**InvesTech Holdings Limited**
**威訊控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1087)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 2020 FINANCIAL HIGHLIGHTS

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **470,612** | 488,682 |
| Gross profit | **52,763** | 65,042 |
| Loss before tax | **(86,294)** | (22,638) |
| Loss for the year | **(86,686)** | (24,665) |
| Loss attributable to: | | |
| – Owners of the parent | **(83,051)** | (21,096) |
| – Non-controlling interests | **(3,635)** | (3,569) |
| | **(86,686)** | (24,665) |
| Loss per share | | |
| – Basic and diluted *(RMB cents)* | **(5.92)** | (1.51) |

- The Group recorded a total revenue of approximately RMB470.6 million for the year ended 31 December 2020, representing a decrease of approximately RMB18.1 million, or approximately 3.7% as compared to the total revenue of approximately RMB488.7 million for the year ended 31 December 2019.

- The Group's net loss amounted to approximately RMB86.7 million for the year ended 31 December 2020, as compared to the net loss of approximately RMB24.7 million for the year ended 31 December 2019.

- Basic and diluted loss per share was approximately RMB5.92 cents for the year ended 31 December 2020, as compared to basic and diluted loss per share of approximately RMB1.51 cents for the year ended 31 December 2019.

The board (the "Board") of directors (the "Directors") of InvesTech Holdings Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019. The consolidated financial results of the Group for the year ended 31 December 2020 have been reviewed by the Company's audit committee (the "Audit Committee").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Revenue | 4 | **470,612** | 488,682 |
| Cost of sales | | **(417,849)** | (423,640) |
| Gross profit | | **52,763** | 65,042 |
| Other income and gains | 4 | **6,027** | 3,891 |
| Selling and distribution expenses | | **(25,942)** | (24,654) |
| Administrative expenses | | **(48,801)** | (56,038) |
| Other expenses, net | | **(507)** | (2,967) |
| Impairment of goodwill | 10 | **(57,612)** | – |
| Impairment of financial assets, net | | **(9,296)** | (3,797) |
| Finance costs | 5 | **(2,926)** | (4,115) |
| **LOSS BEFORE TAX** | 6 | **(86,294)** | (22,638) |
| Income tax expense | 7 | **(392)** | (2,027) |
| **LOSS FOR THE YEAR** | | **(86,686)** | (24,665) |
| Loss attributable to: | | | |
| Owners of the parent | | **(83,051)** | (21,096) |
| Non-controlling interests | | **(3,635)** | (3,569) |
| | | **(86,686)** | (24,665) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 9 | | |
| Basic and diluted | | | |
| – For loss for the year | | **(RMB5.92 cents)** | (RMB1.51 cents) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2020*

| | 2020 | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **LOSS FOR THE YEAR** | **(86,686)** | (24,665) |
| **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 | **21,848** | (57,997) |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the Company's financial statements into presentation currency | **(24,489)** | 60,052 |
| Financial asset at fair value through other comprehensive income: | | |
| Change in fair value | **(271,491)** | (230,370) |
| Income tax effect | **–** | 3,235 |
| | **(295,980)** | (167,083) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(274,132)** | (225,080) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(360,818)** | (249,745) |
| Total comprehensive loss attributable to: | | |
| Owners of the parent | **(356,994)** | (246,278) |
| Non-controlling interests | **(3,824)** | (3,467) |
| | **(360,818)** | (249,745) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

| | Notes | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,044** | 1,487 |
| Right-of-use assets | | **2,963** | 8,248 |
| Goodwill | *10* | **134,952** | 192,564 |
| Other intangible assets | | **98,691** | 118,936 |
| Deferred tax assets | | **3,650** | 3,002 |
| Financial asset at fair value through other comprehensive income | *11* | **111,078** | 382,569 |
| Loan receivables | *13* | **1,749** | 3,913 |
| Total non-current assets | | **354,127** | 710,719 |
| **CURRENT ASSETS** | | | |
| Inventories | | **12,648** | 12,881 |
| Trade and bills receivables | *12* | **199,575** | 210,280 |
| Loan receivables | *13* | **14,783** | 27,034 |
| Interest receivables | | **149** | 343 |
| Prepayments, other receivables and other assets | *14* | **42,916** | 53,743 |
| Equity investment at fair value through profit or loss | *15* | **999** | 1,249 |
| Debt investment at fair value through profit or loss | *16* | **13,055** | 13,856 |
| Pledged deposits | | **6,090** | 31,018 |
| Cash and cash equivalents | | **76,128** | 48,781 |
| Total current assets | | **366,343** | 399,185 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *17* | **161,709** | 170,915 |
| Contract liabilities | | **23,284** | 24,932 |
| Other payables and accruals | *18* | **35,413** | 33,788 |
| Interest-bearing bank and other borrowings | | **46,184** | 57,664 |
| Tax payable | | **13,196** | 14,140 |
| Total current liabilities | | **279,786** | 301,439 |
| **NET CURRENT ASSETS** | | **86,557** | 97,746 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **440,684** | 808,465 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 31 December 2020*

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | |
| Contract liabilities | **3,344** | 2,296 |
| Interest-bearing bank and other borrowings | **1,991** | 6,966 |
| Deferred tax liabilities | **14,805** | 17,841 |
| Total non-current liabilities | **20,140** | 27,103 |
| **Net assets** | **420,544** | 781,362 |
| **EQUITY** | | |
| Equity attributable to owners of the parent | | |
| Issued capital | **188,710** | 188,710 |
| Reserves | **182,389** | 539,383 |
| | **371,099** | 728,093 |
| Non-controlling interests | **49,445** | 53,269 |
| **Total equity** | **420,544** | 781,362 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2020*

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Net cash from operating activities | **19,917** | 39,347 |
| Net cash from/(used in) investing activities | **24,699** | (40,333) |
| Net cash used in financing activities | **(15,853)** | (47,486) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **28,763** | (48,472) |
| Cash and cash equivalents at beginning of year | **48,781** | 98,278 |
| Effect of foreign exchange rate changes, net | **(1,416)** | (1,025) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **76,128** | 48,781 |

# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

InvesTech Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's principal place of business in Hong Kong is Room 1201, 12/F, C C Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally 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 and money lending business.

## 2.1 BASIS OF PREPARATION

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 7, IFRS 9 and IAS 39 | *Interest Rate Benchmark Reform* |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the communication system segment, which is engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, and the trading of telecommunications products; and

(b) the money lending segment, which provides credit financing to entities and individuals in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, unallocated income and gains, non-lease-related finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

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.

## 3. OPERATING SEGMENT INFORMATION (Continued)

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.

**Year ended 31 December 2020**

| | Communication system *RMB'000* | Money lending# *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segment revenue** (note 4) | | | |
| Sales to external customers | **469,116** | **1,496** | **470,612** |
| **Segment results** | **(68,479)** | **(8,016)** | **(76,495)** |
| Interest income | | | **419** |
| Finance costs (other than interest on lease liabilities) | | | **(2,255)** |
| Corporate and other unallocated expenses | | | **(7,963)** |
| **Loss before tax** | | | **(86,294)** |
| **Segment assets** | **607,538** | **12,777** | **620,315** |
| Corporate and other unallocated assets | | | **100,155** |
| **Total assets** | | | **720,470** |
| **Segment liabilities** | **215,735** | **243** | **215,978** |
| Corporate and other unallocated liabilities | | | **83,948** |
| **Total liabilities** | | | **299,926** |
| **Other segment information:** | | | |
| (Reversal of impairment losses)/impairment losses recognised in the statement of profit or loss, net | **(71)** | **9,367** | **9,296** |
| Impairment of goodwill | **57,612** | **–** | **57,612** |
| Depreciation and amortisation | **26,619** | **–** | **26,619** |
| Capital expenditure* | **648** | **–** | **648** |

# Subsequent to the end of the reporting period, on 25 March 2021, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the Company has conditionally agreed to dispose of InvesTech Finance (International) Limited, a wholly-owned subsidiary of the Group, at a consideration of HK$16,000,000 (the "Disposal Transaction"). InvesTech Finance (International) Limited and its subsidiary (the "Disposal Group") are principally engaged in money lending business in Hong Kong. The results of the Disposal Group will be presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the financial year ending 31 December 2021. Details of the Disposal Transaction have been set out in the announcement of the Company dated 25 March 2021.

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

## 3. OPERATING SEGMENT INFORMATION (Continued)

**Year ended 31 December 2019**

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

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

**Geographical information**

***(a) Revenue from external customers***

| | **2020** *RMB'000* | 2019 *RMB'000* |
|---|---|---|
| Mainland China | **418,684** | 400,858 |
| Vietnam | **37,217** | 72,934 |
| Hong Kong | **7,634** | 6,152 |
| United States of America | **3,095** | 4,661 |
| Other countries/regions | **3,982** | 4,077 |
| | **470,612** | 488,682 |

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

## 3. OPERATING SEGMENT INFORMATION (Continued)

**Geographical information (Continued)**

***(b) Non-current assets***

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **387,935** | 707,669 |
| Hong Kong | **1** | 48 |
| Vietnam | **2** | – |
| | **387,938** | 707,717 |

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

**Information about major customers**

No revenue from sales to a single external customer amounted to over 10% of the total revenue of the Group for the year ended 31 December 2020.

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

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **469,116** | 484,655 |
| Revenue from other sources | | |
| – Interest income from money lending business | **1,496** | 4,027 |
| | **470,612** | 488,682 |

## 4. REVENUE, OTHER INCOME AND GAINS (Continued)

**Revenue from contracts with customers**

***Disaggregated revenue information***

*Communication system segment*

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Type of goods or services** | | |
| Sales of goods | **296,144** | 418,579 |
| Rendering of services | **172,972** | 66,076 |
| Total revenue from contracts with customers | **469,116** | 484,655 |
| **Geographical markets** | | |
| Mainland China | **418,684** | 400,858 |
| Vietnam | **37,217** | 72,934 |
| Hong Kong | **6,138** | 2,125 |
| United States of America | **3,095** | 4,661 |
| Other countries/regions | **3,982** | 4,077 |
| Total revenue from contracts with customers | **469,116** | 484,655 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **296,144** | 418,579 |
| Services transferred over time | **172,972** | 66,076 |
| Total revenue from contracts with customers | **469,116** | 484,655 |

## 4. REVENUE, OTHER INCOME AND GAINS (Continued)

**<u>Other income and gains</u>**

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Bank interest income | **419** | 292 |
| Finance income on the net investment in a lease | **389** | 553 |
| Fair value gain on a debt investment at fair value though profit or loss | **1,607** | 1,233 |
| Government grants released* | **3,295** | 1,631 |
| Gain on collection of impaired trade receivables acquired in a business combination** | **73** | 116 |
| Others | **244** | 66 |
| | **6,027** | 3,891 |

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

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Interest on bank and other borrowings | **2,255** | 2,339 |
| Interest on lease liabilities | **671** | 966 |
| Interest on coupon notes | **–** | 810 |
| | **2,926** | 4,115 |

## 6. LOSS BEFORE TAX

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold* | **394,724** | 371,188 |
| Depreciation of property, plant and equipment | **1,089** | 1,208 |
| Depreciation of right-of-use assets | **5,285** | 4,814 |
| Amortisation of other intangible assets** | **20,245** | 20,245 |
| Impairment of goodwill | **57,612** | – |
| Impairment of financial assets, net: | | |
| (Reversal of impairment losses)/impairment losses of trade receivables, net | **(71)** | 3,641 |
| Impairment losses of other loan receivables, net | **9,367** | 172 |
| Reversal of impairment losses of deposits and other receivables, net | **–** | (16) |
| | **9,296** | 3,797 |
| Lease payments not included in the measurement of lease liabilities | | |
| – Short-term leases | **1,710** | 1,407 |
| Auditors' remuneration | **1,566** | 2,220 |
| Research and development costs | **13,373** | 14,317 |
| Foreign exchange differences, net | **319** | 146 |
| Employee benefit expenses (including directors' and a chief executive's remuneration) | | |
| – Wages and salaries | **48,348** | 44,313 |
| – Pension scheme contributions | **6,080** | 5,222 |
| | **54,428** | 49,535 |
| (Reversal of write-down)/write-down of inventories to net realisable value* | **(1,360)** | 1,022 |
| Net fair value loss on equity investment at fair value through profit or loss*** | **188** | 2,821 |

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

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

*** The net fair value loss on equity investment of fair value through profit or loss is included in "Other expenses, net" in the consolidated statement of profit or loss.

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 (2019: 2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|
| Current – Hong Kong | | |
| Underprovision/(overprovision) in prior years | **8** | (8) |
| Current – Mainland China | | |
| Charge for the year | **3,026** | 1,996 |
| Current – Vietnam | | |
| Charge for the year | **1,042** | 3,507 |
| Deferred income tax | **(3,684)** | (3,468) |
| Total tax charge for the year | **392** | 2,027 |

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

| | **2020** | 2019 |
|---|---|---|
| Beijing Wafer* | **15.0%** | 15.0% |
| Xi'an Wafer** | **12.5%** | 12.5% |

* The entity is qualified as High and New Technology Enterprises and was entitled to a preferential CIT rate of 15% for the years ended 31 December 2020 and 2019.

** 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 until year ended 31 December 2021.

The subsidiary which operates in Vietnam was subject to CIT at a rate of 14% (2019: 20%) on taxable income for the year ended 31 December 2020. This entity is entitled to enjoy 30% tax relief based on the condition that its revenue was less than VND200 billion for the year ended 31 December 2020.

## 8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2020 and subsequent to the end of the reporting period (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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,404,000,000 (2019: 1,396,947,945) in issue during the year.

The calculation of basic loss per share is based on:

| | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|
| **Loss** | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation: | **(83,051)** | (21,096) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | **1,404,000,000** | 1,396,947,945 |
| Loss per share: | | |
| Basic and diluted | **(RMB5.92 cents)** | (RMB1.51 cents) |

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 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. GOODWILL

| | **2020**<br>***RMB'000*** | 2019<br>*RMB'000* |
|---|---|---|
| **Cost:** | | |
| At 1 January | **207,580** | 268,726 |
| Write-off* | **–** | (61,146) |
| At 31 December | **207,580** | 207,580 |
| **Accumulated impairment:** | | |
| At 1 January | **(15,016)** | (76,162) |
| Impairment during the year (note 6) | **(57,612)** | – |
| Write-off | **–** | 61,146 |
| At 31 December | **(72,628)** | (15,016) |
| **Net carrying amount:** | | |
| At 31 December | **134,952** | 192,564 |

* 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, was 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:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 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 discount rate and the terminal growth rate applied in the cash flow projections. Based on the goodwill impairment assessment results, an impairment loss of goodwill of approximately RMB57,612,000 (taking into account of holding 75% of equity interest of the network system integration cash-generating unit) had been recognised for the year ended 31 December 2020.

The cash flow projections have taken into account the (i) slowdown in the global economy caused by the outbreak of the COVID-19 pandemic (the "COVID-19") and its escalation during the year ended 31 December 2020, while the Group foresees the unfavorable global economic conditions to continue, if not worsen, in the coming years resulting from the unprecedented disruptions in various aspects of business operations of the Group; (ii) the tension between the United States of America and the People's Republic of China (the "PRC") as a result of the trade war, which may affect the Group's business development of network infrastructure and software; and (iii) the stagnant growth in business development in respect of the agency agreement entered into between the Group and IBO Technology Company Limited (details of which are set out in the announcement of the Company dated 15 June 2020). The Directors 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 31 December 2020.

## 11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement (the "Agreement") with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* "CCT") which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company would inject an amount of RMB600,000,000 in CCT. The capital injection was completed on 25 July 2018 when the Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. Upon completion of the capital injection into CCT and other conditions as stipulated in the Agreement, the Group has irrevocably designated this unlisted equity investment at fair value through other comprehensive income at initial recognition as the Group considers this investment to be strategic in nature. As at 31 December 2019, resulting from CCT's capital increase during the year, the Company's shareholding percentage decreased to approximately 3.91% of the enlarged registered capital of CCT. There is no change on the shareholding percentage as at 31 December 2020.

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Financial asset at fair value through other comprehensive income | | |
| Unlisted equity investment, at fair value | | |
| CCT | **111,078** | 382,569 |

During the year ended 31 December 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 RMB271,491,000 (2019: fair value loss netting of the income tax amounting to RMB227,135,000). 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 as a result of the sanctions imposed by the United States of America to high-tech enterprise in the PRC and the slowdown in the global economy caused by the outbreak and the escalation of COVID-19 and (ii) the substantial decrease in value of share investments held by CCT.

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.

* The English name is for identification purpose only.

## 12. TRADE AND BILLS RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **194,481** | 217,785 |
| Impairment | **(8,189)** | (9,392) |
| Trade receivables, net | **186,292** | 208,393 |
| Contract assets | **6,402** | – |
| Bills receivable | **6,881** | 1,887 |
| | **199,575** | 210,280 |

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **79,279** | 100,763 |
| 3 to 6 months | **46,699** | 37,928 |
| 6 to 12 months | **41,071** | 42,351 |
| 1 to 2 years | **25,042** | 24,431 |
| Over 2 years | **603** | 2,920 |
| | **192,694** | 208,393 |

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **9,392** | 8,240 |
| (Reversal of impairment losses)/impairment losses, net | **(71)** | 3,641 |
| Amounts written off as uncollectible | **(1,405)** | (2,497) |
| Exchange realignment | **273** | 8 |
| At end of year | **8,189** | 9,392 |

## 12. 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:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **2,486** | 636 |
| 3 to 6 months | **1,800** | 1,151 |
| 6 to 12 months | **2,595** | 100 |
| | **6,881** | 1,887 |

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

## 13. LOAN RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Finance lease receivables | **3,913** | 5,900 |
| Other loan receivables | **21,722** | 25,300 |
| Impairment | **(9,103)** | (253) |
| Other loan receivables, net | **12,619** | 25,047 |
| Total loan receivables, net | **16,532** | 30,947 |
| Portion classified as non-current assets: | | |
| – Finance lease receivables | **(1,749)** | (3,913) |
| Current portion | **14,783** | 27,034 |

## 13. LOAN RECEIVABLES (Continued)

### (A) Finance lease receivables

| | Minimum lease receivables | | Present value of minimum lease receivables | |
|---|---|---|---|---|
| | **31 December 2020** | 31 December 2019 | **31 December 2020** | 31 December 2019 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within one year | **2,433** | 2,433 | **2,164** | 1,987 |
| In the second to fifth years, inclusive | **1,825** | 4,257 | **1,749** | 3,913 |
| | **4,258** | 6,690 | **3,913** | 5,900 |
| Less: Unearned finance income | **(345)** | (790) | | |
| Present value of minimum lease receivables | **3,913** | 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 are no unguaranteed residual value of assets leased under finance leases and no contingent rent arrangement that needed to be recognised for the years ended 31 December 2020 and 31 December 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 other 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 31 December 2020, other loan receivables of RMB6,548,000 were guaranteed by a property of a borrower (31 December 2019: RMB6,973,000).

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **253** | 77 |
| Impairment losses, net | **9,367** | 172 |
| Exchange realignment | **(517)** | 4 |
| At end of year | **9,103** | 253 |

## 13. LOAN RECEIVABLES (Continued)

### (B) Other loan receivables (Continued)

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Overdue | **6,071** | – |
| Within 3 months | **6,548** | 6,903 |
| 3 to 6 months | **–** | 15,046 |
| 6 to 12 months | **–** | 3,098 |
| | **12,619** | 25,047 |

At 31 December 2020 and 2019, no amounts due from related parties of the Group were included in other loan receivables.

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Advances to suppliers | **32,428** | 37,707 |
| Deposit and other receivables | **9,027** | 12,726 |
| Tax recoverable | **1,681** | 3,530 |
| | **43,136** | 53,963 |
| Impairment allowance | **(220)** | (220) |
| | **42,916** | 53,743 |

At 31 December 2020 and 2019, no amounts due from related parties of the Group were included in prepayments, other receivables and other assets.

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **220** | 282 |
| Impairment losses, net | **–** | (16) |
| Amounts written off as uncollectible | **–** | (47) |
| Exchange realignment | **–** | 1 |
| At end of year | **220** | 220 |

## 15. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Listed equity investment, at fair value | **999** | 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 RMB188,000 was recognised for changes in fair value of equity investment at fair value through profit or loss in "Other expenses, net" in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: RMB2,821,000).

## 16. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unlisted debt investment | **13,055** | 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. On 18 March 2020, the Company entered into a first supplemental subscription agreement, pursuant to which, the maturity date of the debt investment is extended to 19 March 2021. The investment is measured at fair value through profit or loss and will mature in 1 year.

A fair value gain of RMB1,607,000 was recognised for changes in fair value of debt investment at fair value through profit or loss in "Other income and gains" in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: RMB1,233,000).

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

## 17. TRADE PAYABLES

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **86,387** | 97,187 |
| 3 to 12 months | **53,005** | 39,298 |
| 1 to 2 years | **5,936** | 16,418 |
| Over 2 years | **16,381** | 18,012 |
| | **161,709** | 170,915 |

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

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

## 18. OTHER PAYABLES AND ACCRUALS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loan from a director | **6,683** | 6,258 |
| | | |
| Accruals | **14,147** | 11,276 |
| Other taxes payable | **2,940** | 4,296 |
| Other payables | **11,643** | 11,958 |
| Total other payables and accruals | **35,413** | 33,788 |

## 19. EVENTS AFTER THE REPORTING PERIOD

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

(b) On 25 March 2021, the Company entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell InvesTech Finance (International) Limited, a subsidiary of the Company, at a consideration of HK$16,000,000. The Disposal Group is principally engaged in money lending business in Hong Kong. Details of the Disposal Transaction have been set out in the announcement of the Company dated 25 March 2021. The Disposal Transaction has been completed on 30 March 2021, and upon such completion, the Disposal Group ceases to be the subsidiaries of the Company. Accordingly, the financial results of the Disposal Group cease to be consolidated into those of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

## PERFORMANCE REVIEW

During the year ended 31 December 2020 (the "Year"), the Group continued to focus on its core business of the IT infrastructure system integration and the sales of smart office software. Mainland China continued to be the major source of revenue contributed to the Group. The general business and operating environment remains challenging throughout the Year due to the outbreak of COVID-19 pandemic ("COVID-19"). The outbreak of COVID-19 had been casuing certain level of disruptions to the daily operation of the Group, especially in the first half of the Year. For example, the implementation of pandemic prevention measure increased the difficulties in our daily operations of business activities, such as deferring product delivery and implementation schedule. Similarly, the orders were also delayed as a result of the late delivery of goods by our suppliers or lockdown of cities. These situations delayed the recognition of revenue by deferring the orders made by or provided to our customers. Nevertheless, the Group's operations and business showed a gradual recovery in the second half of the Year, and with our solid foundation and strong customer relationship, the Group kept generating stable revenue and recorded revenue of approximately RMB470.6 million for the Year (2019: approximately RMB488.7 million).

The Group's gross profit amounted to approximately RMB52.8 million, representing a decrease of approximately RMB12.2 million, or approximately 18.8% as compared with that of approximately RMB65.0 million for the corresponding period in 2019. The gross profit margin for the Year decreased to approximately 11.2% from approximately 13.3% for the corresponding period in 2019. The gross profit margin of the Group was adversely affected by the increased industry competition, and accordingly recorded a decrease.

In order to maintain the Group's competitiveness and operating efficiency, the Group effectively implemented cost control measures and accordingly reduced the general and administrative expenses during the Year. The economy slowdown resulted from the outbreak of COVID-19 and ongoing geopolitical tension had also been reflected in the valuation of the Group's goodwill and financial assets, which had incurred impairment losses at an aggregate of approximately RMB66.9 million (2019: approximately RMB3.8 million). As a result, the Group recorded a net loss after tax of approximately RMB86.7 million (2019: approximately RMB24.7 million).

## BUSINESS DEVELOPMENT AND BUSINESS REVIEW

The uncertainties stemming from ongoing geopolitical tensions and other external political issues affected the Group's business and financial results, especially the majority of the Group's revenue was generated from the Mainland China by selling the product imported from foreign manufacturers. During the Year, the Group proactively diversified the respective risks and uncertainties by partnering with manufacturers in the Mainland China in order to strengthen its competitiveness in provision of wide range of products and services. For example, in June 2020, the Group reached an agent cooperation agreement with IBO Technology Company Limited for 5G pico base stations series products exclusively sold and distributed by Wafer Systems Limited to telecommunication operators in Sichuan Province of the People's Republic of China (the "PRC"). This represented an opportunity for the Group to enhance its business development in the provision of network infrastructure solutions in the PRC.

On the other hand, the Group had also identified some business opportunities during the outbreak of COVID-19 that led to slight increase in demand and awareness of Smart Office Software Solutions collaborated with the internet of things (IoT) technology. Such increase of demand was mainly caused by the closure of office or work-from-home policy implemented by the business sector during the Year. This new working culture promoted the usage of cloud computing technology, B2B platform, Artificial Intelligence, Software Defined Networking (SDN) technology in daily work among the people.

Therefore, the development and enhancement of our smart office software is expected to continuously assist the Group to seek for new business opportunities in order to capture the future demand in the application of 5G solutions.

## OUTLOOK

The Group remains optimistic about the prospects of its business in the long run, however, it is difficult to predict the development of COVID-19 and the geopolitical tensions, the ultimate business impact in respect of scope of service, supply chain and geographical results could not be reasonably estimated at this moment. In view of this, the Group had implemented multiple business strategies, including identify new local suppliers, expand the service area to central Asian countries and south-east Asian countries, design new software solution for the recent change of working behavior, in order to minimise the risks and adapt to the changes of business activities of our customers. The Group will closely monitor the financial position of the Group and changes of market condition and act promptly to such changes.

Looking forward, the Group will look for challenges and opportunities by building a new business ecosystem of the Group, including branding our company, repositioning our existing products, actively in identifying IT infrastructure and services related projects, to become a one-stop solution IT service provider as a result of the increasing demand and enterprise expenditure of IT services and IT infrastructure since the outbreak of COVID-19 and the increasing of the awareness of internet security issue. In addition, the Group will keep identifying new partnership and investments opportunities in local and overseas market, so as to strengthen our core business and provide a better return to the shareholders (the "Shareholders") of the Company.

Despite there are short term uncertainties due to the pandemic and political conflicts, the Group is optimistic that we are well positioned to benefit when the market becomes more stable.

## FINANCIAL REVIEW

### Revenue and cost of sales

The Group recorded a total revenue for the Year of approximately RMB470.6 million (2019: approximately RMB488.7 million), representing a decrease of approximately RMB18.1 million, or approximately 3.7% as compared with that of 2019. The decrease in sales in Vietnam contributed to the overall decrease in sales for the Year.

The cost of sales decreased by approximately RMB5.8 million, or approximately 1.4% to approximately RMB417.8 million for the Year (2019: approximately RMB423.6 million). The decrease in the cost of sales was in line with the decrease in revenue.

### Gross profit and gross profit margin

The Group achieved gross profit for the Year amounted to approximately RMB52.8 million (2019: approximately RMB65.0 million), representing a decrease of approximately RMB12.2 million, or approximately 18.8% as compared with that of 2019. The gross profit margin for the Year was approximately 11.2% (2019: approximately 13.3%), representing a decrease of approximately 2.1% as compared with that of 2019. The decrease in gross profit margin was primarily attributable to the drop of sales in Vietnam, which had a relatively high profit margin as compared to that of other countries in 2020.

### Other income and gains

The Group recorded other income and gains of approximately RMB6.0 million for the Year (2019: approximately RMB3.9 million), mainly including (i) government grants released to the Group of approximately RMB3.3 million (2019: approximately RMB1.6 million); (ii) a fair value gain on a debt investment at fair value through profit or loss of approximately RMB1.6 million (2019: approximately RMB1.2 million); (iii) finance income on the net investment in a lease of approximately RMB0.4 million (2019: approximately RMB0.6 million); and (iv) bank interest income of approximately RMB0.4 million (2019: approximately RMB0.3 million).

### Selling and distribution expenses

The selling and distribution expenses increased by approximately RMB1.2 million or approximately 4.9% to approximately RMB25.9 million for the Year (2019: approximately RMB24.7 million), primarily due to the increase in commission incentive to sales and marketing team to enhance the overall sales performance.

### Administrative expenses

The administrative expenses decreased by approximately RMB7.2 million or approximately 12.9% to approximately RMB48.8 million for the Year (2019: approximately RMB56.0 million), was primarily attributable to (i) the decrease in travelling costs as a result of the travelling restriction and lockdown due to outbreak of COVID-19; (ii) the decrease in administrative staff cost and related expenses; and (iii) the overall cost savings during the Year.

### Other expenses

The other expenses of approximately RMB0.5 million for the Year (2019: approximately RMB3.0 million) mainly consisted of the fair value loss of approximately RMB0.2 million (2019: approximately RMB2.8 million) recognised for the change in fair value of equity investment at fair value through profit or loss. The details of the equity investment are set out in the section "Investment in listed equity securities" below.

### Impairment losses

During the Year, the Group recorded an impairment of goodwill of approximately RMB57.6 million (2019: Nil) in relation to the network system integration cash-generating unit arisen from the acquisition of Fortune Grace Management Limited in 2015, which is mainly caused by (i) the slowdown in the global economy resulted from the outbreak of COVID-19 pandemic and its escalation during the Year while the Group foresees the unfavorable global economic condition to continue, if not worsen, in the coming years resulting from unprecedented disruptions in various aspects of business operations of the Group; (ii) the tension between the United States of America (the "US") and China as a result of the trade war, which may affect the Group's business development of network infrastructure and software; and (iii) the stagnant growth in business development in respect of the agency agreement entered into between the Group and IBO Technology Company Limited.

The Group recorded loss on impairment of other loan receivables of approximately RMB9.4 million (2019: approximately RMB0.2 million) by taking into consideration (i) the increase in the risk of default by certain borrowers in respect of the repayments of loan receivables of the Group for the Year; and (ii) and the decrease in the chance for the Group to recover such loan receivables due to further deterioration in the global economy. In order to minimise the credit risks and default risks associated with the money lending business, the Group has maintained adequate internal control policies and tightly control the overdue balances. A debts collection policy is also in place within the Group, which includes sending reminder letters to borrowers for repayments and instructing the Group's legal advisers to issue demand letters for loans and interests overdue for a certain period of time.

**Finance costs**

The finance costs decreased by approximately RMB1.2 million to approximately RMB2.9 million for the Year (2019: approximately RMB4.1 million). The decrease was mainly attributable to the absence of interest on coupon notes incurred for the Year (2019: approximately RMB0.8 million).

**Income tax**

The Group incurred income tax expense of approximately RMB0.4 million for the Year (2019: approximately RMB2.0 million) primarily due to the current income tax expense of approximately RMB4.1 million, which was offset by deferred income tax credit from amortisation of intangible assets acquired by the acquisition of Fortune Grace Management Limited in November 2015 of approximately RMB3.7 million. Overall, the Group's effective tax rate for the Year was -0.5%, compared with that of -9.0% for 2019.

**Loss for the year**

The Group recorded a net loss after tax of approximately RMB86.7 million for the Year (2019: approximately RMB24.7 million). The increase in the Group's net loss was mainly attributable to the recognition of the impairment losses on goodwill and financial assets for the Year, as mentioned above.

**Liquidity and financial resources**

The Group continues to implement prudent financial management policies and maintains a relatively low gearing ratio during its operations. As at 31 December 2020, the Group's gearing ratio (measured by total of short-term and long-term borrowings divided by total assets) was approximately 6.7% (31 December 2019: approximately 5.8%). The increase in gearing ratio was mainly due to the decrease in total assets resulted from the recognition of impairment losses on goodwill and financial assets for the Year and the decrease in fair value of the CCT Investment.

As at 31 December 2020, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB48.2 million (31 December 2019: approximately RMB64.6 million), among which approximately RMB41.2 million (31 December 2019: approximately RMB38.9 million) was unsecured and guaranteed by a director of the Company. As at 31 December 2020, the interest-bearing bank and other borrowings of approximately RMB17.6 million (31 December 2019: approximately RMB42.3 million) carried at fixed interest rates and approximately RMB30.6 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 31 December 2020.

Save as disclosed in this announcement, the Directors have confirmed that there has been no material change in the indebtednesses and contingent liabilities of the Group since 31 December 2020 to the date of this announcement.

**Foreign currency risk**

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

**Working capital**

Inventories balance as at 31 December 2020 was approximately RMB12.6 million (31 December 2019: approximately RMB12.9 million). The average turnover days for inventories was 11 days as at 31 December 2020 (31 December 2019: 11 days).

Trade and bills receivables balance as at 31 December 2020 was approximately RMB199.6 million (31 December 2019: approximately RMB210.3 million). The average turnover days for trade and bills receivables increased to 159 days as at 31 December 2020 (31 December 2019: 157 days), which was comparable between the years.

Trade payables balance as at 31 December 2020 was approximately RMB161.7 million (31 December 2019: approximately RMB170.9 million). The average turnover days for trade payables increased to 145 days as at 31 December 2020 (31 December 2019: 142 days), which was comparable between the years.

The Group's cash conversion cycle for the Year was 25 days as compared with that of 26 days in 2019.

**Cash flows**

The net cash generated from operating activities for the Year amounted to approximately RMB19.9 million.

The net cash generated from investing activities for the Year of approximately RMB24.7 million was mainly attributable to the decrease in pledged deposits of approximately RMB24.9 million.

The net cash used in financing activities for the Year of approximately RMB15.9 million was primarily attributable to the combined effect of (i) repayment of bank and other borrowings of approximately RMB57.5 million; (ii) new bank and other borrowings of approximately RMB48.9 million; and (iii) payment of principal portion of lease payments of approximately RMB7.3 million.

**Capital expenditures**

The Group had capital expenditures of approximately RMB0.6 million for the Year (31 December 2019: approximately RMB3.5 million) for additions to property, plant and equipment, and right-of-use assets.

**Capital commitments**

The Group had no significant capital commitments as at 31 December 2020 (31 December 2019: Nil).

**Contingent liabilities**

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

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

## INVESTMENT IN LISTED EQUITY SECURITIES

During the year ended 31 December 2020, the Group recorded a fair value loss on a held for trading listed securities investment of approximately RMB0.2 million, details as follows:

### Movement during the year ended 31 December 2020

| Stock code | Name of investee company | Carrying amount as at 1 January 2020 | Unrealised loss | Exchange realignment | Carrying amount as at 31 December 2020 | Dividend income for the year ended 31 December 2020 | Net loss for the year ended 31 December 2020 | Number of shares held and % of total share held by the Group as at 31 December 2020 | Percentage to the Group's total assets as at 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | | *Approximately* |
| 6108 | New Ray Medicine International Holding Ltd. | 1,249 | (188) | (62) | 999 | – | (188) | 25,080,000/ 1.50% | 0.14% |
| | | 1,249 | (188) | (62) | 999 | – | (188) | | |

### 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 (i) the distribution and trading of pharmaceutical products including injection drugs, capsule and granule drugs and tablet drugs; and (ii) the provision of marketing and promotion services of drugs in the PRC. As disclosed in the interim report of New Ray for the six month ended 30 June 2020, (i) the unaudited revenue and loss of New Ray for the six month ended 30 June 2020 were approximately HK$69.5 million and approximately HK$36.4 million respectively; (ii) New Ray focused on its own core business and would continue to diversify its existing product portfolio; and (iii) New Ray would also continue to enhance and expand its sales and marketing capabilities.

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

The Group recorded an unrealised fair value loss from its investment in New Ray amounted to approximately RMB0.2 million for the year ended 31 December 2020. The Group remained holding 25,080,000 shares of New Ray in its investment portfolio as at 31 December 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 RMB1.0 million as at 31 December 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 Prospect

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

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

During the year ended 31 December 2017, the Company entered into a capital injection agreement to inject an amount of RMB600 million to CCT (the "CCT Investment"). The CCT Investment was completed on 25 July 2018 and the Company had interested in approximately 3.91% of the enlarged registered capital of CCT as at 31 December 2020. The CCT Investment was booked as a financial asset at fair value through other comprehensive income of the Group. The fair value of the CCT Investment as at 31 December 2020 was approximately RMB111.1 million which accounted for approximately 15.4% of the Company's total asset as at 31 December 2020.

Pursuant to the unaudited consolidated management account of CCT for the year ended 31 December 2020, excluding Huaxun Fangzhou Co. Ltd., which is a non-wholly owned subsidiary of CCT as to approximately 29.46% of its issued share capital and is listed on the Shenzhen Stock Exchange (000687.SZ) (the "CCT Results"), CCT recorded revenue of approximately RMB2,587.7 million for the year ended 31 December 2020, representing a decrease of approximately 64.9% as compared to approximately RMB7,382.8 million for the year ended 31 December 2019, mainly as a result of the significant decrease in revenue attributed by (i) the sanctions imposed by the US to high-tech enterprise in China; (ii) unfavourable economic environment and business conditions in satellite communication products segment caused by outbreak of COVID-19 since the first quarter of 2020; and (iii) military communications and ancillary services segment due to restructuring of military related industries in China. The CCT Results recorded loss attributable to the owners of CCT of approximately RMB2,086.0 million for the year ended 31 December 2020, as compared to profit attributable to the owners of CCT of approximately RMB452.9 million for the year ended 31 December 2019, mainly attributable to (i) the significant decrease in revenue; and (ii) the gross profit margin decreased to approximately 7.4% for the year ended 31 December 2020 from approximately 22.6% for the year ended 31 December 2019.

According to the business outlook of its management, CCT's business faced great chanllenges in 2020 due to the impact of US sanctions, including supply chain, customer orders and financial financing. However, CCT will take this opportunity to restructure its business by divesting non-main businesses and focusing on its four core businesses, including the terahertz segment, the satellite communication segment, the chip segment and the military industry segment. Meanwhile, CCT pays an attention on big data, cloud platform development and application software services to drive efficient industrial development.

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

## EMPLOYEES

As at 31 December 2020, the total number of employees of the Group was 256 (31 December 2019: 256). The breakdown of employees of the Group as at 31 December 2020 and 2019 is as follows:

| | **As at 31 December 2020** | As at 31 December 2019 |
|---|---|---|
| Manufacturing and technical engineering | **81** | 78 |
| Sales and marketing | **58** | 59 |
| General and administration | **50** | 49 |
| Research and development | **67** | 70 |
| Total | **256** | 256 |

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Year.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

### Second Extension of the Maturity of a Debt Investment

On 18 March 2021, the Company (as the subscriber) and Elite Foster International Investment Limited (the "Issuer", as the issuer) entered into a second supplemental subscription agreement in relation to the extension of the maturity date of an one-year 12% unlisted bond in the aggregate principal amount of HK$15.0 million issued by the Issuer from 19 March 2021 to 19 June 2021 (the "Extension"). Details of the Extension have been set out in the announcement of the Company dated 18 March 2021.

### Disposal of Wholly-owned Subsidiaries

On 25 March 2021, the Company (as the vendor), Metro Win Investment Holdings Limited (the "Metro Win", as the purchaser), and Ms. Cheung Hing Ling (being the ultimate beneficial owner of Metro Win, as the guarantor) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Metro Win has conditionally agreed to purchase one (1) share of InvesTech Finance (International) Limited (the "Target Company"), representing the entire issued share of the Target Company at the consideration of HK$16.0 million (the "Disposal Transaction"). The Target Company is principally engaged in investment holding and its wholly owned subsidiary, InvesTech Finance Limited, is a company incorporated in Hong Kong with limited liability and is principally engaged in money lending business. Upon completion of the Disposal Transaction, the Target Company and its subsidiary will no longer be the subsidiaries of the Company. Details of the Disposal Transaction have been set out in the announcement of the Company dated 25 March 2021. The Disposal Transaction has been completed on 30 March 2021.

Save as disclosed in this announcement, there was no other significant subsequent event undertaken by the Group subsequent to 31 December 2020 and up to the date of this announcement.

## DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Board does not recommend any final dividend for the financial year ended 31 December 2020 (2019: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") is expected to be held on 14 May 2021 (Friday) and the notice of AGM will be published and despatched to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 10 May 2021 (Monday) to 14 May 2021 (Friday) (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 May 2021 (Friday).

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they complied with the required standards set out in the Model Code during the year ended 31 December 2020.

## CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The Company has adopted and complied with the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules throughout the year ended 31 December 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 (the "CEO") should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and CEO by Mr. Chan Sek Keung, Ringo can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in future.

Code provision A.6.7 of the CG Code provides that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors were not able to attend the annual general meeting held on 29 May 2020 due to their respective business engagements. Other Board members who attend the aforesaid annual general meeting were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meetings.

## AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has set up the written terms of reference which was revised on 22 March 2012 and further revised on 26 November 2015 and 1 January 2019. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee currently consists of three members, namely, Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai, all of whom are independent non-executive Directors. Mr. Wong Chun Sek, Edmund currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2020, the consolidated financial statements for the year ended 31 December 2020 and this announcement.

## REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, BDO Limited ("BDO"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this preliminary announcement of results.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year ended 31 December 2020.

## ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2020 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.investech-holdings.com). The printed copies of the annual report will be despatched to Shareholders in due course.

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

Hong Kong, 31 March 2021

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