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## InvesTech Holdings Limited

### 威訊控股有限公司

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

(Stock Code: 1087)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

2022 FINANCIAL HIGHLIGHTS	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	556,679	484,598
Gross profit	85,371	57,108
Loss before tax	<u>(28,809)</u>	<u>(22,048)</u>
(Loss)/profit for the year		
– Continuing operation	(33,019)	(22,329)
– Discontinued operation	<u>–</u>	<u>1,329</u>
	<u>(33,019)</u>	<u>(21,000)</u>
(Loss)/profit for the year attributable to owners of the parent		
– Continuing operation	(35,882)	(18,176)
– Discontinued operation	<u>–</u>	<u>1,329</u>
Profit/(loss) for the year attributable to non-controlling interests		
– Continuing operation	<u>2,863</u>	<u>(4,153)</u>

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
(Loss)/earnings per share		
From continuing and discontinued operations		
– Basic and diluted ( <i>RMB cents</i> )	<u><b>(RMB32.09 cents)</b></u>	<u>(RMB21.03 cents)</u>
From continuing operation		
– Basic and diluted ( <i>RMB cents</i> )	<u><b>(RMB32.09 cents)</b></u>	<u>(RMB22.69 cents)</u>
From discontinued operation		
– Basic and diluted ( <i>RMB cents</i> )	<u>N/A</u>	<u>RMB1.66 cents</u>
• The Group recorded a total revenue of approximately RMB556.7 million for the year ended 31 December 2022, representing an increase of approximately RMB72.1 million, or approximately 14.9% as compared to the total revenue of approximately RMB484.6 million for the year ended 31 December 2021.		
• The Group's net loss for the year amounted to approximately RMB33.0 million for the year ended 31 December 2022, as compared to the net loss of approximately RMB21.0 million for the year ended 31 December 2021.		
• Basic and diluted loss per share from continuing operation was approximately RMB32.09 cents for the year ended 31 December 2022, as compared to basic and diluted loss per share from continuing operation of approximately RMB22.69 cents for the year ended 31 December 2021.		

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 2022, together with comparative figures for the year ended 31 December 2021. The consolidated financial results of the Group for the year ended 31 December 2022 have been reviewed by the Company’s audit committee (the “Audit Committee”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>CONTINUING OPERATION</b>			
<b>REVENUE</b>	<i>4</i>	<b>556,679</b>	484,598
Cost of sales		<b>(471,308)</b>	(427,490)
Gross profit		<b>85,371</b>	57,108
Other income and gains	<i>4</i>	<b>6,717</b>	5,252
Selling and distribution expenses		<b>(28,709)</b>	(25,806)
Administrative expenses		<b>(68,508)</b>	(54,359)
Other expenses		<b>(14,406)</b>	(100)
Impairment losses of financial assets, net		<b>(5,025)</b>	(1,136)
Finance costs	<i>5</i>	<b>(4,249)</b>	(3,007)
<b>LOSS BEFORE TAX</b>	<i>6</i>	<b>(28,809)</b>	(22,048)
Income tax expense	<i>7</i>	<b>(4,210)</b>	(281)
<b>Loss for the year from continuing operation</b>		<b>(33,019)</b>	(22,329)
<b>DISCONTINUED OPERATION</b>			
<b>Profit for the year from discontinued operation</b>	<i>16</i>	<b>–</b>	1,329
<b>LOSS FOR THE YEAR</b>		<b>(33,019)</b>	(21,000)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
(Loss)/profit for the year attributable to:			
Owners of the parent			
– From continuing operation		(35,882)	(18,176)
– From discontinued operation		–	1,329
		<u>(35,882)</u>	<u>(16,847)</u>
Non-controlling interests			
– From continuing operation		2,863	(4,153)
		<u>(33,019)</u>	<u>(21,000)</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<i>9</i>		
From continuing and discontinued operations			
– Basic and diluted		<u>(RMB32.09 cents)</u>	<u>(RMB21.03 cents)</u>
From continuing operation			
– Basic and diluted		<u>(RMB32.09 cents)</u>	<u>(RMB22.69 cents)</u>
From discontinued operation			
– Basic and diluted		<u>N/A</u>	<u>RMB1.66 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(33,019)</b>	<b>(21,000)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,359	26,064
Recycle of exchange differences upon disposal of foreign operations	—	(657)
	<b>1,359</b>	<b>25,407</b>
Other comprehensive income/(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	2,965	(27,083)
Changes in fair value of financial asset at fair value through other comprehensive income	(21,718)	(70,992)
	<b>(18,753)</b>	<b>(98,075)</b>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(17,394)</b>	<b>(72,668)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(50,413)</b>	<b>(93,668)</b>
Total comprehensive (loss)/income for the year attributable to:		
Owners of the parent	(53,924)	(89,437)
Non-controlling interests	3,511	(4,231)
	<b>(50,413)</b>	<b>(93,668)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		5,528	–
Property, plant and equipment		1,821	1,995
Right-of-use assets		12,840	17,824
Goodwill	10	134,952	134,952
Other intangible assets		58,203	78,448
Deferred tax assets		3,501	3,718
Financial asset at fair value through other comprehensive income	11	18,368	40,086
Deposits		15,548	–
Total non-current assets		<u>250,761</u>	<u>277,023</u>
<b>CURRENT ASSETS</b>			
Inventories		20,336	17,320
Trade and bills receivables	12	318,138	208,047
Loan receivables		–	1,749
Prepayments, other receivables and other assets		57,470	55,195
Equity investments at fair value through profit or loss	13	13,452	2,880
Debt investment at fair value through profit or loss	14	1,270	12,530
Pledged deposits		25,549	25,765
Cash and cash equivalents		59,436	54,920
Total current assets		<u>495,651</u>	<u>378,406</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	15	215,230	174,832
Contract liabilities		48,409	25,833
Other payables and accruals		38,420	25,047
Interest-bearing bank and other borrowings		59,574	36,347
Tax payable		20,987	14,877
Total current liabilities		<u>382,620</u>	<u>276,936</u>
<b>NET CURRENT ASSETS</b>		<u>113,031</u>	<u>101,470</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>363,792</u>	<u>378,493</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2022*

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Contract liabilities	–	2,831
Interest-bearing bank and other borrowings	<b>10,345</b>	12,921
Convertible bond	<b>24,624</b>	21,672
Deferred tax liabilities	<b>8,730</b>	11,768
	<hr/>	<hr/>
Total non-current liabilities	<b>43,699</b>	49,192
	<hr/>	<hr/>
<b>Net assets</b>	<b>320,093</b>	329,301
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Issued capital	<b>7,553</b>	5,464
Reserves	<b>301,683</b>	317,286
	<hr/>	<hr/>
	<b>309,236</b>	322,750
Non-controlling interests	<b>10,857</b>	6,551
	<hr/>	<hr/>
<b>Total equity</b>	<b>320,093</b>	329,301
	<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***Year ended 31 December 2022*

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Net cash flows used in operating activities	<u>(35,242)</u>	<u>(8,707)</u>
Net cash flows used in investing activities	<u>(24,905)</u>	<u>(6,456)</u>
Net cash flows from/(used in) financing activities	<u>63,156</u>	<u>(4,867)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,009</b>	(20,030)
Cash and cash equivalents at beginning of year	<b>54,920</b>	76,128
Effect of foreign exchange rate changes, net	<u>1,507</u>	<u>(1,178)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>59,436</u></b>	<b><u>54,920</u></b>



## 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 continued in Bermuda with effect from 7 July 2021 (Bermuda time). The Company’s 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 Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The Company’s principal place of business in Hong Kong during the year ended 31 December 2022 was located at Room 1201, 12/F, C C Wu Building, 302–308 Hennessy Road, Wanchai, Hong Kong, and has been changed to Unit 706, 7th Floor, Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong with effect from 31 January 2023.

The Company is 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 smart office software solutions, and the network equipment rental business.

#### 2.1 BASIS OF PREPARATION

These consolidated 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 investment properties, a financial asset at fair value through other comprehensive income, equity investments 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 consolidated 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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IAS 37	<i>Onerous Contract – Cost of Fulfilling a Contract</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	<i>Annual Improvements to IFRS Standards 2018-2020</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>

The amendments to IFRSs that are effective from 1 January 2022 did not have significant financial effect on these consolidated financial statements.

## 3. SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. After the disposal of the Group's money lending segment and during the year ended 31 December 2022, the Group's chief operating decision makers, also being the directors, reorganised its internal reporting structure which resulted in changes to the composition of its reportable segment information reported, for the purposes of resources allocation and assessment focus on revenue analysis by products and services in the communication system business. No other discrete financial information is provided except for the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures including geographic information are presented. Prior year's segment disclosures have been re-presented to conform with the current year's presentation.

### 3. SEGMENT INFORMATION (Continued)

#### Geographical information

##### (a) Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	493,736	461,574
Vietnam	4,992	20,052
Hong Kong	53,952	2,379
United States of America	683	3
Other countries/regions	3,316	590
	<u>556,679</u>	<u>484,598</u>

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

##### (b) Non-current assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	205,183	229,550
Hong Kong	23,708	3,665
Vietnam	1	4
	<u>228,892</u>	<u>233,219</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial asset at fair value through other comprehensive income.

#### 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 years ended 31 December 2022 and 2021.

#### 4. REVENUE, OTHER INCOME AND GAINS

##### Revenue from contracts with customers

##### *Disaggregated revenue information*

##### *Communication system segment*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Type of goods or services</b>		
<b>Continuing operation</b>		
Sales of goods	348,669	337,878
Rendering of services	208,010	146,720
	<hr/>	<hr/>
Total revenue from contracts with customers	<u>556,679</u>	<u>484,598</u>

##### **Timing of revenue recognition**

##### **Continuing operation**

Goods transferred at a point in time	348,669	337,878
Services transferred over time	208,010	146,720
	<hr/>	<hr/>
Total revenue from contracts with customers	<u>556,679</u>	<u>484,598</u>

##### **Other income and gains**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Continuing operation</b>		
Bank interest income	249	239
Fair value gain on equity investments at fair value through profit or loss, net	5,096	1,948
Fair value gain on a debt investment at fair value through profit or loss	–	1,364
Finance income on the net investment in a lease	76	225
Government grants released*	1,060	1,475
Rental income	61	–
Others	175	1
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	<u>6,717</u>	<u>5,252</u>

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Continuing operation</b>		
Interest on bank and other borrowings	1,880	2,018
Interest on convertible bond	1,458	–
Interest on lease liabilities	911	989
	<u>4,249</u>	<u>3,007</u>

## 6. LOSS BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Continuing operation</b>		
Cost of inventories sold*	468,987	405,739
Depreciation of property, plant and equipment	1,048	876
Depreciation of right-of-use assets	5,830	5,775
Amortisation of other intangible assets**	20,245	20,243
Impairment losses of trade receivables, net	5,025	1,136
Lease payments not included in the measurement of lease liabilities – Short-term leases	695	1,202
Auditor's remuneration	1,484	1,556
Research and development costs***	19,921	17,944
Foreign exchange differences, net	219	100
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	64,486	56,259
– Pension scheme contributions	14,059	11,956
– Share-based payments	353	626
	<u>78,898</u>	<u>68,841</u>
Reversal of write-down of inventories to net realisable value*	(335)	(2,608)
Fair value gain on equity investments at fair value through profit or loss, net ( <i>note 13</i> )	(5,096)	(1,948)
Fair value loss/(gain) on a debt investment at fair value through profit or loss ( <i>note 14</i> )	10,943	(1,364)
Fair value losses on investment properties	<u>3,244</u>	<u>–</u>

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

\*\* Included in “Cost of sales” in the consolidated statement of profit or loss.

\*\*\* Included in “Administrative expenses” in the consolidated statement of profit or loss.

## 7. INCOME TAX EXPENSE

The Group is subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (equivalent to RMB1,715,000) (2021: HK\$2,000,000 (equivalent to RMB1,779,000)) 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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Continuing operation</b>		
Current – Mainland China		
Charge for the year	5,139	3,386
Current – Hong Kong		
Charge for the year	1,892	–
Deferred income tax	<u>(2,821)</u>	<u>(3,105)</u>
Total tax charge for the year	<u><u>4,210</u></u>	<u><u>281</u></u>

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:

Name of the subsidiaries	2022	2021
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.**^	<u>10.0%</u>	<u>10.0%</u>

\* The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the years ended 31 December 2022 and 2021.

\*\* The entity is qualified as Small Low-Profit Enterprises and entitled to a preferential CIT rate of 10% for the years ended 31 December 2022 and 2021.

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

The subsidiary which operates in Vietnam was subject to CIT at a rate of 20% (2021: 14%) on taxable income for the year ended 31 December 2022. This entity was entitled to enjoy 30% tax relief based on the condition that its revenue was less than VND200 billion (equivalent to RMB65,552,000) for the year ended 31 December 2021.

## 8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2022 and subsequent to the end of the reporting period (2021: Nil).

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 111,829,735 (2021: 80,090,254) in issue during the year.

The calculations of basic and diluted (loss)/earnings per share are based on:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (loss)/earnings per share calculation:		
– From continuing operation	<b>(35,882)</b>	(18,176)
– From discontinued operation	–	1,329
	<u><b>(35,882)</b></u>	<u>16,847</u>
	<b>Number of shares</b>	
	<b>2022</b>	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	<u><b>111,829,735</b></u>	<u>80,090,254</u>
(Loss)/earnings per share:		
Basic and diluted		
– From continuing operation	<b>(RMB32.09 cents)</b>	(RMB22.69 cents)
– From discontinued operation	<u>N/A</u>	<u>RMB1.66 cents</u>

The weighted average number of ordinary shares for the purpose of the calculation of basic (loss)/earnings per share has been adjusted for the bonus element in the issue of shares of the Company on 6 September 2021 and 11 March 2022 as if effective since 1 January 2021.

The calculation of diluted loss per share for the years ended 31 December 2022 and 2021 had not taken into account the effect of the potential ordinary shares on convertible bond as the assumed conversion would result in a decrease in loss per share.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Cost:</b>		
At 1 January and 31 December	<u>207,580</u>	<u>207,580</u>
<b>Accumulated impairment:</b>		
At 1 January and 31 December	<u>(72,628)</u>	<u>(72,628)</u>
<b>Net carrying amount:</b>		
At 31 December	<u><u>134,952</u></u>	<u><u>134,952</u></u>

### Impairment testing of goodwill

#### *Network system integration cash-generating unit*

Goodwill related to the network system integration cash-generating unit arose from the acquisition of Fortune Grace 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 Lane 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 rates, the budgeted gross margins, the discount rate and the terminal growth rate applied in the cash flow projections. As at 31 December 2022, based on the goodwill impairment assessment results, the Recoverable Amount of CGU and the carrying amount of the network system integration cash-generating unit, comprising the goodwill, intangible assets, properties, plant and equipment and right-of-use assets of the Group that generate cash flows together with the related goodwill in the respective cash generating unit for the purpose of impairment assessment, is approximately RMB228,331,000 (2021: RMB252,568,000) and RMB207,816,000 (2021: RMB233,219,000) respectively. No impairment loss was recorded for the year ended 31 December 2022 as the recoverable amount of CGU exceeds its carrying amount, which includes the net carrying amount of the goodwill.

In the opinion of the directors of the Company, the cash flow projections have taken into account the recovery of economy from the COVID-19 pandemic (the “COVID-19”), the Group expects continuous growth for its network infrastructure business by strengthening its core competitiveness and the contribution from a sizeable government contract for the provision of a smart library system, and the Group foresees that the customers’ awareness of and demand for the Group’s software solutions increase as a result of the change of customers’ demand and operating practice due to the economy recovery from the COVID-19. In addition, the cooperation with technology giants that will reinforce the Group’s expansion in the China’s market share. The directors of the Company considered that these reasons directly affected the parameters applied in the assumptions used in the value-in-use calculation for network system integration cash-generating unit as at 31 December 2022 as mentioned below.

Assumptions were used in the value-in-use calculation for network system integration cash-generating unit for 31 December 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue growth rates – The budgeted revenue growth rates are based on the historical revenue growth data and market outlook perceived by management. The five-year period with estimated revenue growth rate applied at 31 December 2022 is 1.91% to 29.77% per annum (2021: 1.00% to 23.28% per annum).



## 10. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

#### *Network system integration cash-generating unit (Continued)*

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected market development. The gross margin applied in the cash flow projections ranges from 25.36% to 28.05% (2021: 25.43% to 30.18%).

Discount rate – The discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied at 31 December 2022 is 26.29% (2021: 26.67%).

Long term growth rate – The long term growth rate is based on market data and management’s expectation on the future development of the technology industry. The long term growth rate applied at 31 December 2022 is 3.00% (2021: 3.00%).

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

The recoverable amount is significantly above the carrying amount of Network System integration cash generating unit. Management believes that any reasonable possible change in any of these assumptions would not result in impairment.

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

On 17 February 2017, the Company entered into a capital injection agreement (“Agreement”) with 華訊方舟 科技有限公司 (China Communication Technology Co., Ltd.\* (“CCT”)) which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company would inject an amount of RMB600,000,000 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 was no change on the shareholding percentage during the years ended 31 December 2022 and 2021.

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
CCT	<u>18,368</u>	<u>40,086</u>

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

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

During the year ended 31 December 2022, the fair value loss net of the income tax effect in respect of the above unlisted equity investment recognised in other comprehensive loss amounted to RMB21,718,000 (2021: RMB70,992,000). The fair value loss for the year ended 31 December 2022 was primarily attributable to (i) unfavourable operating conditions of its major subsidiary, Huaxun Fangzhou Co., Ltd., which was delisted in the Shenzhen Stock Exchange on 17 June 2022; (ii) the decrease in value of equity investments held by CCT; and (iii) the unenforced amount under various litigations for enforcement to 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.

## 12. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	268,000	204,207
Impairment	<u>(13,498)</u>	<u>(9,156)</u>
Trade receivables, net	<u>254,502</u>	<u>195,051</u>
Contract assets	57,971	6,252
Bills receivable	<u>5,665</u>	<u>6,744</u>
	<u><u>318,138</u></u>	<u><u>208,047</u></u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	202,667	144,031
3 to 6 months	48,410	23,832
6 to 12 months	49,203	24,066
1 to 2 years	<u>12,193</u>	<u>9,374</u>
	<u><u>312,473</u></u>	<u><u>201,303</u></u>

## 12. TRADE AND BILLS RECEIVABLES (Continued)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	9,156	8,189
Provision for impairment losses, net ( <i>note 6</i> )	5,025	1,136
Amounts written off as uncollectible	(647)	(110)
Exchange realignment	(36)	(59)
	<u>13,498</u>	<u>9,156</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	1,773	4,845
3 to 6 months	727	237
6 to 12 months	3,165	1,662
	<u>5,665</u>	<u>6,744</u>

## 13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Listed equity investments, at fair value	<u>13,452</u>	<u>2,880</u>

The equity investments are classified as held for trading and measured at fair value through profit or loss.

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 (“Suspended Share”). On 22 March 2022, the trading of the Suspended Share was resumed. During the year ended 31 December 2022, the Group disposed all of the Suspended Share.

As at 31 December 2022, equity investments at fair value through profit or loss represents an investment portfolio comprising thirteen (2021: one) equity securities listed in Hong Kong of which eleven (2021: one) are listed on the main board of the Stock Exchange and the remaining two (2021: Nil) are listed on GEM of the Stock Exchange.

The total fair values gain of RMB5,096,000 was recognised for changes in fair value of equity investments 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 2022 (2021: RMB1,948,000).

The fair values of equity investments as at 31 December 2022 have been determined by reference to the quoted market prices available on the Stock Exchange.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unlisted debt investment	<u>1,270</u>	<u>12,530</u>

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, 18 March 2021, 18 June 2021, 12 October 2021 and 9 August 2022, the Company entered into supplemental subscription agreements, pursuant to which the maturity dates of the debt investment were extended to 19 March 2021, 19 June 2021, 19 September 2021 and 19 January 2022 and 8 February 2023 respectively. The interest rate of the debt investment was revised to 9% per annum effective from 19 June 2021 and further revised to 9.5% per annum effective from 20 January 2022.

A fair value loss of RMB10,943,000 was recognised for changes in fair value of a debt investment at fair value through profit or loss in “Other expenses” in the consolidated statement of profit or loss for the year ended 31 December 2022 (2021: a fair value gain of RMB1,364,000 in “Other income and gain”).

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

Subsequent to the end of the reporting period, the bond issuer failed to pay the principal and the interest due on 8 February 2023 pursuant to the fifth supplemental agreement and this constituted an event of default. Up to the date of this announcement, the bond issuer repaid the interest accrued up to 8 February 2023 of HK\$709,000 (equivalent to RMB607,000).

#### 15. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	152,501	94,105
3 to 12 months	30,957	48,709
1 to 2 years	10,107	12,924
Over 2 years	<u>21,665</u>	<u>19,094</u>
	<u>215,230</u>	<u>174,832</u>

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

## 16. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On 25 March 2021, the Company entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell all issued share of InvesTech Finance (International) Limited (which directly owned 100% of InvesTech Finance Limited, and collectively “Disposal Group”) for a cash consideration of HK\$16,000,000 (equivalent to approximately RMB13,355,000) (the “Disposal”). The Disposal Group was principally engaged in money lending business in Hong Kong. Details of the Disposal have been set out in the announcement of the Company dated 25 March 2021. The Disposal has been completed on 30 March 2021, and the Disposal Group ceases to be the subsidiaries of the Company and was regarded as a discontinued operation in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Accordingly, the results of the money lending business was not included in the continuing operations since the year ended 31 December 2021.

The results from the discontinued operation for the period from 1 January 2021 to 30 March 2021 are presented below:

	<i>RMB'000</i>
Revenue	48
Administrative expenses*	(15)
	<hr/>
	33
Gain on disposal of subsidiaries	1,296
	<hr/>
Profit for the period from discontinued operation	1,329
	<hr/> <hr/>

\* Including short-term lease expense of RMB15,000.

The assets and liabilities of the discontinued operation over which control was lost as at 30 March 2021 are stated as follows:

	<i>RMB'000</i>
Loan receivables	12,511
Interest receivables	195
Prepayments, other receivables and other assets	8
Tax recoverable	9
Cash and cash equivalents	1
Other payables and accruals	(8)
	<hr/>
Net assets disposed of	12,716
Gain on disposal of subsidiaries	1,296
Reclassification of foreign currency translation reserve upon disposal	(657)
	<hr/>
Total consideration	13,355
	<hr/> <hr/>

The net cash outflows incurred by the discontinued operation for the period from 1 January 2021 to 30 March 2021 are stated as follows:

	<i>RMB'000</i>
Operating activities	183
Investing activities	–
Financing activities	(245)
	<hr/>
Net cash outflows	(62)
	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2022 (the “Year”), the Group continued to focus on its core business of IT infrastructure system integration and sales of smart office software solutions. The majority of the Group’s revenue was generated in the People’s Republic of China (the “PRC” or “China”) market.

In the first half of the Year, stringent COVID-19 restrictions were imposed in major cities in China, curtailing business activity and causing supply chain disruptions, temporarily hindering the performance of the Group. Fortunately, following the gradual recovery of China’s economy, soaring demand for IT solutions was witnessed in the second half of the Year, contributing to a significant increase in the Group’s sales. For the business operation in Hong Kong, the project regarding the provision of a smart-library system for Hong Kong government’s Leisure and Cultural Services Department (the “Library Project”) also began to generate promising income in particularly during the second half of the Year. Thanks to the above-mentioned positive factors, the Group’s total revenue recorded an increase of approximately RMB72.1 million or approximately 14.9% to approximately RMB556.7 million for the Year (2021: approximately RMB484.6 million). The Group’s gross profit increased by approximately RMB28.3 million or approximately 49.6% to approximately RMB85.4 million for the Year (2021: approximately RMB57.1 million), broadly in line with revenue growth. While a net loss for the year of approximately RMB33.0 million was recorded (2021: approximately RMB21.0 million), mainly attributable to the fair value loss of a debt investment at fair value through profit or loss of approximately RMB10.9 million for the Year as a result of the default of an unlisted bond.

#### IT Infrastructure System Integration

The Group continued to enhance its traditional IT infrastructure system integration business, which remained a major source of revenue during the Year. Leveraging its advanced products, the Group continued to provide advanced and customised IT infrastructure system integration solutions to its customers in diverse segments including finance, manufacturing and retail, etc. The Group kept maintaining strategic partnership with various tech giants, with the aim of acquiring new clients through strategic alliances to deliver cutting-edge IT infrastructure solutions and enlarge the customer base. More importantly, the work performed in Library Project translated into the recognition of approximately RMB49.8 million of revenue and contributed remarkably in the significant increase in the segmental revenue during the Year.

The Group won the bid of the Library Project in 2021, the Group began to carry out preliminary work during the Year, including the design of core library systems. The Group also expects that the project will be on-going to provide a substantial and stable income stream. To broaden its income stream, the Group also sought to tap new public and private sector customers, with a focus on projects involving smart-city technology and smart-IT, as a means to enhance its revenue.

The IT infrastructure system integration segment saw promising developments, with revenue up approximately RMB52.2 million, or approximately 11.6%, to approximately RMB500.8 million for the Year, following respective revenue of approximately RMB448.6 million in 2021.

## **Smart Office Software Solutions**

During the Year, the Group's smart office software solutions and property technology ("PropTech") solutions businesses, which operate using IoT technology and have relatively high profit margins as compared to that of the sale of hardware goods, benefited from robust demand. Thanks to the Group's powerful product matrix and research & development capabilities, the number of orders for, and sales of, smart office software solutions recorded a steady growth, resulting in an increase in related sales. Accordingly, the Group's revenue from the provision of smart office software solutions increased by approximately RMB19.9 million, or approximately 55.3%, to approximately RMB55.9 million for the Year, following respective revenue of approximately RMB36.0 million in 2021.

The Group has been deepening its achievements in the smart office field to support enterprises' digital transformation. During the Year, it continued in-depth smart office cooperation with technology giants including Microsoft, Huawei, and Lark. Capitalising on its partners' outstanding technical capability and exhaustive list of product matrix, the Group effectively optimised its solutions to provide clients with better products and services, thus expanding its market share in the promising China market. The Group's homegrown applications – MetaVisitor, MetaWorkspace and MetaMeeting – were launched on several platforms during the Year, and the Group also redoubled its efforts to upgrade Virsical, its flagship smart office software product.

## **Other Investments**

During the Year, the Group continued to invest in Hong Kong's stock market through on-market transactions. To enhance financial returns to its shareholders and limit risk exposure, management adopts and follows a prudent investment policy. As at 31 December 2022, the Group held equity securities listed in Hong Kong worth approximately RMB13.5 million as financial assets for trading (2021: approximately RMB2.9 million). During the Year, the Group recorded a net fair value gain on equity investments at fair value through profit or loss of approximately RMB5.1 million (2021: approximately RMB1.9 million). In additions, the Group acquired five car-parking spaces during the Year and most of them have been leased out, providing the Group with stable rental returns.

## **FINANCIAL REVIEW**

### **Revenue and cost of sales**

Revenue of the Group for the Year was approximately RMB556.7 million (2021: approximately RMB484.6 million), representing an increase of approximately RMB72.1 million, or approximately 14.9% as compared with that of 2021. The increase in revenue was primarily attributable to the increase in revenue generated from the provision of smart office software solutions and the contribution from Library Project for the Year.

Following the increase in revenue, the cost of sales of the Group increased by approximately RMB43.8 million, or approximately 10.2% to approximately RMB471.3 million for the Year (2021: approximately RMB427.5 million). The increase in cost of sales was in line with the increase in revenue of the Group.

### **Gross profit and gross profit margin**

The Group achieved gross profit for the Year amounted to approximately RMB85.4 million (2021: approximately RMB57.1 million), representing an increase of approximately RMB28.3 million, or approximately 49.6% as compared with that of 2021. The gross profit margin for the Year was approximately 15.3% (2021: approximately 11.8%), representing an increase of approximately 3.5% as compared with that of 2021. The increase in gross profit margin was primarily attributable to the increase in the proportion of sales contributed by the sales of software solutions and related services of the Group, which had a relatively high profit margin as compared to sales of hardware products of the Group.

### **Other income and gains**

The Group recorded other income and gains of approximately RMB6.7 million for the Year (2021: approximately RMB5.3 million), mainly consisted of (i) fair value gain on equity investments at fair value through profit or loss of approximately RMB5.1 million (2021: approximately RMB1.9 million); and (ii) the government grants released to the Group of approximately RMB1.1 million (2021: approximately RMB1.5 million).

### **Selling and distribution expenses**

The selling and distribution expenses of the Group increased by approximately RMB2.9 million or approximately 11.2% to approximately RMB28.7 million for the Year (2021: approximately RMB25.8 million), primarily due to the increase in sale commission incentive to sales and marketing team.

### **Administrative expenses**

The administrative expenses of the Group increased by approximately RMB14.1 million or approximately 25.9% to approximately RMB68.5 million for the Year (2021: approximately RMB54.4 million), primarily attributable to the increase in research and development cost and staff cost to cope with the expansion of business operations.

### **Other expenses**

The other expenses for the Year of approximately RMB14.4 million (2021: approximately RMB0.1 million) mainly represented (i) fair value loss on a debt investment at fair value through profit or loss of approximately RMB10.9 million (2021: fair value gain of approximately RMB1.4 million recorded in other income and gains); and (ii) fair value losses on investment properties of approximately RMB3.2 million (2021: Nil).

### **Finance costs**

The finance costs of the Group increased by approximately RMB1.2 million to approximately RMB4.2 million for the Year (2021: approximately RMB3.0 million). The increase was mainly attributable to the interest arising from the issue of convertible bond of approximately RMB1.5 million (2021: Nil).



## **Income tax**

The income tax of the Group comprised provision of income tax expense and deferred tax.

The Group recorded provision of income tax expense of approximately RMB7.0 million for the Year (2021: approximately RMB3.4 million), and the increase in income tax expense was mainly due to the increase in assessable profit of the Group's subsidiaries in China and in Hong Kong during the Year.

The Group recorded tax expense of approximately RMB4.2 million for the year (2021: approximately RMB0.3 million), primarily due to the recognition of the deferred tax credit of approximately RMB2.8 million (2021: approximately RMB3.1 million) arising from the amortisation of other intangible assets, which offset the impact of the provision of income tax expense mentioned above.

## **Loss for the Year from continuing operation**

The Group recorded a loss for the Year from continuing operation of approximately RMB33.0 million for the Year (2021: approximately RMB22.3 million). The increase in loss was mainly attributable to the fair value loss of a debt investment at fair value through profit or loss of approximately RMB10.9 million for the Year as a result of the default of an unlisted bond.

## **Liquidity and financial resources**

As at 31 December 2022, the Group's gearing ratio, which is calculated by total of interest-bearing bank and other borrowings and convertible bond divided by total assets, was approximately 12.7% (2021: approximately 10.8%). The increase in Group's gearing ratio was mainly due to the increase in bank and other borrowings.

As at 31 December 2022, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB69.9 million (2021: approximately RMB49.3 million), among which approximately RMB50.6 million (2021: approximately RMB29.3 million) was unsecured and guaranteed by a director of the Company. As at 31 December 2022, the interest-bearing bank and other borrowings of approximately RMB19.3 million (2021: approximately RMB24.9 million) carried at fixed interest rates and approximately RMB50.6 million (2021: approximately RMB24.4 million) carried at floating interest rates.

As at 31 December 2022, the carrying amount of convertible bond of the Group amounted to approximately RMB24.6 million (2021: approximately RMB21.7 million).

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any other outstanding indebtednesses or contingent liabilities as at 31 December 2022.

## **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 2022 was approximately RMB20.3 million (2021: approximately RMB17.3 million). The average turnover days for inventories was 15 days as at 31 December 2022 (2021: 13 days). Trade and bills receivables balance as at 31 December 2022 was approximately RMB318.1 million (2021: approximately RMB208.0 million). The average turnover days for trade and bills receivables increased to 173 days as at 31 December 2022 (2021: 154 days), which was due to longer collection period for certain customers and milestones payment term for Library Project.

Trade payables balance as at 31 December 2022 was approximately RMB215.2 million (2021: approximately RMB174.8 million). The average turnover days for trade payables increased to 151 days as at 31 December 2022 (2021: 144 days), which was comparable between the years.

Affected by the increase in average turnover days for trade and bill receivables, the Group's cash conversion cycle for the Year increased from 23 days in 2021 to 37 days in 2022.

## **Cash flows**

The net cash used in operating activities for the Year amounted to approximately RMB35.2 million.

The net cash used in investing activities for the Year of approximately RMB24.9 million was mainly attributable to (i) acquisition of investment properties of approximately RMB8.6 million; and (ii) deposit paid for the acquisition of a company of approximately RMB15.5 million.

The net cash generated from financing activities for the Year of approximately RMB63.2 million was primarily attributable to the combined effect of (i) the gross proceeds from the issue of shares of approximately RMB40.1 million; (ii) repayment of bank and other borrowings of approximately RMB37.7 million; (iii) new bank and other borrowings of approximately RMB63.5 million; and (iv) payment of principal portion of lease payments of approximately RMB7.1 million.

## **Capital expenditures**

The Group had capital expenditures of approximately RMB10.1 million for the Year (2021: approximately RMB22.5 million) for additions to property, plant and equipment, investment properties and right-of-use assets.

## **Capital commitments**

As at 31 December 2022, the Group had outstanding capital commitment of approximately RMB62.2 million in relation to the acquisition of a company (2021: Nil).

## **CAPITAL STRUCTURE**

### **Placing of new shares under specific mandate**

On 22 November 2021, a placing agent and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 33,000,000 ordinary shares of the par value of US\$0.01 each in the share capital of the Company (“Placing Share(s)”) at the placing price of HK\$1.5 per Placing Share (the “Placing”). Completion of the Placing took place on 11 March 2022, and an aggregate of 33,000,000 Placing Shares have been fully placed by the placing agent, the gross proceeds from the Placing was HK\$49.5 million, and the net proceeds from the Placing, after deducting the placing commission and other expenses incurred in the Placing, was approximately HK\$48.0 million. The net proceeds were intended to be used for the Library Project. Details of the Placing are set out in the announcements of the Company dated 22 November 2021, 23 December 2021, 13 January 2022, 27 January 2022, and 11 March 2022, and the circular of the Company dated 24 December 2021.

On 7 June 2022, the Company resolved to change the use of the unutilised net proceeds from Library Project to general working capital for network system integration business. Up to the date of this announcement, the net proceeds from the Placing was fully utilised in which approximately HK\$20.7 million are utilised for Library Project while that of approximately HK\$27.3 million are utilised for the general working capital for network system integration business. The details of the change in use of proceeds are set out in the announcement of the Company dated 7 June 2022.

### **INVESTMENT IN LISTED EQUITY INVESTMENTS**

During the Year, the Group recorded fair value gain on equity investments at fair value through profit or loss of approximately RMB5.1 million (2021: approximately RMB1.9 million), which was related to the fair value gain from the Group’s investment in listed securities. As at 31 December 2022, the Group’s equity investments at fair value through profit or loss consisted of 13 listed equity investments (2021: 1), all of them were shares listed on the Stock Exchange. The fair value gain for the Year was mainly contributed by the disposal of 553,500 shares of Redco Healthy Living Company Limited (“Redco Healthy”), which are traded and listed on the main board of the Stock Exchange (Stock Code: 2370), through an on-market transaction on 27 July 2022 (the “Disposal”). The Disposal was made at an average price of approximately HK\$17.97 per share of Redco Healthy (the “Redco Share(s)”), representing the market price of Redco Shares at the time of the Disposal and the consideration in aggregate was approximately HK\$9,946,000 (exclusive of transaction costs incurred under the Disposal). The Disposal is completed on the second trading day following the execution date of the transaction, i.e. 29 July 2022. Details of the Disposal are set out in the announcement of the Company dated 28 July 2022.

As at 31 December 2022, the fair value of each of the equity investments at fair value through profit or loss was less than 5% of the Group’s total assets.

## INVESTMENT IN NON-LISTED EQUITY INVESTMENT

### Investee company's principal business, performance and future prospect

#### *China Communication Technology Co., Ltd.\* (“CCT”)*

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

During the year ended 31 December 2017, the Company entered into a capital injection agreement to inject an amount of RMB600 million to CCT (the “CCT Investment”). The CCT Investment was completed on 25 July 2018 and the Company had interested in approximately 3.91% of the enlarged registered capital of CCT as at 31 December 2022. 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 as at 31 December 2022 was approximately RMB18.4 million which accounted for approximately 2.5% of the Company's total asset as at 31 December 2022.

During the Year, the fair value loss (net of the income tax) in respect of such unlisted equity investment recognised in other comprehensive loss amounted to RMB21,718,000 (2021: RMB70,992,000). The fair value loss for the Year was mainly attributable to (i) unfavourable operating conditions of its major subsidiary, Huaxun Fangzhou Co., Ltd., which was delisted in the Shenzhen Stock Exchange on 17 June 2022; (ii) the decrease in value of equity investments held by CCT; and (iii) the unenforced amount under various litigations for enforcement to CCT. In addition, there were several factors affecting its operating capabilities, including the frozen and seizure of important assets and the suspension of its major construction projects, etc. Notwithstanding the above, the management of CCT will proactively take feasible improvement and supportive measures to reorganise its businesses in order to improve its financial position.

Looking ahead, the Group will continue to monitor the operations of CCT for its turnaround in the future.

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

## MATERIAL ACQUISITION

### **Acquisition of entire equity interest in Sino Profit Trading Limited (“Sino Profit”) and sale of the loans (the “Sale Loan”) advanced by Ms. Tin Yat Yu Carol (“Ms. Tin”)**

On 18 October 2022, a wholly-owned subsidiary of the Company (the “Purchaser”), Delta Wealth Credit Limited (the “Vendor”), Ms. Tin and Sino Profit (collectively known as the “Parties”) entered into the sale and purchase agreement (the “Agreement”), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the entire equity interest of Sino Profit, together with the Sale Loan, at the total consideration of HK\$87,900,000 (subject to downward adjustment) (the “Acquisition”).

The Acquisition constitutes a connected transaction of the Company. As at the date of the Agreement (i.e. 18 October 2022), Sino Profit is wholly-owned by the Vendor, which in turn is indirectly wholly and beneficially owned by Ms. Tin (an executive Director), therefore the Vendor and Ms. Tin are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

As at 31 December 2022 and up to the date of this announcement, the first and second refundable deposits in an aggregated amount of HK\$17,580,000 (equivalent to approximately RMB15,548,000) has been settled. On 14 March 2023, the Parties have, by way of entering into the supplemental agreement, agreed to extend the original long stop date (i.e. 14 March 2023) under the Agreement from 14 March 2023 to 30 April 2023 since the Group is still in the course of negotiation in the financing arrangements with banks for settlement of the remaining consideration.

Details of the Acquisition are set out in the announcements of the Company dated 18 October 2022, 13 December 2022 and 14 March 2023, and the circular of the Company dated 25 November 2022.

#### **EVENT AFTER THE END OF THE REPORTING PERIOD**

Save as disclosed in this announcement, the Group has no other significant event taken place subsequent to 31 December 2022 and up to the date of this announcement.

#### **EMPLOYEES**

As at 31 December 2022, the total number of employees of the Group was 306 (2021: 285). The breakdown of employees of the Group as at 31 December 2022 and 2021 is as follows:

	<b>As at 31 December 2022</b>	As at 31 December 2021
Manufacturing and technical engineering	<b>112</b>	93
Sales and marketing	<b>63</b>	61
General and administration	<b>51</b>	52
Research and development	<b>80</b>	79
	<hr/>	<hr/>
Total	<b>306</b>	285
	<hr/> <hr/>	<hr/> <hr/>

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.

## **OUTLOOK**

Looking ahead, in order to seize further smart office software solutions business opportunities, the Group will continue to expand its market share, broaden its service offering and upgrade its smart office software products. It will also allocate additional resources to expand its research & development team and its centre in the city of Xi'an in China to maintain its unique advantages. Against the positive industry backdrop and given the Group's extensive market experience, it remains optimistic about the outlook for the smart office software solutions business, which is a high-performing driver of revenue. The Group expects its effort will be paid off, upon the completion of current and growing projects in the years ahead.

As a leading provider of smart office solutions in China, the Group will continue to establish solid partnerships with cloud service and channel partners, especially in terms of strategic cooperation agreements with technology giants, creating an industry solution ecosystem for broad-based benefits. With years of development experience, the Group has gained widespread recognition among clients and in the market overall. In addition to maintaining longterm, in-depth relationships with its existing customers, the Group is also expanding its customer base. Following its successful cooperation with Hong Kong government's Leisure and Cultural Services Department, the Group will continue to participate in public sector tenders and identify projects that will benefit the Group in the long run.

## **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 2022 (2021: Nil).

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company ("AGM") is expected to be held on 31 May 2023 (Wednesday) and the notice of AGM will be published and despatched to the Shareholders in due course in accordance with the Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

The transfer books and register of members of the Company will be closed from 25 May 2023 (Thursday) to 31 May 2023 (Wednesday) (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 24 May 2023 (Wednesday).

## **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 2022.



## **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 2022 except for the following deviations:

- (a) 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; and
- (b) 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 23 May 2022 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. David Tsoi, Mr. Hon Ming Sang and Mr. Yuen Shiu Wai, all of whom are independent non-executive Directors. Mr. David Tsoi currently serves as the chairman of the Audit Committee. Mr. Lu, Brian Yong Chen resigned as its member on 31 January 2023 and Mr. Hon Ming Sang was appointed as its member on 31 January 2023. 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 2022, the consolidated financial statements for the year ended 31 December 2022 and this announcement.

## **SCOPE OF WORK OF BDO LIMITED**

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 2022 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 2022. 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 2022.

## **ANNUAL REPORT**

The annual report of the Company for the financial year ended 31 December 2022 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.investech-holdings.com](http://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 2023

*As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Ms. Wang Fang, Ms. Tin Yat Yu, Carol and Mr. Lu Chengye, the non-executive Directors are Mr. Wong Tsu Wai, Derek and Ms. Chung, Elizabeth Ching Yee and the independent non-executive Directors are Mr. David Tsoi, Mr. Hon Ming Sang and Mr. Yuen Shiu Wai.*