InvesTech Holdings Limited
威 訊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**222,077**	207,254
Gross profit	**24,945**	11,420
Loss before tax	**(16,017)**	(26,444)
Loss for the period	**(15,805)**	(24,960)
Loss attributable to:		
— Owners of the parent	**(13,067)**	(18,888)
— Non-controlling interests	**(2,738)**	(6,072)
	(15,805)	(24,960)
Loss per share		
— Basic and diluted (RMB cents)	**(0.94)**	(1.61)

Selected Financial Ratios

	Six months ended 30 June	
	2019	2018
	(Approximate)	*(Approximate)*
Gross profit margin	**11.2%**	5.5%
Net loss margin	**(7.1%)**	(12.0%)
	As at 30 June 2019	As at 30 June 2018
	(Approximate)	*(Approximate)*
Current ratio (times)	**1.4**	1.6
Gearing ratio[1]	**4.0%**	7.2%
Return on total assets[2]	**(1.2%)**	(1.8%)
Return on total equity[2]	**(1.6%)**	(2.4%)

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

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

PERFORMANCE REVIEW

During the six months ended 30 June 2019 (the "Period"), InvesTech Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") continued to focus on the network communication business and the sales of mobile office automation ("OA") software business. Although the global economic growth slowed down at first half of 2019 and competition in the market continued to be keen, the Group recorded a steady growth of revenue and the improvement on overall performance due to the continuous investments in advanced technology.

During the Period, the Group recorded a net loss of approximately RMB15.8 million. Total revenue amounted to approximately RMB222.1 million, representing an increase of approximately RMB14.8 million, or approximately 7.1% as compared to approximately RMB207.3 million in the same period in 2018. The Group's gross profit amounted to approximately RMB24.9 million, representing an increase of approximately RMB13.5 million, or approximately 118.4% as compared with that of approximately RMB11.4 million in the same period in 2018. The gross profit margin increased to approximately 11.2% from approximately 5.5% of the same period in 2018.

BUSINESS DEVELOPMENT

The Group continues to strive for expansion where it made long term development and diversification of risk on a single market. Looking back to the first half of 2019, the Group has started operation in

Vietnam. The Group hopes that the investment in Vietnam will bring higher return to shareholders of the Company in future. Turning to the PRC market, the Group continued to invest in research and development to improve its competitive strength. Also, the Group will follow the national policy to grasp the other potential business opportunity in the PRC.

For the mobile OA software, the Group endeavored to strengthen its products and solutions by the effort in innovating and exploring new technologies, such as Internet of Things (IOT) and Artificial Intelligence, etc. In the face of the challenge from other competitors in the industry, the Group implemented product differentiation strategy, continued offering solutions with customization options to cater for individual requirement of medium to large size enterprise customers. In addition, the Group continued to establish strategic cooperation with partners in order to enhance its competitiveness and accelerate the distribution of its software.

OUTLOOK

In order to benefit from the upcoming 5G era, the Group will accelerate its investment of wireless, IOT, cloud computing and Software Defined Networking (SDN) technology to ensure its solution will work seamlessly in 5G environment.

During the Period, the revenue in the PRC continued to be a major revenue contribution of the Group's business. The Group believes that the business in the PRC will continue to offer the best business opportunities and provide fruitful return to the Group in coming years. However, in order to strengthen the earning base and have sustainable growth in the foreseeable future, the Group is actively exploring overseas markets, in addition to the investment in Vietnam in recent years, the Group will further explore overseas opportunities, especially the opportunities from "One Belt and One Road Initiative" and "Guangdong-Hong Kong-Macao Greater Bay Area Development" policies.

The Group views the prospects of the network communication business and sales of mobile OA software business as challenging with the intense competition in the industry. Looking ahead, there remains many uncertainties including the impact on the trade war, monetary policies at the second half of 2019. The Group remains optimistic about the prospects of its business in future. Meanwhile, the Group will continue to adopt a cautious approach in order to create operational efficiencies and ensure overall cost-effectiveness. The Group will also closely monitor the latest development in the global economy and react accordingly.

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 2018. The interim consolidated financial results have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**222,077**	207,254
Cost of sales		**(197,132)**	(195,834)
Gross profit		**24,945**	11,420
Other income and gains	*4*	**1,596**	2,100
Selling and distribution expenses		**(12,783)**	(10,671)
Administrative expenses		**(25,030)**	(21,114)
Other expenses, net		**(2,500)**	(2,354)
Finance costs	*5*	**(2,245)**	(5,825)
LOSS BEFORE TAX	*6*	**(16,017)**	(26,444)
Income tax credit	*7*	**212**	1,484
LOSS FOR THE PERIOD		**(15,805)**	(24,960)
Attributable to:			
Owners of the parent		**(13,067)**	(18,888)
Non-controlling interests		**(2,738)**	(6,072)
		(15,805)	(24,960)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB(0.94 cents)**	RMB(1.61 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(15,805)**	(24,960)
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	**459**	(1,322)
Other comprehensive loss 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	**(7,315)**	—
Income tax effect	**1,829**	—
	(5,486)	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(5,027)**	(1,322)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(20,832)**	(26,282)
Attributable to:		
Owners of the parent	**(18,108)**	(20,123)
Non-controlling interests	**(2,724)**	(6,159)
	(20,832)	(26,282)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,925**	2,351
Right-of-use assets		**9,308**	—
Goodwill		**192,564**	192,564
Other intangible assets		**129,059**	139,181
Deferred tax assets		**2,570**	2,570
Financial asset at fair value through other comprehensive income	*10*	**605,624**	612,939
Loan receivables	*11*	**4,769**	5,741
Total non-current assets		**945,819**	955,346
CURRENT ASSETS			
Inventories		**11,675**	13,398
Trade and bills receivables	*12*	**203,712**	209,690
Loan receivables	*11*	**27,549**	40,244
Interest receivables		**362**	1,356
Prepayments, other receivables and other assets		**51,698**	35,232
Equity investment at fair value through profit or loss	*13*	**2,824**	4,039
Debt investment at fair value through profit or loss	*14*	**13,607**	—
Pledged deposits		**7,284**	2,189
Cash and cash equivalents		**39,678**	98,278
Total current assets		**358,389**	404,426
CURRENT LIABILITIES			
Trade and bills payables	*15*	**177,601**	159,642
Contract liabilities		**4,749**	6,979
Other payables and accruals		**22,783**	36,471
Interest-bearing bank and other borrowings		**42,482**	36,979
Coupon notes		**—**	48,921
Tax payable		**9,792**	8,645
Total current liabilities		**257,407**	297,637

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NET CURRENT ASSETS	**100,982**	106,789
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,046,801**	1,062,135
NON-CURRENT LIABILITIES		
Loan from a director	**6,154**	32,510
Interest-bearing bank and other borrowings	**9,538**	5,705
Deferred tax liabilities	**20,834**	24,112
Total non-current liabilities	**36,526**	62,327
Net assets	**1,010,275**	999,808
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**188,710**	156,928
Reserves	**767,553**	786,144
	956,263	943,072
Non-controlling interests	**54,012**	56,736
Total equity	**1,010,275**	999,808

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**16,706**	34,043
Net cash flows used in investing activities	**(17,795)**	(117,284)
Net cash flows used in financing activities	**(57,725)**	(40,202)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,814)**	(123,443)
Cash and cash equivalents at beginning of period	**98,278**	211,514
Effect of foreign exchange rate changes, net	**214**	1,593
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**39,678**	89,664

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 address of the registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company's principal place of business in Hong Kong is Room 2106, 21/F, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

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

2.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 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* issued by the International Accounting Standards Board. These unaudited 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 unaudited 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 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 2018, except for the adoption of the new and revised IFRSs effective as of 1 January 2019.

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

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 16 *Leases* (continued)

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee - Leases previously classified as operating leases

Nature of *the effect of adoption of IFRS 16*

The Group has lease contracts for various items of machinery and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 16 *Leases* (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 16 *Leases* (continued)

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

	RMB'000 **(Unaudited)**
Operating lease commitments as at 31 December 2018	13,030
Weighted average incremental borrowing rate as at 1 January 2019	5.35%
Discounted operating lease commitments as at 1 January 2019	10,844
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(918)
Add: Commitments relating to leases previously classified as finance leases	7,592
Lease liabilities as at 1 January 2019	17,518

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 16 *Leases* (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets, finance lease receivables, and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets -Buildings *RMB'000*	**Finance lease receivables** *RMB'000*	**Lease liabilities** *RMB'000*
As at 1 January 2019	9,926	7,578	17,518
Additions	1,673	—	1,673
Depreciation charge	(2,291)	—	—
Interest expense	—	—	529
Payments	—	—	(2,845)
Receipt	—	(892)	—
Others	—	—	(775)
As at 30 June 2019	9,308	6,686	16,100

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

3. **OPERATING SEGMENT INFORMATION (CONTINUED)**

	Six months ended 30 June 2019 (Unaudited)		
	Communication system *RMB'000*	**Money lending** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	**219,685**	**2,392**	**222,077**
Segment results	**(9,849)**	**2,103**	**(7,746)**
Interest income			**65**
Unallocated income and gains			**414**
Finance costs			**(2,245)**
Corporate and other unallocated expenses			**(6,505)**
Loss before tax			**(16,017)**
Segment assets	**1,211,933**	**26,003**	**1,237,936**
Corporate and other unallocated assets			**66,190**
Total assets			**1,304,126**
Segment liabilities	**196,532**	**230**	**196,762**
Corporate and other unallocated liabilities			**97,081**
Total liabilities			**293,843**
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	**2,382**	**—**	**2,382**
Depreciation and amortisation	**13,021**	**—**	**13,021**
Capital expenditure*	**206**	**—**	**206**

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

3. **OPERATING SEGMENT INFORMATION (CONTINUED)**

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**219,685**	201,736
Revenue from other sources		
Interest income from money lending business	**2,392**	5,518
	222,077	207,254

<u>Disaggregated revenue information for revenue from contracts with customers</u>

For the six months ended 30 June 2019

<u>Segments</u>	**Communication system**
	RMB'000
	(Unaudited)
Type of goods or services	
Sales of goods	**190,964**
Rendering of services	**28,721**
Total revenue from contracts with customers	**219,685**
Geographical markets	
Mainland China	**202,127**
Hong Kong	**2,092**
United States of America	**1,803**
Vietnam	**11,006**
Other countries/regions	**2,657**
Total revenue from contracts with customers	**219,685**
Timing of revenue recognition	
Transferred at a point in time	**190,964**
Transferred over time	**28,721**
Total revenue from contracts with customers	**219,685**

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2018

Segments	**Communication system** *RMB'000* **(Unaudited)**
Type of goods or services	
Sales of goods	158,388
Rendering of services	43,348
Total revenue from contracts with customers	201,736
Geographical markets	
Mainland China	199,010
Hong Kong	354
United States of America	1,301
Other countries/regions	1,071
Total revenue from contracts with customers	201,736
Timing of revenue recognition	
Transferred at a point in time	162,703
Transferred over time	39,033
Total revenue from contracts with customers	201,736

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**65**	1,754
Interest income arising from leases	**314**	—
Fair value gain on debt investment at fair value through profit or loss (note 14)	**414**	—
Government grants released**	**410**	—
Foreign exchange differences, net	**137**	20
Gain on collection of impaired trade receivables acquired in a business combination*	**190**	268
Others	**66**	58
	1,596	2,100

* 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**906**	1,396
Interest on coupon notes	**810**	4,383
Interest on lease liabilities/finance lease liabilities	**529**	46
	2,245	5,825

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**174,769**	195,834
Depreciation of property, plant and equipment	**608**	519
Depreciation of right-of-use assets	**2,291**	—
Amortisation of other intangible assets**	**10,122**	10,122
Impairment of other loan receivables*** (note 11)	**51**	—
Impairment of trade receivables, net*** (note 12)	**1,242**	2,158
Reversal of impairment of deposit and other receivables***	**(62)**	—
Minimum lease payments under operating leases	**1,139**	3,596
Auditor's remuneration	**620**	600
Research and development costs	**6,858**	5,384
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**22,618**	18,812
– Pension scheme contributions	**2,734**	2,535
– Equity-settled share option expense	**—**	375
	25,352	21,722
Foreign exchange differences, net	**(137)**	(20)
Write-down of inventories to net realisable value*	**1,151**	586
Fair value loss on equity investment at fair value through profit or loss*** (note 13)	**1,199**	206

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

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

*** These items of expenses are 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 assessable profits arising in Hong Kong during the six months ended 30 June 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
Name of the subsidiaries	**2019**	2018
北京威發新世紀信息技術有限公司 Beijing Wafer New Century Information Technology Co., Ltd. *^	15.0%	15.0%
威發（西安）軟件有限公司 Wafer (Xi'an) Software Co., Ltd. **^	12.5%	12.5%

* The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the six months ended 30 June 2019 and 2018.

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

^ The English names are for identification purposes only.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**1,237**	34
Deferred	**(1,449)**	(1,518)
Total tax credit for the period	**(212)**	(1,484)

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2019 and subsequent to the end of the reporting period (six months ended 30 June 2018: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,389,779,006 (six months ended 30 June 2018: 1,170,000,000) in issue during the period.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(13,067)**	(18,888)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**1,389,779,006**	1,170,000,000
Loss per share:		
Basic	**RMB(0.94 cents)**	RMB(1.61 cents)

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2019 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement ("Agreement") with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* "CCT") which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company conditionally agreed to inject an amount of RMB600,000,000 to CCT. 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. 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. Upon CCT's capital increase dated 19 June 2019, the Company's shareholding percentage decreased to approximately 3.90% of the enlarged registered capital of CCT.

10. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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.

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
China Communication Technology Co., Ltd.*	**605,624**	612,939

During the six months ended 30 June 2019, the fair value loss netting of the income tax in respect of the above unlisted equity investment recognised in other comprehensive income amounted to RMB5,486,000 (the six months ended 30 June 2018: Nil).

* The English name is for identification purpose only.

11. LOAN RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance lease receivables	**6,686**	7,578
Other loan receivables	**25,761**	38,484
Impairment	**(129)**	(77)
Other loan receivables, net	**25,632**	38,407
Total loan receivables, net	**32,318**	45,985
Portion classified as non-current assets:		
– Finance lease receivables	**(4,769)**	(5,741)
Current portion	**27,549**	40,244

11. LOAN RECEIVABLES (CONTINUED)

(A) Finance lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,433**	2,431	**1,917**	1,837
In the second to fifth years, inclusive	**5,282**	6,490	**4,769**	5,741
	7,715	8,921	**6,686**	7,578
Less: Unearned finance income	**(1,029)**	(1,343)		
Present value of minimum lease receivables	**6,686**	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 is no unguaranteed residual value of assets leased under finance leases and no contingent rent arrangement that needed to be recognised for the six months ended 30 June 2019.

(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.

Other loan receivables are interest-bearing at rates mutually agreed between the Group and the borrowers, ranging from 6% to 15% per annum. As at 30 June 2019, other loan receivables of RMB6,854,000 were guaranteed by properties of the borrowers (31 December 2018: RMB6,854,000).

Expected credit losses of other loan receivables which measured at amortised cost are estimated by applying a loss rate approach and adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. It is assessed that the overall expected credit loss rate for the above other loan receivables for which there was no history of default is less than 1%.

11. LOAN RECEIVABLES (CONTINUED)

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period/year	**77**	—
Impairment losses, net (note 6)	**51**	74
Exchange realignment	**1**	3
At end of period/year	**129**	77

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**17,934**	28,323
3 to 6 months	**875**	7,015
6 to 12 months	**6,823**	3,069
	25,632	38,407

As at 30 June 2019 and 31 December 2018, no amounts due from related parties of the Group were included in other loan receivables.

12. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**211,057**	216,226
Impairment	**(9,438)**	(8,240)
Trade receivables, net	**201,619**	207,986
Bills receivable	**2,093**	1,704
	203,712	209,690

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**78,884**	88,157
3 to 6 months	**43,658**	30,540
6 to 12 months	**43,109**	65,913
1 to 2 years	**30,558**	13,550
Over 2 years	**5,410**	9,826
	201,619	207,986

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period/year	**8,240**	5,959
Impairment losses, net (note 6)	**1,242**	4,270
Amounts written off as uncollectible	**(44)**	(1,995)
Exchange realignment	**—**	6
	9,438	8,240

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**2,046**	—
3 to 6 months	**47**	1,704
	2,093	1,704

As at 30 June 2019 and 31 December 2018, no amounts due from related parties of the Group were included in the trade and bills receivables.

13. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Listed equity investment, at fair value	**2,824**	4,039

During the year ended 31 December 2017, the Group acquired shares of a listed company in Hong Kong, the trading of which has been suspended since October 2017. The equity investment is classified as held for trading and measured at fair value through profit or loss. A fair value loss of RMB1,199,000 was recognised for changes in fair value of equity investment at fair value through profit or loss in "other expenses, net" in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB206,000).

14. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted debt investment	**13,607**	—

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). The investment was measured at fair value through profit or loss, bearing interest at a rate of 12% per annum and will mature in 1 year.

A fair value gain of RMB414,000 was recognised for changes in fair value of debt investment at fair value through profit or loss in "other income and gains" in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019.

15. TRADE AND BILLS PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**88,099**	98,796
3 to 12 months	**55,985**	38,104
1 to 2 years	**17,702**	6,034
Over 2 years	**15,815**	16,708
	177,601	159,642

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

As at 30 June 2019 and 31 December 2018, no amounts due to related parties of the Group and no bills payable were included in trade and bills payables.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group recorded a total revenue of approximately RMB222.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB14.8 million, or approximately 7.1% as compared with that of approximately RMB207.3 million for the six months ended 30 June 2018. The increase of revenue was primarily attributable to improvement of competitive strength by continued investment in business development.

Cost of Sales

The cost of sales increased by approximately RMB1.3 million, or approximately 0.7%, from approximately RMB195.8 million for the six months ended 30 June 2018, to approximately RMB197.1 million for the six months ended 30 June 2019. The slight increase was primarily attributable to the combined effects of increase in the revenue and higher overall gross profit margin.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit for the six months ended 30 June 2019 amounted to approximately RMB24.9 million, representing an increase of approximately RMB13.5 million, or approximately 118.4% as compared with that of approximately RMB11.4 million for the six months ended 30 June 2018. The increase was primarily attributable to the increase of revenue contribution from network product with higher gross profit margin in the sales portfolio of the Group.

The gross profit margin increased to approximately 11.2% for the six months ended 30 June 2019 from approximately 5.5% for the six months ended 30 June 2018. The increase in gross profit margin was primarily attributable to an increase of gross profit contribution from the sales of network product with higher gross profit margin for the six months ended 30 June 2019.

Other Income and Gains

The Group recorded other income and gains of approximately RMB1.6 million for the six months ended 30 June 2019, mainly including (i) fair value gain on debt investment at fair value through profit or loss of approximately RMB0.4 million; (ii) government grants released of approximately RMB0.4 million; and (iii) interest income from leases of approximately RMB0.3 million.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately RMB2.1 million to approximately RMB12.8 million for the six months ended 30 June 2019, as compared with that of approximately RMB10.7 million for the six months ended 30 June 2018. The increase was primarily due to increase in revenue for the six months ended 30 June 2019.

Administrative Expenses

The administrative expenses increased by approximately RMB3.9 million to approximately RMB25.0 million for the six months ended 30 June 2019, as compared with that of approximately RMB21.1 million for the six months ended 30 June 2018. The increase was primarily due to increase in costs for business development.

Other Expenses

Other expenses amounted to approximately RMB2.5 million, which was primarily resulted from (i) impairment of trade receivables of approximately RMB1.2 million; and (ii) fair value loss on equity investment at fair value through profit or loss of approximately RMB1.2 million.

Finance Costs

The finance costs decreased by approximately RMB3.6 million to approximately RMB2.2 million for the six months ended 30 June 2019, as compared with that of approximately RMB5.8 million for the six months ended 30 June 2018. The significant decrease was mainly due to the early redemption of coupon notes of an aggregate principal amount of HK$56.1 million in January and February 2019.

Income Tax Credit

The Group incurred income tax credit of approximately RMB0.2 million for the six months ended 30 June 2019 primarily due to deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015 of approximately RMB1.4 million and was offset by the income tax expense of approximately RMB1.2 million for taxable profits in the current period.

Loss for the Period

The net loss decreased by approximately RMB9.2 million for the six months ended 30 June 2019, or approximately 36.8%, as compared with that of approximately RMB25.0 million for the six months ended 30 June 2018. The decrease was mainly attributable to (i) the increase of gross profit of approximately RMB13.5 million; and (ii) the decrease in finance costs of approximately RMB3.6 million. The decrease of net loss was partially offset by (i) the increase in administrative expenses of approximately RMB3.9 million; and (ii) the increase in selling and distribution expenses of approximately RMB2.1 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 2019, the Group's gearing ratio (measured by total sum of short-term and long-term borrowings and coupon notes divided by total assets) was approximately 4.0% (31 December 2018: approximately 6.7%). The decrease in gearing ratio was mainly due to the early redemption of coupon notes with an aggregated principal amount of HK$56.1 million in January and February 2019.

As at 30 June 2019, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB52.0 million (31 December 2018: approximately RMB42.7 million), among which approximately RMB17.2 million (31 December 2018: approximately RMB31.8 million) was unsecured and guaranteed by a director of the Company. As at 30 June 2019, the interest-bearing bank and other borrowings of approximately RMB34.8 million (31 December 2018: approximately RMB25.6 million) carried at fixed interest rates and approximately RMB17.2 million (31 December 2018: approximately RMB17.1 million) carried at floating interest rates.

As at 30 June 2019, the Group had no outstanding coupon notes (31 December 2018: approximately RMB48.9 million). The coupon notes were unsecured.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2019.

Foreign Currency Risk

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

Working Capital

Inventories balance as at 30 June 2019 was approximately RMB11.7 million (31 December 2018: approximately RMB13.4 million). The average turnover days for inventories were approximately 11 days as at 30 June 2019 (30 June 2018: 9 days).

Trade and bills receivables balance as at 30 June 2019 was approximately RMB203.7 million (31 December 2018: approximately RMB209.7 million). The average turnover days for trade and bills receivables decreased to approximately 168 days (30 June 2018: 195 days) which was mainly due to effective collection of payment from customers. As at 30 June 2019, approximately 39.1% of the trade receivables was aged within three months.

Trade and bills payables balance as at 30 June 2019 was approximately RMB177.6 million (31 December 2018: approximately RMB159.6 million). The average turnover days for trade and bills payables increased to approximately 154 days as at 30 June 2019 (30 June 2018: 144 days). The increase in turnover days was mainly due to several purchases with relatively longer payment terms.

The Group's cash conversion cycle for the six months ended 30 June 2019 was approximately 25 days as compared with 60 days for the six months ended 30 June 2018.

Cash Flows

For the six months ended 30 June 2019, the net cash flows from operating activities was approximately RMB16.7 million, which was primarily due to cash collected from loan receivables and interest receivables of approximately RMB14.4 million.

The net cash used in the investing activities for the six months ended 30 June 2019 of approximately RMB17.8 million was mainly attributable to cash used in purchase of a debt investment of approximately RMB13.0 million and increase in pledged deposits of approximately RMB5.0 million.

The net cash used in financing activities for the six months ended 30 June 2019 of approximately RMB57.7 million was primarily attributable to (i) payment for redemption of coupon notes of approximately RMB49.3 million; and (ii) repayment of a loan from a director of approximately RMB37.8 million. The net cash used in financing activities was partially offset by net proceeds from issue of shares of approximately RMB31.3 million.

Capital Expenditures

For the six months ended 30 June 2019, the Group had no material capital expenditures.

Commitments

The Group had no significant capital commitments as at 30 June 2019. The Group had a significant capital commitment of RMB80.0 million in relation to the capital to be injected to China Communication Technology Company Limited* (華訊方舟科技有限公司) as at 30 June 2018.

Contingent Liabilities

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

Employees

As at 30 June 2019, the total number of employees of the Group was 259 (30 June 2018: 244).

The breakdown of the employees of the Group as at 30 June 2019 and 2018 is as follows:

	As at 30 June 2019	As at 30 June 2018
Manufacturing and technical engineering	**74**	74
Sales and marketing	**70**	65
General and administration	**45**	48
Research and development	**70**	57
Total	**259**	244

* *The English name is for identification purpose only*

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

INVESTMENTS IN LISTED EQUITY SECURITIES

During the six months ended 30 June 2019, the Group recorded an unrealised fair value loss on held for trading listed securities investments of approximately RMB1,199,000.

Stock code	Name of investee company	Carrying amount as at 1 January 2019 RMB'000	Movement during the six months ended 30 June 2019 Addition RMB'000	Unrealised fair value loss RMB'000	Exchange realignment RMB'000	Carrying amount as at 30 June 2019 RMB'000	Dividend income for the six months ended 30 June 2019 RMB'000	Net loss for the six months ended 30 June 2019 RMB'000	Number of shares held and % of total share held by the Group as at 30 June 2019	Percentage to the Group's total assets as at 30 June 2019
6108	New Ray Medicine International Holding Ltd.	4,039	—	(1,199)	(16)	2,824	—	(1,199)	25,080,000/ 1.5000%	0.2165%
		4,039	—	(1,199)	(16)	2,824	—	(1,199)		

Investee Company's Principal Business, Performance and Future Prospect

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

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

For the year ended 31 December 2018, revenue of New Ray was approximately HK$372.4 million which has increased by approximately 58.3% when compared to that of approximately HK$235.2 million for the year ended 31 December 2017. Net profit attributable to owners of New Ray for the year ended 31 December 2018 was approximately HK$33.2 million, while the net loss attributable to owners of the New Ray for the year ended 31 December 2017 was approximately HK$105.0 million.

Pursuant to the announcement of New Ray dated 28 August 2019, New Ray recorded a revenue of approximately HK$55,511,000 for the six months ended 30 June 2019, which has decreased by approximately 67.3% when compared to that of approximately HK$169,979,000 for the corresponding period in 2018. New Ray recorded a change from a profit attributable to owners of the New Ray of approximately HK$14,174,000 for the six months ended 30 June 2018 to a loss attributable to owners of the New Ray of approximately HK$7,798,000 for the six months ended 30 June 2019.

New Ray was suspended trading on 6 October 2017 due to Securities and Futures Commission has issued a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend trading in the shares of New Ray.

The Group recorded an unrealised fair value loss from its investment in New Ray amounted to approximately RMB1,199,000 for the Period. The Group remained holding 25.08 million shares of New Ray in its investment portfolio as at 30 June 2019. The Group's management appointed an external valuer to be responsible for the valuation of shares of New Ray. The fair value of shares of New Ray held by the Group was approximately RMB2,824,000 as at 30 June 2019.

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

PLACING OF NEW SHARES

On 20 December 2018, the Company entered into a placing agreement ("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 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 business development and as general working capital of the Group.

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

REDEMPTION OF COUPON NOTES

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

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2019 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 2019.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The Company has adopted and complied with the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules throughout the the six months ended 30 June 2019 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 should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors were not able to attend the general meeting held on 27 May 2019 due to their respective business engagements. Other Board members who attend the general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meeting.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control procedures of the Company. As at the date of this announcement, the Audit Committee consists of three members, namely, Mr. Wong Chun Sek, Edmund, Mr. Lu Brian Yong Chen and Mr. Huang Liangkuai, all of whom are independent non-executive Directors. Mr. Wong Chun Sek, Edmund currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Listing Rules and the CG Code. During the six months ended 30 June 2019 under review, the Audit Committee convened one meeting.

The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed about the auditing, risk management, internal controls, and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 and this announcement.

The financial results for the six months ended 30 June 2019 have not been audited.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding the Directors' securities transactions during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

OUTLOOK

The Group remains optimistic about the prospects of network communication business and mobile OA software business in future. Meanwhile, the Group will continue to adopt a cautious approach in order to create operational efficiencies and ensure overall cost-effectiveness. In addition to China's major sales areas, the Group continues to explore business opportunities in overseas market to boost the growth momentum of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the six months ended 30 June 2019.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.investech-holdings.com) in due course. Printed copies will be dispatched to the Shareholders in due course.

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

Hong Kong, 28 August 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, the non-executive Director is Mr. Wong Tat Wai, Derek and the independent non-executive Directors are Mr. Wong Chun Sek, Edmund, Mr. Lu Brian Yong Chen and Mr. Huang Liangkuai.