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 2018

2018 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**414,864**	501,933
Gross profit	**35,606**	63,848
Loss before tax	**(58,416)**	(87,852)
Loss for the year	**(54,657)**	(96,707)
Loss attributable to:		
– Owners of the parent	**(46,171)**	(95,611)
– Non-controlling interests	**(8,486)**	(1,096)
	(54,657)	(96,707)
Loss per share		
– Basic and diluted (RMB cents)	**(3.95)**	(10.38)

- The Group recorded a total revenue of approximately RMB414.9 million for the year ended 31 December 2018, representing a decrease of approximately RMB87.0 million, or approximately 17.3% as compared to the total revenue of approximately RMB501.9 million for the year ended 31 December 2017.

- The Group's net loss amounted to approximately RMB54.7 million for the year ended 31 December 2018, as compared to the net loss of approximately RMB96.7 million for the year ended 31 December 2017.

- Basic loss per share was approximately RMB3.95 cents for the year ended 31 December 2018, as compared to basic loss per share of approximately RMB10.38 cents for the year ended 31 December 2017.

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 2018, together with comparative figures for the year ended 31 December 2017. The consolidated financial results of the Group for the year ended 31 December 2018 have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**414,864**	501,933
Cost of sales		**(379,258)**	(438,085)
Gross profit		**35,606**	63,848
Other income and gains	4	**5,629**	15,979
Selling and distribution expenses		**(22,167)**	(25,947)
Administrative expenses		**(47,872)**	(57,766)
Other expenses, net		**(19,877)**	(51,975)
Finance costs	5	**(9,735)**	(31,991)
LOSS BEFORE TAX	6	**(58,416)**	(87,852)
Income tax credit/(expense)	7	**3,759**	(8,855)
LOSS FOR THE YEAR		**(54,657)**	(96,707)
Loss attributable to:			
Owners of the parent		**(46,171)**	(95,611)
Non-controlling interests		**(8,486)**	(1,096)
		(54,657)	(96,707)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For loss for the year		**(RMB3.95 cents)**	(RMB10.38 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2018	2017
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(54,657)**	(96,707)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,004**	(17,762)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Financial asset at fair value through other comprehensive income:		
Change in fair value	**12,939**	—
Income tax effect	**(3,235)**	—
	9,704	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**10,708**	(17,762)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(43,949)**	(114,469)
Total comprehensive loss attributable to:		
Owners of the parent	**(35,436)**	(113,291)
Non-controlling interests	**(8,513)**	(1,178)
	(43,949)	(114,469)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,351**	1,795
Goodwill		**192,564**	207,580
Other intangible assets		**139,181**	159,426
Deferred tax assets		**2,570**	2,622
Prepayments for an available-for-sale investment	*10*	**—**	320,000
Financial asset at fair value through other comprehensive income	*10*	**612,939**	—
Loan receivables	*12*	**5,741**	—
Total non-current assets		**955,346**	691,423
CURRENT ASSETS			
Inventories		**13,398**	10,410
Trade and bills receivables	*11*	**209,690**	228,152
Loan receivables	*12*	**40,244**	144,049
Interest receivables		**1,356**	2,687
Prepayments, other receivables and other assets	*13*	**35,232**	58,732
Equity investments at fair value through profit or loss	*14*	**4,039**	4,034
Pledged deposits		**2,189**	85,117
Cash and cash equivalents		**98,278**	211,514
Total current assets		**404,426**	744,695
CURRENT LIABILITIES			
Trade and bills payables	*15*	**159,642**	152,825
Contract liabilities		**6,979**	—
Other payables and accruals	*16*	**36,471**	53,062
Interest-bearing bank and other borrowings		**36,979**	34,985
Coupon notes		**48,921**	42,162
Tax payable		**8,645**	39,778
Total current liabilities		**297,637**	322,812
NET CURRENT ASSETS		**106,789**	421,883
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,062,135**	1,113,306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Loan from a director	*16*	**32,510**	—
Interest-bearing bank and other borrowings		**5,705**	775
Deferred tax liabilities		**24,112**	23,914
Coupon notes		**—**	45,638
Total non-current liabilities		**62,327**	70,327
Net assets		**999,808**	1,042,979
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**156,928**	156,928
Reserves		**786,144**	820,802
		943,072	977,730
Non-controlling interests		**56,736**	65,249
Total equity		**999,808**	1,042,979

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

	2018	2017
	RMB'000	*RMB'000*
Net cash flows from operating activities	**89,088**	56,856
Net cash flows used in investing activities	**(195,393)**	(443,965)
Net cash flows (used in)/from financing activities	**(2,902)**	47,405
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(109,207)**	(339,704)
Cash and cash equivalents at beginning of year	**211,514**	533,491
Effect of foreign exchange rate changes, net	**(4,029)**	17,727
CASH AND CASH EQUIVALENTS AT END OF YEAR	**98,278**	211,514

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 2106, 21/F, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

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

2.1 BASIS OF PREPARATION

These 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 financial asset at fair value through other comprehensive income and equity investments 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.

<u>Basis of consolidation</u>

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. 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.

2.1 BASIS OF PREPARATION (continued)

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.

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

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

<u>IFRS 9 Financial Instruments</u>

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

There was no transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

Classification, measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement				IFRS 9 measurement	
	Category	Amount	Re-classification	ECL	Amount	Category
		RMB'000			*RMB'000*	
Financial assets						
Trade and bills receivables	L&R[1]	228,152	—	—	228,152	AC[3]
Loan receivables	L&R	144,049	—	—	144,049	AC
Interest receivables	L&R	2,687	—	—	2,687	AC
Financial assets included in prepayments, other receivables and other assets	L&R	31,058	—	—	31,058	AC
Equity investments at fair value through profit or loss	FVPL[2]	4,034	—	—	4,034	FVPL
Pledged deposits	L&R	85,117	—	—	85,117	AC
Cash and cash equivalents	L&R	211,514	—	—	211,514	AC
		706,611	—	—	706,611	
Financial liabilities						
Trade and bills payables	AC	152,825	—	—	152,825	AC
Financial liabilities included in other payables and accruals	AC	15,802	—	—	15,802	AC
Interest-bearing bank and other borrowings	AC	35,760	—	—	35,760	AC
Coupon notes	AC	87,800	—	—	87,800	AC
		292,187	—	—	292,187	

1 L&R: Loans and receivables
2 FVPL: Financial assets at fair value through profit or loss
3 AC: Financial assets or financial liabilities at amortised cost

Impairment

No material opening impairment allowances under IAS 39 have been made to the ECL allowance under IFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Note	**Increase/ (decrease)** *RMB'000*
Liabilities		
Other payables and accruals	*(i)*	(20,236)
Contract liabilities	*(i)*	20,236

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on the consolidated statement of profit or loss, other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Note	**IFRS 15** *RMB'000*	**Previous IFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Other payables and accruals	*(i)*	—	6,979	(6,979)
Contract liabilities	*(i)*	6,979	—	6,979
		6,979	6,979	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

Note:

(i) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB20,236,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB6,979,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of goods and provision of services.

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, 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 investments at fair value through profit or loss, financial asset at fair value through other comprehensive income and corporate and other unallocated assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Communication system *RMB'000*	Money lending *RMB'000*	Total *RMB'000*
Segment revenue (note 4)			
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			107,927
Total assets			1,359,771
Segment liabilities	182,359	230	182,589
Corporate and other unallocated liabilities			177,374
Total liabilities			359,963
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

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Communication system *RMB'000*	Money lending *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	491,635	10,298	501,933
Segment results	4,406	9,713	14,119
Interest income			526
Unallocated income and gains			971
Finance costs			(31,991)
Corporate and other unallocated expenses			(71,477)
Loss before tax			(87,852)
Segment assets	963,075	146,745	1,109,820
Corporate and other unallocated assets			326,298
Total assets			1,436,118
Segment liabilities	192,679	317	192,996
Corporate and other unallocated liabilities			200,143
Total liabilities			393,139
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	1,543	—	1,543
Depreciation and amortisation	21,225	—	21,225
Capital expenditure	1,506	—	1,506
Prepayments for an available-for-sale investment	320,000	—	320,000

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**385,977**	456,151
Hong Kong	**23,006**	41,859
United States of America	**2,269**	2,925
Other countries/regions	**3,612**	998
	414,864	501,933

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

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**952,590**	688,503
Hong Kong	**185**	298
	952,775	688,801

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

Information about major customers

None of the sales to external customers (2017: None) individually amounted to over 10% of the total revenue of the Group for the current year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**414,864**	—
Sales of goods	**—**	364,080
Rendering of services	**—**	127,555
Interest income from money lending business	**—**	10,298
	414,864	501,933

Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Communication system** *RMB'000*	**Money lending** *RMB'000*	**Total** *RMB'000*
Type of goods or services			
Sales of goods	335,490	—	335,490
Rendering of services	70,548	—	70,548
Interest income from money lending business	—	8,826	8,826
Total revenue from contracts with customers	406,038	8,826	414,864
Geographical markets			
Mainland China	385,977	—	385,977
Hong Kong	14,180	8,826	23,006
United States of America	2,269	—	2,269
Other countries/regions	3,612	—	3,612
Total revenue from contracts with customers	406,038	8,826	414,864
Timing of revenue recognition			
Transferred at a point in time	335,490	—	335,490
Transferred over time	70,548	8,826	79,374
Total revenue from contracts with customers	406,038	8,826	414,864

4. **REVENUE, OTHER INCOME AND GAINS (continued)**

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**1,898**	526
Interest income arising from finance lease	**416**	—
Dividend income from equity investments at fair value through profit or loss	**—**	644
Government grants released**	**1,026**	9,086
Gain on disposal of investment deposits***	**—**	327
Gain on disposal of an available-for-sale investment&	**—**	3,000
Gain on disposal of assets classified as held for sale#	**—**	1,000
Gain on collection of impaired trade receivables acquired in a business combination*	**2,266**	1,295
Foreign exchange differences, net	**10**	—
Others	**13**	101
	5,629	15,979

* 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.

*** The gain arose from disposal of investment deposits which were purchased from licensed banks in Mainland China during the year ended 31 December 2017.

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

& On 27 March 2017, Shenyang New Postcom entered into a sale and purchase agreement with an independent third party, to dispose of the unlisted equity investment in 沈陽沈北富民村鎮銀行股份有限公司 at a cash consideration of RMB18,000,000. The cash consideration was received by Shenyang New Postcom and the transaction was completed during the year ended 31 December 2017. A gain of RMB3,000,000 was recognised in "other income" in the consolidated statement of profit or loss for the year ended 31 December 2017.

^ The English name is for identification purpose only

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**2,306**	2,551
Interest on coupon notes	**7,099**	29,414
Interest on finance leases	**330**	—
Others	**—**	26
	9,735	31,991

6. LOSS BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold*	**301,069**	327,427
Depreciation	**1,042**	778
Amortisation of other intangible assets**	**20,245**	20,447
Impairment of goodwill***	**15,016**	—
Impairment of financial assets, net:		
Impairment of trade receivables, net***	**4,270**	1,697
Impairment of other loan receivables, net***	**74**	—
Impairment/(reversal of impairment) of deposits and other receivables ***	**278**	(134)
	4,622	1,563
Minimum lease payments under operating leases	**7,903**	8,030
Auditor's remuneration	**2,150**	2,130
Research and development costs	**11,693**	12,531
Government grants released	**(1,026)**	(9,086)
Foreign exchange differences, net	**(10)**	15
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**40,167**	37,690
– Equity-settled share option expense	**778**	2,505
– Pension scheme contributions	**5,254**	5,472
	46,199	45,667
Write-down/(write back) of inventories to net realisable value*	**1,104**	(20)
Loss on disposal of items of property, plant and equipment***	**—**	112
Loss on disposal of items of other intangible assets***	**—**	12
Net fair value loss on equity investments at fair value through profit or loss ***	**226**	50,250

6. LOSS BEFORE TAX (continued)

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

** The amortisation of other intangible assets for the year is included in "Cost of sales" and "Administrative expenses" 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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**—**	24
Overprovision in prior years	**(774)**	(2,419)
Current – Mainland China		
Charge for the year	**—**	14,694
Deferred income tax	**(2,985)**	(3,444)
Total tax (credit)/charge for the year	**(3,759)**	8,855

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:

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

* The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the years ended 31 December 2018 and 2017.

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

^ The English names are for identification purpose only.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2018 and subsequent to the end of the reporting period (2017: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,170,000,000 (2017: 920,827,397) in issue during the year.

The calculation of basic loss per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(46,171)**	(95,611)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,170,000,000**	920,827,397
Loss per share:		
Basic and diluted	**(RMB3.95 cents)**	(RMB10.38 cents)

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. PREPAYMENTS FOR AN AVAILABLE-FOR-SALE INVESTMENT/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 conditionally agreed to inject an amount of RMB600,000,000 to CCT, of which RMB320,000,000 has been prepaid during the year ended 31 December 2017 and RMB280,000,000 was paid during the year ended 31 December 2018. The capital injection was completed on 25 July 2018 upon completion of the relevant registration procedures. The Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. The prepayment for the aforesaid unlisted equity investment of RMB320,000,000 was recorded as prepayment for an available-for-sale investment as at 31 December 2017. 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.

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

	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
China Communication Technology Co., Ltd.*	**612,939**	—
Prepayment for an available-for-sale investment	**—**	320,000

During the year ended 31 December 2018, the fair value gain netting of the income tax in respect of the above unlisted equity investment recognised in other comprehensive income amounted to RMB9,704,000.

* The English name is for identification purpose only.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**216,226**	233,711
Impairment	**(8,240)**	(5,959)
Trade receivables, net	**207,986**	227,752
Bills receivable	**1,704**	400
	209,690	228,152

11. TRADE AND BILLS RECEIVABLES (continued)

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**88,157**	105,655
3 to 6 months	**30,540**	44,784
6 to 12 months	**65,913**	34,122
1 to 2 years	**13,550**	39,471
Over 2 years	**9,826**	3,720
	207,986	227,752

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**5,959**	9,682
Impairment losses, net (note 6)	**4,270**	1,697
Amounts written off as uncollectible	**(1,995)**	(5,408)
Exchange realignment	**6**	(12)
At end of year	**8,240**	5,959

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

	2018	2017
	RMB'000	*RMB'000*
3 to 6 months	**1,704**	400

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

12. LOAN RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Finance lease receivables	**7,578**	—
Other loan receivables	**38,484**	144,049
Impairment	**(77)**	—
Other loan receivables, net	**38,407**	144,049
Total loan receivables, net	**45,985**	144,049
Portion classified as non-current assets:		
– Finance lease receivables	**(5,741)**	—
Current portion	**40,244**	144,049

(A) Finance lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,431**	—	**1,837**	—
In the second to fifth years, inclusive	**6,490**	—	**5,741**	—
	8,921	—	**7,578**	—
Less: Unearned finance income	**(1,343)**	—		
Present value of minimum lease receivables	**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 2018.

12. LOAN RECEIVABLES (continued)

(B) Other loan receivables

Other loan receivables represented outstanding principals, which are denominated in Hong Kong dollars, arising from the Group's money lending business in Hong Kong. Other loan receivables have fixed terms of repayment, all of which are within 1 year. The Group seeks to maintain strict control over 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 2018, RMB6,854,000 of other loan receivables were guaranteed by properties of the borrowers (31 December 2017: Nil). As at 31 December 2018, none of other loan receivables were guaranteed by directors and shareholders of the borrowers (31 December 2017: RMB74,373,000).

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**—**	—
Impairment losses, net	**74**	—
Exchange realignment	**3**	—
	77	—

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**28,323**	67,544
3 to 6 months	**7,015**	41,526
6 to 12 months	**3,069**	34,979
	38,407	144,049

At 31 December 2018 and 2017, no amounts due from related parties of the Group were included in other loan receivables.

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	*RMB'000*
Advances to suppliers	**18,855**	25,306
Deposit and other receivables	**16,495**	31,058
Tax recoverable	**164**	2,368
	35,514	58,732
Impairment allowance	**(282)**	—
	35,232	58,732

At 31 December 2018 and 2017, 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:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**—**	1,736
Impairment losses, net	**278**	(134)
Amounts written off as uncollectible	**—**	(1,602)
Exchange realignment	**4**	—
	282	—

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**4,039**	4,034

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

A net fair value loss of RMB226,000 was recognised for net changes in fair value of equity investments 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 2018 (2017: RMB50,250,000).

15. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**98,796**	84,151
3 to 12 months	**38,104**	47,317
1 to 2 years	**6,034**	3,613
Over 2 years	**16,708**	17,744
	159,642	152,825

At 31 December 2018, no bills payables (2017: RMB19,000) were included in the trade and bills payables. At 31 December 2018 and 2017, no amounts due to related parties of the Group were included in the trade and bills payables.

16. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Loan from a director	**43,933**	—
Advances from customers	**—**	20,236
Accruals	**8,516**	11,880
Other taxes payable	**4,362**	7,671
Other payables	**12,170**	13,275
Total other payables and accruals	**68,981**	53,062
Portion classified as non-current liabilities		
– Loan from a director	**(32,510)**	—
Current portion	**36,471**	53,062

17. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2019, 234,000,000 new shares were issued at a price of HK$0.16 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HK$37,400,000 (equivalent to RMB32,401,000). The related transaction costs amounting to HK$1,300,000 (equivalent to RMB1,262,000) were netted off against the cash proceeds. The net proceeds were intended to be used for the business development and general working capital of the Group. Details have been set out in the announcement of the Company dated 11 January 2019.

PERFORMANCE REVIEW

The year 2018 is a challenging year for the InvesTech Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), especially in the second half of 2018, there were ongoing United States and China trade arguments as well as their competition on the leadership of 5G technology which created numerous uncertainties to international trade and global business environment. The business of the Group was affected by the uncertain business environment and the intensive competition within the industry.

During the year ended 31 December 2018 (the "Year"), the Group recorded a net loss of approximately RMB54.7 million. Total revenue amounted to approximately RMB414.9 million, representing an decrease of approximately RMB87.0 million, or approximately 17.3% as compared with that of approximately RMB501.9 million in the same period in 2017. The Group's gross profit amounted to approximately RMB35.6 million, experiencing a decrease of approximately RMB28.2million, or approximately 44.2% as compared with that of approximately RMB63.8 million in 2017. The gross profit margin decreased to approximately 8.6% from approximately 12.7% of the same period in 2017.

BUSINESS DEVELOPMENT

During the Year, the Group's software business started a new stage of development, the Group started to apply the internet of things (IOT) technology and artificial intelligence into our software products, including face recognition, smart lighting system, and other eco-friendly features. In addition, the Group will continue to make technology investment in order to enhance the product range, such as cloud computing, cyber security, big data technologies, B2B platform, etc. Furthermore, in alliance with other business partners, the Group expects to accelerate the development of software solution and widen the customer networks, further maintaining the leading position in the industry.

The Group has also recorded the declining revenues of the mobile office automation ("OA") software business, except for the negative impact from trade argument between United States and China, the competition in the low-end market of OA software business are continuously keen, which is a pressure on our software sales. Looking ahead, the Group remains optimistic about the potential and future growth of mobile OA software business. In the face of the challenge from the competitors in low-end market, the Group will follow a more cautious approach by focusing on medium and high-end market, as the Group aims at more demanding and large size enterprise customers which require more high value professional solution and tailor-made function.

OUTLOOK

The global business environment will remain challenging in 2019. In response to the keen competition in market and uncertainties in the global economy, the Group will closely control its costs and expenses, improve efficiency, concentrate and focus its resources in advanced and growing technologies.

Mainland China continue to be the Group's major revenue source. Although facing short term challenge, we believe there will be long term growth opportunity. At the same time, the Group will continue to grasp business opportunity in other Asian countries to boost the growth momentum. The Group has commenced some initial business in Vietnam and will explore further business opportunities.

The Group will also explore opportunities arising from the development of Guangdong-Hong Kong-Macao Greater Bay Area, and there will be greater demand for the technology on network solutions. With our past experience in Mainland China market, the Group is strategically positioned to take advantage of this growth engine.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group recorded a total revenue of approximately RMB414.9 million for the year ended 31 December 2018, representing decrease of approximately RMB87.0 million, or approximately 17.3% as compared with that of approximately RMB501.9 million for the year ended 31 December 2017. The decrease of revenue was primarily attributable to decrease in sales of network equipment and software products, and provision of network professional services due to keen competition and uncertain business environment in 2018.

Cost of Sales

The cost of sales decreased by approximately RMB58.8 million, or approximately 13.4%, from approximately RMB438.1 million for the year ended 31 December 2017, to approximately RMB379.3 million for the year ended 31 December 2018. The decrease was primarily attributable to the corresponding decrease in sales of network equipment and software products, and provision of network professional services.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2018 amounted to approximately RMB35.6 million, representing a decrease of approximately RMB28.2 million, or approximately 44.2% as compared with that of approximately RMB63.8 million for the year ended 31 December 2017. The decrease was primarily attributable to (i) the corresponding decrease in sales of network equipment and software products, and provision of network professional services; and (ii) the decrease in gross profit margin.

The gross profit margin decreased to approximately 8.6% for the year ended 31 December 2018 from approximately 12.7% for the year ended 31 December 2017. The decrease in gross profit margin was primarily attributable to keen competition and increase in cost of rendering professional services due to newly recruited IT technicians.

Other Income and Gains

The Group recorded other income and gains of approximately RMB5.6 million for the year ended 31 December 2018, mainly including (i) gain on collection of impaired trade receivables acquired in the acquisition of Fortune Grace Management Limited of approximately RMB2.3 million (ii) bank interest income of approximately RMB1.9 million and (iii) government grants released of approximately RMB1.0 million.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately RMB3.7 million for the year ended 31 December 2018, or approximately 14.3%, as compared with that of approximately RMB25.9 million for the year ended 31 December 2017. The decrease was primarily due to the corresponding decrease in sales of network equipment and software products, and provision of network professional services.

Administrative Expenses

The administrative expenses decreased by approximately RMB9.9 million for the year ended 31 December 2018, as compared with that of approximately RMB57.8 million for the year ended 31 December 2017. The decrease was primarily due to effective cost control measures.

Other Expenses

Other expenses amounted to approximately RMB19.9 million, which was primarily resulted from the impairment loss recorded for the goodwill recognized from the acquisition of Fortune Grace Management Limited in November 2015 amounted to approximately RMB15.0 million based on management's assessment in respect of uncertain business environment in the future and by reference to the value-in-use calculations performed by an independent appraisal firm (if applicable).

Finance Costs

The finance costs decreased by approximately RMB22.3 million for the year ended 31 December 2018, as compared with that of approximately RMB32.0 million for the year ended 31 December 2017. The significant decrease was mainly attributable to early redemption of coupon notes of an aggregate principal amount of HK$52.7 million in January 2018.

Income Tax

The Group incurred income tax credit of approximately RMB3.8 million for the year ended 31 December 2018 primarily due to deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015. Overall, the Group's effective tax rate for the year ended 31 December 2018 was 6.5%, compared with -10.1% for the year ended 31 December 2017.

Loss for the Year

The net loss decreased by approximately RMB42.0 million for the year ended 31 December 2018, or approximately 43.4%, as compared with that of approximately RMB96.7 million for the year ended 31 December 2017. The decrease was mainly attributable to (i) decrease in other expenses of approximately RMB32.1 million; (ii) decrease in finance cost of approximately RMB22.3 million; and (iii) decrease in selling and administrative expenses of approximately RMB13.6 million. The decrease of net loss was partially offset by (i) decrease in gross profit of approximately RMB28.2 million; and (ii) decrease in other income and gains of approximately RMB10.4 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 2018, the Group's gearing ratio (measured by total of short-term and long-term borrowings and coupon notes divided by total assets) was approximately 6.7% (31 December 2017: approximately 8.6%). The decrease in gearing ratio was mainly due to the early redemption of coupon notes with an aggregated principal amount of HK$53.3 million (equivalent to approximately RMB43.7 million) during the Year.

As at 31 December 2018, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB42.7 million (31 December 2017: approximately RMB35.8 million), among which approximately RMB31.8 million was unsecured and guaranteed by a director of the Company. As at 31 December 2018, the interest-bearing bank and other borrowings of RMB25.6 million carried at fixed interest rates and RMB17.1 million carried at floating interest rates.

As at 31 December 2018, the total carrying amount of coupon notes of the Group amounted to approximately RMB48.9 million (31 December 2017: approximately RMB87.8 million). The coupon notes were unsecured.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 31 December 2018.

The Company redeemed an aggregate principal amount of HK$56.1 million of coupon notes in January and February 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 2018 to the date of this announcement.

Foreign Currency Risk

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

Working Capital

Inventories balance as at 31 December 2018 was approximately RMB13.4 million (31 December 2017: approximately RMB10.4 million). The average turnover days for inventories increase to 11 days as at 31 December 2018 (31 December 2017: 7 days).

Trade and bills receivables balance as at 31 December 2018 was approximately RMB209.7 million (31 December 2017: approximately RMB228.2 million). The decrease in trade and bills receivables balance was mainly due to the decrease of sales of network communications products and services. The average turnover days for trade and bills receivables increased to 193 days as at 31 December 2018 (31 December 2017: 149 days) which was mainly due to the longer credit period for new customers.

Trade and bills payables balance as at 31 December 2018 was approximately RMB159.6 million (31 December 2017: approximately RMB152.8 million). The average turnover days for trade and bills payables increased to 150 days as at 31 December 2018 (31 December 2017: 106 days). The increase in turnover days was mainly due to the rising proportion of purchase with relatively longer payment period.

The Group's cash conversion cycle for the year ended 31 December 2018 was 54 days as compared with 50 days for the year ended 31 December 2017.

Cash Flows

The net cash flows from operating activities for the year ended 31 December 2018 of approximately RMB89.1 million, which was primarily due to collection from loan receivables.

The net cash flows used in investing activities for the year ended 31 December 2018 of approximately RMB195.4 million was mainly attributable to cash used in capital injection to CCT of approximately RMB280.0 million was partially offset by the release of pledged deposits of approximately RMB84.0 million.

The net cash flows used in financing activities for the year ended 31 December 2018 of approximately RMB2.9 million was primarily attributable to (i) repayment of bank and other borrowings of approximately RMB302.6 million; and (ii) payment for early redemption of coupon notes of approximately RMB43.7 million and was partially offset by (i) new bank and other borrowings of approximately RMB301.6 million; and (ii) fund from a loan payable to a director of approximately RMB43.9 million.

Capital Expenditures

For the year ended 31 December 2018, the Group had no material capital expenditures.

Capital Commitments

The Group had no significant capital commitments as at 31 December 2018. The Group had a significant capital commitment of RMB280.0 million in relation to the capital to be injected to CCT as at 31 December 2017.

Contingent Liabilities

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

* The English name is for identification purpose only.

Employees

As at 31 December 2018, the total number of employees of the Group was 245 (31 December 2017: 241). The breakdown of employees of the Group as at 31 December 2018 and 2017 is as follows:

	As at 31 December 2018	As at 31 December 2017
Manufacturing and technical engineering	**75**	67
Sales and marketing	**64**	60
General and administration	**46**	52
Research and development	**60**	62
Total	**245**	241

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

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

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

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

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

* The English name is for identification purpose only.

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

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

During the exclusivity period under the Capital Injection Agreement, CCT introduced two third party investors (the "Third Party Investors") in relation to a capital injection in aggregate of RMB1.6 billion into CCT (the "Subsequent Capital Injection"). In view that (i) CCT has notified the Company the major terms of the Subsequent Capital Injection; (ii) the subscription price borne by the Third Party Investors is equal to that borne by the Company in the Proposed Capital Injection; (iii) the control of CCT has remained unchanged upon completion of the Subsequent Capital Injection; and (iv) the aggregated equity interest of the Company in CCT was diluted by not more than 1.0% upon completion of the Subsequent Capital Injection, the Subsequent Capital Injection has not violated any provision under the Capital Injection Agreement as set out in the section headed "Exclusivity" in the circular of the Company dated 23 June 2017 and therefore CCT is not obligated to pay any Compensation Amount to the Company.

As a result of the Subsequent Capital Injection, following the Capital Injection Completion and the Subsequent Capital Injection, the Company owns approximately 3.95% of the enlarged registered capital of CCT instead of 4.41% as set out in the Circular.

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

INVESTMENTS IN LISTED EQUITY SECURITIES

During the year ended 31 December 2018, the Company conducted a series of on-market listed securities investments to expand its investment portfolio with quality assets for the goal of investment is to attain a reasonable return within manageable risk level. The Group recorded a net fair value loss on held for trading listed securities investments of approximately RMB0.2 million, details as follows:

		Movement during the year ended 31 December 2018									
Stock code	Name of investee company	Carrying amount as at 1 January 2018	Addition/ (disposal)	Unrealised gain/(loss)	Realised gain/(loss)	Exchange realignment	Carrying amount as at 31 December 2018	Dividend income for the year ended 31 December 2018	Net gain/(loss) for for the year ended 31 December 2018	Number of shares held and % of total share held by the Group as at 31 December 2018	Percentage to the Group's total assets as at 31 December 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
1833	Ping An Healthcare And Technology Co. Ltd.	—	60/(60)	—	(18)	—	—	—	(18)	—	—
6108	New Ray Medicine International Holding Ltd.	4,034	—	(208)	—	213	4,039	—	(208)	25,080,000/ 1.5000%	0.0323%
		4,034	—	(208)	(18)	213	4,039	—	(226)		

Investee Company's Principal Business, Performance and Future

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

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

For the year ended 31 December 2018, revenue of Ping An Healthcare was approximately RMB3,337.8 million which has increased by approximately 78.7% when compared to that of approximately RMB1,868.0 million for the same period of 2017. Net loss attributable to owners of Ping An Healthcare for the year ended 31 December 2018 was approximately RMB911.7 million, which has decreased by approximately 9.0% when compared to that of approximately RMB1,001.6 million for the same period of 2017.

During the Year, the Group had acquired 1,300 shares of Ping An Healthcare and recorded an realised fair value loss of investment in Ping An Healthcare amounted to approximately RMB18,000.

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

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

For the six months ended 30 June 2018, revenue of New Ray was approximately HK$170.0 million which has increased by approximately 36.2% when compared to that of approximately HK$124.8 million for the corresponding period in 2017. A change from a loss attributable to owners of New Ray of approximately HK$52.4 million for the six months ended 30 June 2017 to a profit attributable to owners of New Ray of approximately HK$14.2 million for the six months ended 30 June 2018.

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 RMB0.2 million for the Year.

The Group remained holding 25.08 million shares of New Ray in its investment portfolio as at 31 December 2018. The Group's management appointed an external valuer to be responsible for the valuation of shares of New Ray. The fair value of shares of New Ray held by the Group was approximately RMB4.0 million as at 31 December 2018.

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

REDEMPTION OF COUPON NOTES

During the year ended 31 December 2018, an aggregate principal amount of HK$53.3 million of coupon notes was early redeemed. An aggregate principal amount of 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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 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 announcement of the Company dated 20 December 2018 and 11 January 2019.

Saved as disclosed in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 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 2018 (2017: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27 May 2019 (Monday) and the notice of Annual General Meeting will be published and despatched to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 21 May 2019 (Tuesday) to 27 May 2019 (Monday) (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 20 May 2019 (Monday).

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 2018.

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 was held on 24 May 2018 due to their respective business engagements. Other Board members who attend the general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general 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 2018, the consolidated financial statements for the year ended 31 December 2018 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 2018 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.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2018 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 2019

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, and the independent non-executive Directors are Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.