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 2020

HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**201,345**	222,077
Gross profit	**24,460**	24,945
Loss before tax	**(67,634)**	(16,017)
Loss for the period	**(68,607)**	(15,805)
Loss attributable to:		
– Owners of the parent	**(66,595)**	(13,067)
– Non-controlling interests	**(2,012)**	(2,738)
	(68,607)	(15,805)
Loss per share		
– Basic and diluted (RMB cents)	**(4.74)**	(0.94)

Selected Financial Ratios

	Six months ended 30 June	
	2020	2019
	(Approximate)	*(Approximate)*
Gross profit margin	**12.1%**	11.2%
Net loss margin	**(34.1%)**	(7.1%)

	As at 30 June 2020	As at 30 June 2019
	(Approximate)	*(Approximate)*
Current ratio (times)	**1.3**	1.4
Gearing ratio [(1)]	**7.9%**	4.0%
Return on total assets [(2)]	**(6.8%)**	(1.2%)
Return on total equity [(2)]	**(10.0%)**	(1.6%)

(1) Calculated by using the total sum of short term and long term borrowings 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 2020 (the "Period"), InvesTech Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") focused in two core business areas, namely the Systems Integration Business and Smart Office Software Solutions which have been developed in Mainland China and gradually expanding to other Asian countries.

Due to the outbreak of novel coronavirus (COVID-19) epidemic in the first half of 2020, many enterprises have reduced or delayed spending in IT infrastructure and new initiatives. As a result, the Group recorded a slight decline of revenue in the Period. On the other hand, many enterprises and organizations have begun to reconsider their working environment and office arrangement which have created increasing interests in the Group's Smart Office Software Solutions.

During the Period, the Group recorded a net loss of approximately RMB68.6 million. Total revenue amounted to approximately RMB201.3 million, representing a decrease of approximately RMB20.8 million, or approximately 9.4% as compared to approximately RMB222.1 million in the same period in 2019. The Group's gross profit amounted to approximately RMB24.5 million, representing a decrease of approximately RMB0.4 million, or approximately 1.6% as compared with that of approximately RMB24.9 million in the same period in 2019. The gross profit margin increased to approximately 12.1% from approximately 11.2% of the same period in 2019.

BUSINESS DEVELOPMENT

During the Period, in light of various unfavorable factors, including but not limited to the outbreak of COVID-19 pandemic and the ongoing conflict between the United States of America and China, were affecting the operation of the business activities, including the delay of product delivery and provision of professional services, etc., this resulted in negative impact on both the Group's revenue and performance.

Ongoing geopolitical tension affected our business, as the majority of the revenue was generated from China by selling the product imported from foreign manufacturer. In order to diversify the risk and further enhance our business, except for exploring new business opportunities from other Asian countries, the Group was in the process in accommodating these changes and has adjusted its business strategy by partnering with manufacturers in China, this will improve our competitive strength by providing wide range of product to customers.

Despite the challenging business environment, the Group strived to optimize in Smart Office Software Solutions in order to catch up the opportunities from the internet of things (the "IoT") technology. Moreover, in order to increase the awareness of its Smart Office Software Solutions, the Group continues to work closely with the industry partners to establish an alliance, which in turn will help to further consolidate the leading position in the industry as well as widen the customer network.

OUTLOOK

Even though the COVID-19 pandemic is gradually slowing down, the business environment is still full of challenges, however, with the forthcoming 5G era and the continuous advancement of the IoT technology, the Group will continue to develop and invest its existing core business, and benefited from the opportunities of new technology, such as cloud computing, business to business ("B2B") platform, artificial intelligence ("AI"), the technology of Software Defined Networking ("SDN") and the IoT etc.

Looking ahead, the Group does not expect the business environment in the second half of 2020 to be improved materially. In response to the weak economic condition, the Group will take a more cautious approach to ensure effective business and operation development continuously by focusing on the improvement of its operational efficiency and core competitiveness. The Group remains optimistic about the prospects of our core business in the long-term and will adopt a pragmatic approach to formulate investment strategies for the opportunities from IT industry and overseas markets. Furthermore, the Group will also closely and carefully monitor the latest development in the global economy and adjust its business strategies accordingly. The Group has confidence to achieve the business prospect and success in long term.

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 2019. The interim consolidated financial results have been reviewed by the Company's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**201,345**	222,077
Cost of sales		**(176,885)**	(197,132)
Gross profit		**24,460**	24,945
Other income and gains	*4*	**4,378**	1,596
Selling and distribution expenses		**(11,989)**	(12,783)
Administrative expenses		**(23,364)**	(25,030)
Other expenses, net		**(59,495)**	(2,500)
Finance costs	*5*	**(1,624)**	(2,245)
LOSS BEFORE TAX	*6*	**(67,634)**	(16,017)
Income tax (expense)/credit	*7*	**(973)**	212
LOSS FOR THE PERIOD		**(68,607)**	(15,805)
Attributable to:			
Owners of the parent		**(66,595)**	(13,067)
Non-controlling interests		**(2,012)**	(2,738)
		(68,607)	(15,805)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB(4.74 cents)**	RMB(0.94 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(68,607)**	(15,805)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,233)**	20
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**8,317**	439
Financial asset at fair value through other comprehensive income:		
Change in fair value	**(129,882)**	(7,315)
Income tax effect	**–**	1,829
	(121,565)	(5,047)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(128,798)**	(5,027)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(197,405)**	(20,832)
Attributable to:		
Owners of the parent	**(195,444)**	(18,108)
Non-controlling interests	**(1,961)**	(2,724)
	(197,405)	(20,832)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,430**	1,487
Right-of-use assets		**7,003**	8,248
Goodwill	*10*	**134,952**	192,564
Other intangible assets		**108,814**	118,936
Deferred tax assets		**3,002**	3,002
Financial asset at fair value through other comprehensive income	*11*	**252,687**	382,569
Loan receivables	*12*	**2,854**	3,913
Total non-current assets		**510,742**	710,719
CURRENT ASSETS			
Inventories		**37,332**	12,881
Trade and bills receivables	*13*	**174,762**	210,280
Loan receivables	*12*	**26,698**	27,034
Interest receivables		**55**	343
Prepayments, other receivables and other assets		**55,672**	53,743
Equity investment at fair value through profit or loss	*14*	**1,052**	1,249
Debt investment at fair value through profit or loss	*15*	**14,130**	13,856
Pledged deposits		**8,960**	31,018
Cash and cash equivalents		**65,894**	48,781
Total current assets		**384,555**	399,185
CURRENT LIABILITIES			
Trade payables	*16*	**157,145**	170,915
Contract liabilities		**22,904**	24,932
Other payables and accruals		**27,911**	33,788
Interest-bearing bank and other borrowings		**65,617**	57,664
Tax payable		**12,759**	14,140
Total current liabilities		**286,336**	301,439

	30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
NET CURRENT ASSETS	**98,219**	97,746
TOTAL ASSETS LESS CURRENT LIABILITIES	**608,961**	808,465
NON-CURRENT LIABILITIES		
Contract liabilities	**4,017**	2,296
Interest-bearing bank and other borrowings	**4,664**	6,966
Deferred tax liabilities	**16,323**	17,841
Total non-current liabilities	**25,004**	27,103
Net assets	**583,957**	781,362
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**188,710**	188,710
Reserves	**343,939**	539,383
	532,649	728,093
Non-controlling interests	**51,308**	53,269
Total equity	**583,957**	781,362

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows (used in)/from operating activities	**(9,329)**	16,706
Net cash flows from/(used in) investing activities	**23,163**	(17,795)
Net cash flows from/(used in) financing activities	**4,244**	(57,725)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**18,078**	(58,814)
Cash and cash equivalents at beginning of period	**48,781**	98,278
Effect of foreign exchange rate changes, net	**(965)**	214
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**65,894**	39,678

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 1201, 12/F, C C Wu Building, 302–308 Hennessy Road, Wanchai, Hong Kong.

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

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 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 interim condensed consolidated financial information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial information are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) as disclosed in note 2.2 below.

These interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial statements have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

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 2019, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus ("Covid-19") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office building have been reduced or waived by the lessors as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately RMB151,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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, mobile office automation software business, the network equipment rental business; 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, a debt investment at fair value through profit or loss, and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings (other than lease liabilities), tax payable, deferred tax liabilities, 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 2020 (Unaudited)		
	Communication system	**Money lending**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	**200,032**	**1,313**	**201,345**
Segment results	**(63,708)**	**1,184**	**(62,524)**
Interest income			**320**
Unallocated income and gains			**860**
Finance costs (other than interest on lease liabilities)			**(1,232)**
Corporate and other unallocated expenses			**(5,058)**
Loss before tax			**(67,634)**
Segment assets	**777,176**	**24,700**	**801,876**
Corporate and other unallocated assets			**93,421**
Total assets			**895,297**
Segment liabilities	**207,170**	**479**	**207,649**
Corporate and other unallocated liabilities			**103,691**
Total liabilities			**311,340**
Other segment information:			
Impairment losses recognised in the statement of profit or loss, net	**58,296**	**913**	**59,209**
Depreciation and amortisation	**13,496**	**–**	**13,496**
Capital expenditure*	**2,076**	**–**	**2,076**

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

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 (other than interest on lease liabilities)			(1,716)
Corporate and other unallocated expenses			(7,034)
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	2,331	51	2,382
Depreciation and amortisation	13,021	–	13,021
Capital expenditure	206	–	206

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**200,032**	219,685
Revenue from other sources		
Interest income from money lending business	**1,313**	2,392
	201,345	222,077

Disaggregated revenue information for revenue from contracts with customers

Communication system segment

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of goods	**133,028**	190,964
Rendering of services	**67,004**	28,721
Total revenue from contracts with customers	**200,032**	219,685
Geographical markets		
Mainland China	**175,597**	202,127
Vietnam	**19,680**	2,092
Hong Kong	**2,705**	11,006
United States of America	**319**	1,803
Other countries/regions	**1,731**	2,657
Total revenue from contracts with customers	**200,032**	219,685
Timing of revenue recognition		
Goods transferred at a point in time	**133,028**	190,964
Services transferred over time	**67,004**	28,721
Total revenue from contracts with customers	**200,032**	219,685

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**320**	65
Finance income on the net investment in a lease	**244**	314
Fair value gain on debt investment at fair value though profit or loss *(note 15)*	**816**	414
Government grants released**	**2,919**	410
Foreign exchange differences, net	**–**	137
Gain on collection of impaired trade receivables acquired in a business combination*	**44**	190
Others	**35**	66
	4,378	1,596

* 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**1,232**	906
Interest on coupon notes	**–**	810
Interest on lease liabilities	**392**	529
	1,624	2,245

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**111,027**	174,769
Depreciation of property, plant and equipment	**551**	608
Depreciation of right-of-use assets	**2,823**	2,291
Amortisation of other intangible assets**	**10,122**	10,122
Impairment of goodwill***	**57,612**	–
Impairment of other loan receivables*** *(note 12)*	**913**	51
Impairment of trade receivables, net*** *(note 13)*	**578**	1,242
Impairment/(reversal of impairment) of deposits and other receivables***	**14**	(62)
Lease payments not included in measurement of lease liabilities	**608**	1,139
Research and development costs	**6,359**	6,858
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**20,953**	22,618
– Pension scheme contributions	**984**	2,734
	21,937	25,352
Write-down of inventories to net realisable value*	**92**	1,151
Fair value loss on equity investment at fair value through profit or loss*** *(note 14)*	**221**	1,199

* 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 profit tax has been made as the Group did not have assessable profits arising in Hong Kong during the six months ended 30 June 2020. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Except for the following companies in the relevant years, 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	**2020**	2019
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.**^	**25.0%**	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 2020 and 2019.

** The entity has been recognised as a software enterprise and entitled to a 50% reduction in the applicable tax rate for CIT for the year ended 31 December 2019.

^ The English names are for identification purposes only.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**1,221**	1,237
Current – Vietnam	**1,270**	–
Deferred	**(1,518)**	(1,449)
Total tax charge/(credit) for the period	**973**	(212)

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2020 and subsequent to the end of the reporting period (six months ended 30 June 2019: 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 1,404,000,000 (six months ended 30 June 2019: 1,389,779,006) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(66,595)**	(13,067)

	Number of Shares Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares in issue during the period used in the basic loss and diluted per share calculation	**1,404,000,000**	1,389,779,006
Loss per share:		
Basic and diluted	**RMB(4.74 cents)**	RMB(0.94 cents)

10. GOODWILL

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost:		
At the beginning of period/year	**207,580**	268,726
Write-off*	**–**	(61,146)
At period/year end	**207,580**	207,580
Accumulated impairment:		
At the beginning of period/year	**(15,016)**	(76,162)
Impairment during the period/year	**(57,612)**	–
Write-off*	**–**	61,146
At period/year end	**(72,628)**	(15,016)
Net carrying amount:		
At period/year end	**134,952**	192,564

10. GOODWILL (CONTINUED)

Impairment testing of goodwill

* During the year ended 31 December 2019, the goodwill related to the terminal and network product cash-generating unit, which arose on the acquisition of Rosy Sun Investment Limited ("Rosy Sun") in 2013, has been written off along with the deregistration of Rosy Sun.

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

Network system integration cash-generating unit

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Before impairment loss	**207,580**	207,580
After impairment loss	**134,952**	192,564

Goodwill related to the network system integration cash-generating unit arose from the acquisition of Fortune Grace Management Limited in 2015. Details of the acquisition are set out in the announcements of the Company dated 6 and 13 November 2015. To support the management to determine the recoverable amount of the network system integration cash-generating unit (the "Recoverable Amount of CGU"), the Group engaged an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to perform a valuation. The Recoverable Amount of CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period with budgeted revenue growth rate, the budgeted gross margins, the pre-tax discount rate and the terminal growth rate applied in the cash flow projections. During the year ended 31 December 2018, the Group recognised an impairment loss of approximately RMB15,016,000 against goodwill following a reduction in the future cash flow projection of Fortune Grace Management Limited and its subsidiaries ("Fortune Grace Group"). As at 30 June 2020, based on the goodwill impairment assessment results, the Recoverable Amount of CGU and the carrying amount of the network system integration cash-generating unit is approximately RMB280,862,000 (31 December 2019: RMB380,951,000) and RMB357,678,000 (31 December 2019: RMB360,617,000) respectively, resulting in an impairment loss of approximately RMB57,612,000 (taking into account of holding 75% of equity interest of the terminal and network product cash-generating unit) made in the six months ended 30 June 2020 (31 December 2019: the Recoverable Amount of CGU in excess of the carrying amount of RMB20,334,000).

10. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

The cash flow projections have taken into account the slowdown in the global economy caused by the outbreak of the COVID-19 pandemic during the six months ended 30 June 2020, specifically in second quarter of 2020 and thereafter, while the Group foresees the unfavorable global economic condition would exist in the coming years resulting from less sales orders made by the customers, the intense relationship between the United States of America and China which may affect the Group's business development of network infrastructure and software, and the stagnant business development in respect of the agency agreement entered into between the Group and IBO Technology Company Limited (details of which are set out in the announcement of the Company dated 15 June 2020). The directors of the Company considered that these reasons directly affected the parameters applied in the assumptions used in the value in use calculation for network system integration cash-generating unit at 30 June 2020.

The impairment loss has been included in "Other expenses, net" in the interim condensed consolidated statement of profit or loss.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 June 2020	31 December 2019
	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.*	**252,687**	382,569

During the six months ended 30 June 2020, the fair value loss netting of the income tax in respect of the above unlisted equity investment recognised in other comprehensive loss amounted to RMB129,882,000 (six months ended 30 June 2019: RMB5,486,000; 2019: RMB227,135,000). The fair value loss was mainly attributable to (i) the poorer business and economic environment in the industry of satellite communication products and military communication products; (ii) the substantial decrease in value of share investments held by CCT; and (iii) the downward adjustment of the properties and investments held by CCT due to the general unfavorable conditions of property business segment in China.

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

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12. LOAN RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance lease receivables	**4,928**	5,900
Other loan receivables	**25,800**	25,300
Impairment	**(1,176)**	(253)
Other loan receivables, net	**24,624**	25,047
Total loan receivables, net	**29,552**	30,947
Portion classified as non-current assets:		
– Finance lease receivables	**(2,854)**	(3,913)
Current portion	**26,698**	27,034

(A) Finance lease receivables

	Minimum lease receivables		**Present value of minimum lease receivables**	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,433**	2,433	**2,074**	1,987
In the second to fifth years, inclusive	**3,041**	4,257	**2,854**	3,913
	5,474	6,690	**4,928**	5,900
Less: Unearned finance income	**(546)**	(790)		
Present value of minimum lease receivables	**4,928**	5,900		

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 2020.

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.

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 2020, other loan receivables of RMB7,111,000 were guaranteed by properties of the borrowers (31 December 2019: RMB6,973,000).

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 5% (31 December 2019: 1%).

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
At beginning of period/year	**253**	77
Impairment losses, net *(note 6)*	**913**	172
Exchange realignment	**10**	4
At end of period/year	**1,176**	253

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**2,279**	6,903
3 to 6 months	**15,589**	15,046
6 to 12 months	**6,755**	3,098
	24,623	25,047

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

13. TRADE AND BILLS RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**179,874**	217,785
Impairment	**(9,969)**	(9,392)
Trade receivables, net	**169,905**	208,393
Bills receivable	**4,857**	1,887
	174,762	210,280

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**78,292**	100,763
3 to 6 months	**21,635**	37,928
6 to 12 months	**35,113**	42,351
1 to 2 years	**32,018**	24,431
Over 2 years	**2,847**	2,920
	169,905	208,393

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period/year	**9,392**	8,240
Impairment losses, net *(note 6)*	**578**	3,641
Amounts written off as uncollectible	**–**	(2,497)
Exchange realignment	**(1)**	8
	9,969	9,392

13. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**100**	636
3 to 6 months	**4,757**	1,151
6 to 12 months	**–**	100
	4,857	1,887

As at 30 June 2020 and 31 December 2019, no amounts due from related parties of the Group were included in the trade and bills receivables.

14. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Listed equity investment, at fair value	**1,052**	1,249

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 approximately RMB221,000 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 2020 (six months ended 30 June 2019: RMB1,199,000).

15. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted debt investment	**14,130**	13,856

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

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

A fair value gain of approximately RMB816,000 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 2020 (six months ended 30 June 2019: RMB414,000).

16. TRADE PAYABLES

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**69,752**	97,187
3 to 12 months	**44,840**	39,298
1 to 2 years	**22,528**	16,418
Over 2 years	**20,025**	18,012
	157,145	170,915

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 2020 and 31 December 2019, no amounts due to related parties of the Group were included in trade payables.

BUSINESS REVIEW

Revenue

The Group recorded a total revenue of approximately RMB201.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB20.8 million, or approximately 9.4% as compared with that of approximately RMB222.1 million for the six months ended 30 June 2019. The decrease of revenue was primarily attributable to delay in delivery of product and provision of professional services to customers caused by the outbreak of novel coronavirus (COVID-19) epidemic.

Cost of Sales

The cost of sales decreased by approximately RMB20.2 million, or approximately 10.2%, from approximately RMB197.1 million for the six months ended 30 June 2019, to approximately RMB176.9 million for the six months ended 30 June 2020. The decrease was primarily attributable to the decrease in revenue.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit for the six months ended 30 June 2020 amounted to approximately RMB24.5 million, representing a decrease of approximately RMB0.4 million, or approximately 1.6% as compared with that of approximately RMB24.9 million for the six months ended 30 June 2019. The decrease was primarily attributable to the decrease of revenue, which was partially offset by the increase in gross profit margin for the six months ended 30 June 2020.

The gross profit margin increased to approximately 12.1% for the six months ended 30 June 2020 from approximately 11.2% for the six months ended 30 June 2019. The increase in gross profit margin was primarily attributable to an increased portion from the sales with higher gross profit margin for the six months ended 30 June 2020.

Other Income and Gains

The Group recorded other income and gains of approximately RMB4.4 million for the six months ended 30 June 2020, which was primarily resulted from the government grants released of approximately RMB2.9 million and a fair value gain on debt investment of approximately RMB0.8 million.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately RMB0.8 million to approximately RMB12.0 million for the six months ended 30 June 2020, as compared with that of approximately RMB12.8 million for the six months ended 30 June 2019.

Administrative Expenses

The administrative expenses decreased by approximately RMB1.6 million to approximately RMB23.4 million for the six months ended 30 June 2020, as compared with that of approximately RMB25.0 million for the six months ended 30 June 2019.

Other Expenses

Other expenses amounted to approximately RMB59.5 million, which was primarily resulted from (i) impairment loss of approximately RMB57.6 million recorded for the goodwill in relation to the network system integration cash-generating unit (the "Goodwill Impairment") arose from the acquisition of Fortune Grace Management Limited in November 2015 which caused by the slowdown in the global economy resulted from the outbreak of the COVID-19 pandemic in the first half of 2020 while the Group foresees the unfavorable global economic condition would exist in the coming years resulting from less sales orders made by the customers; the intense relationship between the United States of America and China which may affect the Group's business development of network infrastructure and software; and the stagnant business development in respect of the agency agreement entered into between the Group and IBO Technology Company Limited; and (ii) impairment of other loan receivables of approximately RMB0.9 million.

Finance Costs

The finance costs decreased by approximately RMB0.6 million to approximately RMB1.6 million for the six months ended 30 June 2020, as compared with that of approximately RMB2.2 million for the six months ended 30 June 2019.

Income Tax

The Group incurred income tax expense of approximately RMB1.0 million for the six months ended 30 June 2020 primarily due to the current income tax expense of approximately RMB2.5 million, which was offset by deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015 of approximately RMB1.5 million.

Loss for the Period

The net loss increased by approximately RMB52.8 million for the six months ended 30 June 2020 to approximately RMB68.6 million, or approximately 334.2%, as compared with that of approximately RMB15.8 million for the six months ended 30 June 2019. The increase was mainly attributable to the impairment loss of approximately RMB57.6 million recorded for the Goodwill Impairment. The increase of net loss was partially offset by (i) the increase in other income and gains of approximately RMB2.8 million; and (ii) the decrease in administrative expenses of approximately RMB1.6 million.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a relatively low gearing ratio during its operations. As at 30 June 2020, the Group's gearing ratio (measured by total sum of short-term and long-term borrowings divided by total assets) was approximately 7.9% (31 December 2019: approximately 5.8%). The increase in gearing ratio was mainly due to fair value loss on financial asset in relation to equity interest in 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* "CCT") and the impairment loss for the Goodwill Impairment.

As at 30 June 2020, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB70.3 million (31 December 2019: approximately RMB64.6 million), among which approximately RMB53.5 million (31 December 2019: approximately RMB38.9 million) was unsecured and guaranteed by a director of the Company. As at 30 June 2020, the interest-bearing bank and other borrowings of approximately RMB34.8 million (31 December 2019: approximately RMB42.3 million) carried at fixed interest rates and approximately RMB35.5 million (31 December 2019: approximately RMB22.3 million) carried at floating interest rates.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any 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 2020.

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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 2020 was approximately RMB37.3 million (31 December 2019: approximately RMB12.9 million). The average turnover days for inventories were approximately 26 days as at 30 June 2020 (30 June 2019: 11 days). The increase in average turnover days was primarily due to delay in delivery of product to customers caused by the outbreak of COVID-19 epidemic.

Trade and bills receivables balance as at 30 June 2020 was approximately RMB174.8 million (31 December 2019: approximately RMB210.3 million). The average turnover days for trade and bills receivables increased to approximately 172 days (30 June 2019: 168 days). As at 30 June 2020, approximately 46.1% of the trade receivables was aged within three months.

Trade payables balance as at 30 June 2020 was approximately RMB157.1 million (31 December 2019: approximately RMB170.9 million). The average turnover days for trade payables increased to approximately 167 days as at 30 June 2020 (30 June 2019: 154 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 2020 was approximately 31 days as compared with 25 days for the six months ended 30 June 2019.

Cash Flows

For the six months ended 30 June 2020, the net cash flows used in operating activities was approximately RMB9.3 million.

The net cash from the investing activities for the six months ended 30 June 2020 of approximately RMB23.2 million was mainly attributable to decrease in pledged deposits of approximately RMB22.3 million.

The net cash from financing activities for the six months ended 30 June 2020 of approximately RMB4.2 million was primarily attributable to new bank and other borrowings of approximately RMB34.1 million. The net cash from financing activities was partially offset by (i) repayment of bank and other borrowing of approximately RMB26.6 million and (ii) payment of principal portion of lease payments of approximately RMB3.5 million.

Capital Expenditures

For the six months ended 30 June 2020, the Group had no material capital expenditures.

Commitments

The Group had no significant capital commitments as at 30 June 2020.

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 China, there exists a possibility that the tax authorities may levy and collect additional taxes for those reorganisations.

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Employees

As at 30 June 2020, the total number of employees of the Group was 249 (30 June 2019: 259).

The breakdown of the employees of the Group as at 30 June 2019 and 2020 is as follows:

	As at 30 June 2020	As at 30 June 2019
Manufacturing and technical engineering	**78**	74
Sales and marketing	**60**	70
General and administration	**48**	45
Research and development	**63**	70
Total	**249**	259

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 2020, the Group recorded an unrealised fair value loss on held for trading listed securities investments of approximately RMB221,000.

There ware no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2020.

Movement during the six months ended 30 June 2020

Stock code	Name of investee company	Carrying amount as at 1 January 2020	Addition	Unrealised fair value loss	Exchange realignment	Carrying amount as at 30 June 2020	Dividend income for the six months ended 30 June 2020	Net loss for the six months ended 30 June 2020	Number of shares held and % of total share held by the Group as at 30 June 2020	Percentage to the Group's total assets as at 30 June 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
6108	New Ray Medicine International Holding Ltd.	1,249	–	(221)	24	1,052	–	(221)	25,080,000 /1.5000%	0.1175%
		1,249	–	(221)	24	1,052	–	(221)		

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 2019, revenue of New Ray was approximately HK$118.6 million which has decreased by approximately 68.2% when compared to that of approximately HK$372.4 million for the year ended 31 December 2018. Net profit attributable to owners of New Ray for the year ended 31 December 2019 was approximately HK$44.1 million, while the net profit attributable to owners of the New Ray for the year ended 31 December 2018 was approximately HK$33.2 million.

Pursuant to the profit warning announcement of New Ray dated 20 August 2020, it is expected that New Ray will record a loss of approximately HK$36.5 million for the six months ended 30 June 2020 as compared to a loss of approximately HK$7.8 million recorded by New Ray for the six months ended 30 June 2019 based on a preliminary review and analysis of the latest available unaudited consolidated management accounts of New Ray.

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 RMB221,000 for the Period. The Group remained holding 25,080,000 shares of New Ray in its investment portfolio as at 30 June 2020. The Group's management appointed an external valuer to be responsible for the valuation of shares of New Ray. The fair value of shares of New Ray held by the Group was approximately RMB1,052,000 as at 30 June 2020.

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

INVESTMENTS IN NON-LISTED EQUITY SECURITIES

Investee Company's Principal Business, Performance and Future

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

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

During the year ended 31 December 2017, the Company entered into a capital injection agreement to inject an amount of RMB600 million to CCT (the "CCT Investment"). The CCT Investment was completed on 25 July 2018 and the Company was interested in approximately 3.91% of the enlarged registered capital of CCT as at 30 June 2020. The CCT Investment was recorded as a financial asset at fair value through other comprehensive income of the Group. The fair value of the CCT Investment was approximately RMB252.7 million which accounted for approximately 28.2% of the Company's total asset as at 30 June 2020.

Pursuant to the unaudited consolidated management account of CCT, excluding Huaxun Fangzhou Co., Ltd., for the six months ended 30 June 2020, CCT recorded revenue of approximately RMB1,081.0 million for the six months ended 30 June 2020, representing a decrease of approximately 63.3% as compared to approximately RMB2,945.1 million for the six months ended 30 June 2019, mainly as a result of the significant decrease in revenue contributed from (i) unfavourable economic environment caused by outbreak of COVID-19 epidemic since the first quarter of 2020 (ii) satellite communication products segment due to the trade war between the United States of America and China; and (iii) military communications and ancillary services segment due to restructuring of military related industries in China. CCT recorded loss attributable to the owners of CCT of approximately RMB232.6 million for the six months ended 30 June 2020, as compared to profit attributable to the owners of CCT of approximately RMB224.1 million for the six months ended 30 June 2019, mainly attributable to (i) the significant decrease in revenue; and (ii) the gross profit margin decreased to approximately 12.8% for the six months ended 30 June 2020 from approximately 25.7% for the six months ended 30 June 2019.

The Group recorded a fair value loss (the "Fair Value Loss") amounted to approximately RMB129.9 million in respect of the above unlisted investment recognized in other comprehensive loss. The Fair Value Loss was primarily attributable to (i) the poorer business and economic environment in the industry of satellite communication products and military communication products; (ii) the substantial decrease in value of share investments held by CCT; and (iii) the downward adjustment of the properties and investments held by CCT due to the general unfavorable conditions of property business segment in China.

In accordance with the business outlook of CCT management, CCT plans to focus on spectrum, satellite and terahertz businesses and enhance its leading position in satellite communication. In future, CCT will implement the application of terahertz technology into integrated mobile broadband network in order to realize new generation of mobile communication network with high transfer speed, high reliability and security.

Having considered the above, the Group expects the CCT Investment will contribute favourable return and capital appreciation to the Group in the long run. Therefore, the CCT Investment has been treated as a long-term investment of the Group. As of the date of this announcement, the Group does not have any plan to realise the CCT Investment or to make any further capital contribution to CCT.

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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 2020 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 2020.

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 2020 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 29 May 2020 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 2020 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 2020 and this announcement.

The financial results for the six months ended 30 June 2020 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 2020.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

OUTLOOK

The Group remains optimistic about the prospects of our core business in the long-term and will adopt a pragmatic approach to formulate investment strategies for the opportunities from IT industry and overseas markets. Furthermore, the Group will also closely and carefully monitor the latest development in the global economy and adjust its business strategies accordingly.

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 2020.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 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, 27 August 2020

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