment was measured at fair value through profit or loss and matured within one year.

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. On 18 March 2020 and 18 March 2021, the Company entered into supplemental subscription agreements, pursuant to which, the maturity dates of the debt investment were extended to 19 March 2021 and 19 June 2021 respectively, and save as the extension of the maturity dates, the interest rate of 12% per annum remained unchanged.

On 18 June 2021, the Company further entered into a supplemental subscription agreement, pursuant to which the maturity date of the debt investment was extended to 19 September 2021 and the interest rate of the debt investment was revised to 9% per annum effective from 19 June 2021.

A fair value gain of RMB736,000 (six months ended 30 June 2020: RMB816,000) was recognised for changes in fair value of debt investment at fair value through profit or loss in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021.

16. TRADE 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	69,394	86,387
3 to 12 months	42,699	53,005
1 to 2 years	20,020	5,936
Over 2 years	21,795	16,381
	153,908	161,709

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

17. DISCONTINUED OPERATION

On 25 March 2021, the Company entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell all issued share of InvesTech Finance (International) Limited (which directly owned 100% of InvesTech Finance Limited, and collectively “Disposal Group”) for a cash consideration of HK\$16,000,000 (equivalent a approximately RMB13,355,000) (the “Disposal”). The Disposal Group is principally engaged in money lending business in Hong Kong. Details of the Disposal have been set out in the announcement of the Company dated 25 March 2021. The Disposal has been completed on 30 March 2021, and the Disposal Group ceases to be the subsidiaries of the Company and was regarded as a discontinued operation in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Accordingly, the results of the money lending business was not included in the continuing operations and its comparative information was also reclassified to conform with the current period’s presentation.

The results from the discontinued operation for the six months ended 30 June 2021 and 30 June 2020 are presented below:

	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue	48	1,313
Gain on disposal of subsidiaries	1,296	–
Administrative expenses	(15)	(69)
Other expenses, net	–	(913)
Profit for the period from discontinued operation	1,329	331
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	87	(4)
Total comprehensive income for the period from discontinued operation	1,416	327

The assets and liabilities of the discontinued operation are stated as follows:

	<i>RMB'000</i> (Unaudited)
Loan receivables	12,511
Interest receivables	195
Prepayments, other receivables and other assets	8
Tax recoverable	9
Cash and cash equivalents	1
Other payables and accruals	(8)
Reclassification of foreign currency translation reserve upon disposal	<u>(657)</u>
	12,059
Gain on disposal of subsidiaries	<u>1,296</u>
Total consideration	<u><u>13,355</u></u>

The net cash flow incurred by the discontinued operation are stated as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Operating activities	183	4,690
Investing activities	–	–
Financing activities	<u>(245)</u>	<u>(4,707)</u>
Net cash outflow	<u><u>(62)</u></u>	<u><u>(17)</u></u>

18. EVENTS AFTER THE REPORTING PERIOD

- (a) On 23 June 2021, the Company held an extraordinary general meeting and passed a special resolution to approve the Capital Reorganisation, which took effect on 28 July 2021.

The Capital Reorganisation included, among other things:

- (i) Share consolidation (the “Share Consolidation”): Every twenty (20) issued existing shares of US\$0.02 each was consolidated into one (1) issued consolidated share of US\$0.40 each, and every twenty (20) unissued existing shares of US\$0.02 each was consolidated into one (1) unissued consolidated share of US\$0.40 each.
- (ii) Capital reduction (the “Capital Reduction”): The Capital Reduction was implemented immediately upon the Share Consolidation becoming effective, pursuant to which the par value of each of the issued consolidated shares was reduced from US\$0.40 to US\$0.01 by cancelling the paid-up capital of the Company to the extent of US\$0.39 on each of the issued consolidated shares. As such, the issued share capital of the Company was reduced.
- (iii) Share sub-division (the “Share Sub-Division”): Immediately following the Capital Reduction, the Share Sub-Division was implemented on the basis that every unissued consolidated share of US\$0.40 each in the authorised share capital of the Company was sub-divided into forty (40) new shares of US\$0.01 each.

As the Capital Reorganisation became effective, the authorised share capital of the Company has become US\$50,000,000 divided into 5,000,000,000 new shares of par value of US\$0.01 each, of which 70,200,000 new shares are in issue.

Share option adjustments were made to the exercise price and number of shares to be allotted and issued upon exercise of the share options upon the Capital Reorganisation which became effective on 28 July 2021.

For details, please refer to the announcements of the Company dated 3 May 2021, 26 May 2021, 23 June 2021, 8 July 2021 and 27 July 2021 respectively and the circular of the Company dated 31 May 2021.

- (b) On 16 August 2021, a placing agent and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 14,040,000 ordinary shares of the par value of US\$0.01 each in the share capital of the Company (“Placing Share(s)”), to not less than six places who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and any of its connected persons or their respective associates, at a price of HK\$1.24 per Placing Share (the “Placing”). Details of the Placing has been set out in the announcements of the Company dated 16 August 2021 and 27 August 2021. As at the date of this announcement, the Placing is not yet completed.

19. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 17).

FINANCIAL REVIEW

Revenue and cost of sales

Revenue of the Group for the Period was approximately RMB230.4 million, representing an increase of approximately RMB30.4 million, or approximately 15.2% as compared with that of approximately RMB200.0 million for the six months ended 30 June 2020. The increase in revenue was primarily attributable to the increase in customers' demand and orders due to the gradual recovery of economy from COVID-19 during the Period.

The cost of sales of the Group increased by approximately RMB33.2 million, or approximately 18.8% to approximately RMB210.1 million for the Period (six months ended 30 June 2020: approximately RMB176.9 million), which is in line with the increase in revenue of the Group.

Gross profit and gross profit margin

The Group achieved gross profit for the Period amounted to approximately RMB20.4 million (six months ended 30 June 2020: approximately RMB23.1 million), representing a decrease of approximately RMB2.7 million, or approximately 11.7% as compared with that of the corresponding period in 2020. The gross profit margin for the Period was approximately 8.8% (six months ended 30 June 2020: approximately 11.6%), representing a decrease of approximately 2.8% as compared with that of the corresponding period in 2020. The decrease in gross profit margin was primarily attributable to the increase in of sales of hardware products in the PRC, which had a relatively low profit margin as compared to that of other products and services of the Group.

Other income and gains

The Group recorded other income and gains of approximately RMB2.2 million for the Period (six months ended 30 June 2020: approximately RMB4.4 million), mainly consisted of (i) government grants released to the Group of approximately RMB1.0 million (six months ended 30 June 2020: approximately RMB2.9 million); and (ii) a fair value gain on a debt investment at fair value through profit or loss of approximately RMB0.7 million (six months ended 30 June 2020: approximately RMB0.8 million).

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately RMB0.5 million or approximately 4.2% to approximately RMB12.5 million for the Period (six months ended 30 June 2020: approximately RMB12.0 million), primarily due to the increase in the marketing activities as a result of the resumption of normal operations and social distancing relaxation for the Period.

Administrative expenses

The administrative expenses of the Group increased by approximately RMB0.4 million or approximately 1.7% to approximately RMB23.7 million for the Period (six months ended 30 June 2020: approximately RMB23.3 million), primarily attributable to the increase in business operations and activities for the Period.

Other expenses

The other expenses of the Group decreased by approximately RMB58.5 million or approximately 99.8% to approximately RMB49,000 for the Period (six months ended 30 June 2020: approximately RMB58.6 million), as no impairment loss on goodwill in relation to the network system integration cash-generating unit was recorded for the Period (six months ended 30 June 2020: approximately RMB57.6 million).

Finance costs

The finance costs of the Group decreased by approximately RMB0.5 million to approximately RMB1.1 million for the Period (six months ended 30 June 2020: approximately RMB1.6 million). The decrease was mainly attributable to the decrease in interest on bank and other borrowings by approximately RMB0.4 million.

Income tax

The income tax of the Group comprised provision of income tax expense and deferred tax. The Group recorded income tax expense of approximately RMB0.3 million (six months ended 30 June 2020: approximately RMB2.5 million) for the Period, and the decrease in income tax expense was mainly due to the absence of assessable profit incurred in Vietnam during the Period. The Group recorded tax credit for the Period of approximately RMB1.2 million (six months ended 30 June 2020: tax expense of approximately RMB1.0 million), primarily due to the recognition of the deferred tax credit of approximately RMB1.5 million (six months ended 30 June 2020: approximately RMB1.5 million) arising from the amortisation of other intangible assets, which offset the impact of income tax expense.

Loss for the Period from continuing operation

The Group recorded a loss for the Period from continuing operation of approximately RMB13.5 million for the Period (six months ended 30 June 2020: approximately RMB68.9 million). The decrease was mainly attributable to the absence of the impairment loss on goodwill for the Period (six months ended 30 June 2020: approximately RMB57.6 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 30 June 2021, the Group's gearing ratio (measured by total of short-term and long-term borrowings divided by total assets) was approximately 8.1% (31 December 2020: approximately 6.7%). The increase in gearing ratio was mainly due to the decrease in total assets resulted from (i) the decrease in loan receivables balance resulted from the disposal of subsidiaries; (ii) the decrease in fair value of the investment in non-listed equity investment; and (iii) the increase in total bank and other borrowings, for the Period.

As at 30 June 2021, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB53.1 million (31 December 2020: approximately RMB48.2 million), among which approximately RMB34.9 million (31 December 2020: approximately RMB41.2 million) was unsecured and guaranteed by a director of the Company. As at 30 June 2021, the interest-bearing bank and other borrowings of approximately RMB21.6 million (31 December 2020: approximately RMB17.6 million) carried at fixed interest rates and approximately RMB31.5 million (31 December 2020: approximately RMB30.6 million) carried at floating interest rates.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any other outstanding indebtednesses or contingent liabilities as at 30 June 2021.

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.

Cash flows

The net cash used in operating activities for the Period amounted to approximately RMB16.1 million.

The net cash generated from investing activities for the Period of approximately RMB12.4 million was mainly attributable to the receipt of proceeds from the disposal of subsidiaries of approximately RMB10.0 million.

The net cash used in financing activities for the Period of approximately RMB12.2 million was primarily attributable to the combined effect of (i) repayment of bank and other borrowings of approximately RMB15.1 million; (ii) new bank and other borrowings of approximately RMB8.7 million; and (iii) payment of principal portion of lease payments of approximately RMB4.0 million.

Capital expenditures

The Group had capital expenditures of approximately RMB15.8 million for the Period (six months ended 30 June 2020: approximately RMB0.5 million) for additions to property, plant and equipment and right-of-use assets.

Capital commitments

The Group had no significant capital commitments as at 30 June 2021.

INVESTMENT IN LISTED EQUITY INVESTMENT

During the Period, the Group recorded an unrealised fair value gain on a held for trading listed equity investment of approximately RMB0.2 million, details as follows:

Movement during the six months ended 30 June 2021

Stock code	Name of investee company	Carrying amount as at 1 January 2021 RMB'000	Unrealised gain RMB'000	Exchange realignment RMB'000	Carrying amount as at 30 June 2021 RMB'000	Dividend	Net income	Number of shares held and % of total share held by the Group as at 30 June 2021	Percentage to the Group's total assets as at 30 June 2021
						income for the six months ended 30 June 2021 RMB'000	for the six months ended 30 June 2021 RMB'000	as at 30 June 2021	Approximately
6108	New Ray Medicine International Holding Ltd.	999	238	(10)	1,227	–	238	25,080,000/ 1.5%	0.19%
		<u>999</u>	<u>238</u>	<u>(10)</u>	<u>1,227</u>	<u>–</u>	<u>238</u>		

Investee company's principal business, performance and future prospect

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

New Ray is an investment holding company. New Ray and its subsidiaries are principally engaged in (i) the distribution and trading of pharmaceutical products; and (ii) the provision of marketing and promotion services of drugs in the PRC. As disclosed in the annual report of New Ray for the year ended 31 December 2020, (i) the audited revenue and loss after taxation of New Ray for the year ended 31 December 2020 were approximately HK\$133.2 million and approximately HK\$69.7 million respectively; (ii) New Ray focused on its own core business and would continue to diversify its existing product portfolio; and (iii) New Ray would also continue to enhance and expand its sales and marketing capabilities in the PRC.

Pursuant to the positive profit alert announcement of New Ray dated 20 August 2021, it is expected that New Ray will record a net profit of approximately HK\$1.1 million for the six months ended 30 June 2021 based on the latest available unaudited consolidated management accounts of New Ray available to its management.

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 remained holding 25,080,000 shares of New Ray in its investment portfolio as at 30 June 2021. 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 30 June 2021.

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

INVESTMENT IN NON-LISTED EQUITY INVESTMENT

Investee company's principal business, performance and future prospect

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 had interested in approximately 3.91% of the enlarged registered capital of CCT as at 30 June 2021. 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 as at 30 June 2021 was approximately RMB51.5 million which accounted for approximately 7.9% of the Company's total asset as at 30 June 2021.

Pursuant to the unaudited consolidated financial information of CCT for the six months ended 30 June 2021, CCT recorded revenue of approximately RMB655.9 million for the six months ended 30 June 2021, representing a decrease of approximately 40.5% as compared to approximately RMB1,102.7 million for the six months ended 30 June 2020, mainly attributable to the significant decrease in revenue due to (i) the sanctions imposed by the US to high-tech enterprise in the PRC; (ii) unfavourable economic environment and business conditions in satellite communication products segment caused by outbreak of COVID-19 since the first quarter of 2020; and (iii) unsatisfactory financial performance of military communications

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

and ancillary services segment due to restructuring of military related industries in the PRC. CCT recorded loss attributable to the owners of CCT of approximately RMB675.0 million for the six months ended 30 June 2021, as compared to loss attributable to the owners of CCT of approximately RMB256.4 million for the six months ended 30 June 2020, mainly attributable to (i) the significant decrease in revenue; and (ii) the gross profit margin decreased from approximately 13.4% for the six months ended 30 June 2020 to approximately 2.7% for the six months ended 30 June 2021.

According to the business outlook of the CCT's management, the impact of COVID-19 and the sanctions imposed by the US, including supply chain, customer orders, and financing, will continue to adversely affect its businesses in 2021. In addition, CCT is currently having other factors that may affect CCT's operating capabilities, such as the suspension of production at one of its core production site, no concrete plan to resume the operation of production site for overseas orders, the seizure of important assets, the suspension of its major construction projects, etc. Notwithstanding the above, the management of CCT will proactively take feasible improvement and supportive measures to reorganise its businesses in order to improve its financial position.

DISCONTINUED OPERATION – MONEY LENDING BUSINESS

The Group disposed of the money lending business segment in March 2021.

On 25 March 2021, the Company (as the vendor), Metro Win Investment Holdings Limited (the "Metro Win", as the purchaser), and Ms. Cheung Hing Ling (being the ultimate beneficial owner of Metro Win, as the guarantor) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Metro Win has conditionally agreed to purchase one (1) share of InvesTech Finance (International) Limited (the "Target Company"), representing the entire issued share of the Target Company at the consideration of HK\$16.0 million (the "Disposal Transaction"). The Target Company is principally engaged in investment holding and its wholly owned subsidiary, InvesTech Finance Limited, is a company incorporated in Hong Kong with limited liability and is principally engaged in money lending business. Details of the Disposal Transaction have been set out in the announcement of the Company dated 25 March 2021.

Completion of the Disposal Transaction took place on 30 March 2021 and a gain on disposal of subsidiaries of approximately RMB1.3 million was recognised during the Period. As a result of the Disposal Transaction, the Group discontinued its operation in the money lending business.

During the Period, the Group recorded profit from discontinued operation of approximately RMB1.3 million (six months ended 30 June 2020: approximately RMB0.3 million).

EMPLOYEES

As at 30 June 2021, the total number of employees of the Group was 262 (31 December 2020: 256). The breakdown of employees of the Group as at 30 June 2021 and 31 December 2020 is as follows:

	As at 30 June 2021	As at 31 December 2020
Manufacturing and technical engineering	83	81
Sales and marketing	59	58
General and administration	49	50
Research and development	71	67
	<hr/>	<hr/>
Total	262	256
	<hr/> <hr/>	<hr/> <hr/>

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Change of domicile

The Company has been deregistered from the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The change of domicile became effective on 7 July 2021 (Bermuda time) (8 July 2021 (Hong Kong time)). In connection with the change of domicile, a new memorandum of continuance and the new bye-laws have been adopted by the Company with effect from 7 July 2021 (Bermuda time) (8 July 2021 (Hong Kong time)).

Capital reorganisation

On 3 May 2021, the Company announced to implement the capital reorganisation after the change of domicile becoming effective that (i) every twenty (20) issued and unissued shares of US\$0.02 each will be consolidated into one (1) consolidated share (“Consolidated Share”) of US\$0.40 each (the “Share Consolidation”); (ii) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of US\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from US\$0.40 to US\$0.01 (the “Capital Reduction”); (iii) immediately following the Capital Reduction, each authorised but unissued Consolidated Shares of US\$0.40 each will be sub-divided into forty (40) new shares of US\$0.01 each (the “Share Subdivision”); and (iv) the credits arising in the books of the Company from the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation, and the Capital Reduction will be credited to the contributed

surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda. The Share Consolidation, Capital Reduction and Share Subdivision became effective on 28 July 2021. Details of the above are set out in the announcements of the Company dated 3 May 2021, 26 May 2021, 23 June 2021, 8 July 2021 and 27 July 2021 and the circular of the Company dated 31 May 2021.

Placing of new shares under general mandate

On 16 August 2021, a placing agent and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 14,040,000 ordinary shares of the par value of US\$0.01 each in the share capital of the Company (“Placing Share(s)”) at the placing price of HK\$1.24 per Placing Share (the “Placing”). Details of the Placing are set out in the announcements of the Company dated 16 August 2021 and 27 August 2021. As of the date of this announcement, the Placing is not yet completed.

Save as disclosed in this announcement, there was no other significant subsequent event undertaken by the Group subsequent to 30 June 2021 and up to the date of this announcement.

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 2021.

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 six months ended 30 June 2021 except for the following deviations:

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 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 14 May 2021 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 30 June 2021 and up to the date of this announcement, the Audit Committee consists of three independent non-executive Directors, being Mr. David Tsoi, Mr. Lu, Brian Yong Chen and Mr. Yuen Shiu Wai. Mr. David Tsoi 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 2021 under review, the Audit Committee convened two meetings.

The Audit Committee has 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 interim condensed consolidated financial statements for the six months ended 30 June 2021.

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 2021.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

REVIEW OF INTERIM CONSOLIDATED RESULTS

The interim consolidated results of the Group for the six months ended 30 June 2021 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Company's independent auditor, BDO Limited, had conducted a review of the interim condensed consolidated financial statements for the six months ended 30 June 2021, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2021.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2021 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and of 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, 31 August 2021

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. Liu Chun Fai, the non-executive Director is Mr. Wong Tsu Wai, Derek and the independent non-executive Directors are Mr. David Tsoi, Mr. Lu Brian Yong Chen and Mr. Yuen Shiu Wai.