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 2023

2023 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**561,011**	556,679
Gross profit	**69,698**	85,371
Loss before tax	**(33,519)**	(28,809)
Loss for the year	**(35,421)**	(33,019)
(Loss)/profit for the year attributable to:		
Owners of the parent	**(41,229)**	(35,882)
Non-controlling interests	**5,808**	2,863
	(35,421)	(33,019)

	Year ended 31 December	
	2023	2022 (Re-presented)
Loss per share attributable to owners of the parent		
– Basic and diluted *(RMB cents)*	**(RMB28.90 cents)**	(RMB26.69 cents)

- The Group recorded a total revenue of approximately RMB561.0 million for the year ended 31 December 2023, representing an increase of approximately RMB4.3 million, or approximately 0.8% as compared to the total revenue of approximately RMB556.7 million for the year ended 31 December 2022.

- The Group's net loss for the year amounted to approximately RMB35.4 million for the year ended 31 December 2023, as compared to the net loss of approximately RMB33.0 million for the year ended 31 December 2022.

- Basic and diluted loss per share was approximately RMB28.90 cents for the year ended 31 December 2023, as compared to basic and diluted loss per share of approximately RMB26.69 cents (Re-presented) for the year ended 31 December 2022.

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 2023, together with comparative figures for the year ended 31 December 2022. The consolidated financial results of the Group for the year ended 31 December 2023 have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	**561,011**	556,679
Cost of sales		**(491,313)**	(471,308)
Gross profit		**69,698**	85,371
Other income and gains	4	**4,206**	6,717
Selling and distribution expenses		**(27,440)**	(28,709)
Administrative expenses		**(62,291)**	(68,508)
Other losses		**(9,795)**	(14,406)
Reversal of/(provision for) impairment losses of financial assets, net		**2,807**	(5,025)
Finance costs	5	**(10,704)**	(4,249)
LOSS BEFORE TAX	6	**(33,519)**	(28,809)
Income tax expense	7	**(1,902)**	(4,210)
LOSS FOR THE YEAR		**(35,421)**	(33,019)
(Loss)/profit for the year attributable to:			
Owners of the parent		**(41,229)**	(35,882)
Non-controlling interests		**5,808**	2,863
		(35,421)	(33,019)

	Notes	2023	2022 (Re-presented)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
– Basic and diluted	9	**(RMB28.90 cents)**	(RMB26.69 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(35,421)**	(33,019)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**145**	1,359
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	**591**	2,965
Changes in fair value of financial asset at fair value through other comprehensive income	**(5,429)**	(21,718)
	(4,838)	(18,753)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(4,693)**	(17,394)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(40,114)**	(50,413)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the parent	**(46,222)**	(53,924)
Non-controlling interests	**6,108**	3,511
	(40,114)	(50,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Investment properties	*10*	**77,575**	5,528
Property, plant and equipment		**1,391**	1,821
Right-of-use assets		**13,026**	12,840
Goodwill	*11*	**134,952**	134,952
Other intangible assets		**37,959**	58,203
Deferred tax assets		**3,932**	3,501
Financial asset at fair value through other comprehensive income		**12,939**	18,368
Deposits		**–**	15,548
Total non-current assets		**281,774**	250,761
CURRENT ASSETS			
Inventories		**16,053**	20,336
Trade and bills receivables and contract assets	*12*	**304,056**	318,138
Prepayments, other receivables and other assets		**35,308**	57,470
Equity investments at fair value through profit or loss	*13*	**6,778**	13,452
Debt investment at fair value through profit or loss		**1,454**	1,270
Pledged deposits		**24,781**	25,549
Cash and cash equivalents		**76,196**	59,436
Total current assets		**464,626**	495,651
CURRENT LIABILITIES			
Trade payables	*14*	**168,659**	215,230
Contract liabilities		**18,934**	48,409
Other payables and accruals		**30,842**	38,420
Promissory note payable		**36,700**	–
Interest-bearing bank and other borrowings		**162,699**	59,574
Convertible bond		**26,364**	–
Tax payable		**22,814**	20,987
Total current liabilities		**467,012**	382,620
NET CURRENT (LIABILITIES)/ASSETS		**(2,386)**	113,031
TOTAL ASSETS LESS CURRENT LIABILITIES		**279,388**	363,792

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**6,862**	10,345
Convertible bond	**–**	24,624
Deferred tax liabilities	**5,693**	8,730
Total non-current liabilities	**12,555**	43,699
Net assets	**266,833**	320,093
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,221**	7,553
Reserves	**257,612**	301,683
	266,833	309,236
Non-controlling interests	**–**	10,857
Total equity	**266,833**	320,093

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(36,906)**	(35,242)
Net cash flows used in investing activities	**(20,412)**	(24,905)
Net cash flows from financing activities	**73,991**	63,156
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,673**	3,009
Cash and cash equivalents at beginning of year	**59,436**	54,920
Effect of foreign exchange rate changes, net	**87**	1,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	**76,196**	59,436

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 is Unit 706, 7th Floor, Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.

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 IFRS Accounting Standards and IFRIC Interpretations 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 2023. 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.

Going concern assumption

For the year ended 31 December 2023, the Group had a net loss of RMB35,421,000 and net operating cash outflows of RMB36,906,000. As of 31 December 2023, the Group had promissory note payable, interest-bearing bank and other borrowings and convertible bond totalling RMB225,763,000, trade payables of RMB168,659,000 included in current liabilities, while the balance of cash and cash equivalents was RMB76,196,000.

In view of the above circumstances, the Group has prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the "Forecast Period"). The cash flow forecast has included the effects of the following major measures and events that have been implemented or taken place in order to enhance the Group's liquidity position to meet its financial obligations during the next twelve months as and when they fall due:

(a) Negotiating with banks to reborrow the Group's revolving loans of a total of RMB119,750,000 upon maturity dates, of which a total of RMB25,167,000 of loans were reborrowed up to the date of the result announcement; and

(b) Negotiating with a bank for additional bank facility in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future.

The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due over the Forecast Period. Accordingly, it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2023 on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and amendments to IFRS Accounting Standards for the first time for the current year's consolidated financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

Except for the Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgments*, the other new or amended IFRS Accounting Standards has no material impact on the Group's results and financial position for the current or prior period and accounting policies. The Group has not applied any new and revised IFRS Accounting Standards that are not yet effective for the current period.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

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. The Group's chief operating decision makers, also being the directors, 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.

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**427,155**	493,736
Vietnam	**9,945**	4,992
Hong Kong	**123,206**	53,952
United States of America	**27**	683
Other countries/regions	**678**	3,316
	561,011	556,679

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**184,863**	205,183
Hong Kong	**80,037**	23,708
Vietnam	**3**	1
	264,903	228,892

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

Revenue of RMB105,730,000 (2022: RMB49,835,000) from a major customer in the communication system segment individually amounted to over 10% to the total revenue of the Group for the year ended 31 December 2023. The customer attributed less than 10% of the total revenue of the Group for the year ended 31 December 2022.

No revenue from sales to a single external customer amounted to over 10% to the total revenue of the Group for the year ended 31 December 2022.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

Disaggregated revenue information

Communication system segment

	2023 *RMB'000*	2022 *RMB'000*
Type of goods or services		
Sales of goods	**318,590**	348,669
Rendering of services	**242,421**	208,010
Total revenue from contracts with customers	**561,011**	556,679
Timing of revenue recognition		
Goods transferred at a point in time	**318,590**	348,669
Services transferred over time	**242,421**	208,010
Total revenue from contracts with customers	**561,011**	556,679

Other income and gains

	2023 *RMB'000*	2022 *RMB'000*
Bank interest income	**410**	249
Fair value gain on equity investments at fair value through profit or loss, net	**–**	5,096
Fair value gain on a debt investment at fair value though profit or loss	**793**	–
Finance income on the net investment in a lease	**–**	76
Government grants released*	**1,227**	1,060
Rental income	**1,120**	61
Others	**656**	175
	4,206	6,717

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank and other borrowings	**8,556**	1,880
Interest on convertible bond	**1,467**	1,458
Interest on lease liabilities	**681**	911
	10,704	4,249

6. LOSS BEFORE TAX

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

	2023 *RMB'000*	2022 *RMB'000*
Cost of inventories sold*	**488,535**	468,987
Depreciation of property, plant and equipment	**1,078**	1,048
Depreciation of right-of-use assets	**7,208**	5,830
Amortisation of other intangible assets**	**20,244**	20,245
(Reversal of)/provision for impairment losses, net	**(2,807)**	5,025
Lease payments not included in the measurement of lease liabilities – Short-term leases	**314**	695
Auditor's remuneration	**1,300**	1,484
Research and development costs***	**21,963**	19,921
Foreign exchange differences, net	**(111)**	219
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**69,528**	64,486
– Pension scheme contributions	**14,867**	14,059
– Share-based payments	**–**	353
	84,395	78,898
Reversal of write-down of inventories to net realisable value*	**(536)**	(335)
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	**2,983**	(5,096)
Fair value (gain)/loss on a debt investment at fair value through profit or loss	**(793)**	10,943
Fair value losses on investment properties	**6,812**	3,244

* 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

	2023	2022
	RMB'000	*RMB'000*
Current－Mainland China		
Charge for the year	**2,701**	5,139
Current－Hong Kong		
Charge for the year	**2,669**	1,892
Deferred tax credit	**(3,468)**	(2,821)
Total tax charge for the year	**1,902**	4,210

The Group is subject to Hong Kong profits tax at the rate of 16.5% (2022: 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 RMB1,818,000) (2022: HK$2,000,000 (equivalent to RMB1,715,000)) 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.

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	**2023**	2022
北京威發新世紀信息技術有限公司 (Beijing Wafer New Century Information Technology Co., Ltd.)*^	**15.0%**	15.0%
威發(西安)軟件有限公司 (Wafer (Xi'an) Software Co., Ltd.)**^	**25.0%**	10.0%

* 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 2023 and 2022.

** 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.

^ The English names are for identification purposes only.

The subsidiary which operates in Vietnam was subject to CIT at a rate of 20% (2022: 20%) on taxable income for the year ended 31 December 2023.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2023 and subsequent to the end of the reporting period (2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 142,655,641 (2022: 134,431,978 (re-presented)) in issue during the year.

The calculations of basic and diluted loss per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation	**(41,229)**	(35,882)

	2023	2022
		(Re-presented)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**142,655,641**	134,431,978
Loss per share		
Basic and diluted	**(RMB28.90 cents)**	(RMB26.69 cents)

The weighted average number of ordinary shares for the purpose of the calculation of basic loss per share has been adjusted for the bonus element in the issue of shares of the Company on 11 March 2022, 28 November 2023 and 31 January 2024 as if effective since 1 January 2022.

The calculation of diluted loss per share for the years ended 31 December 2023 and 2022 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 per share amounts presented for the years ended 31 December 2023 and 2022 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. INVESTMENT PROPERTIES

As at 31 December 2023, the Group's investment properties consisted of car parks and office premises located in Hong Kong, and were measured by using the fair value model. During the year ended 31 December 2023, the Group acquired investment properties at a total cost of HK$86,595,000 (equivalent to RMB80,152,000) through the acquisition of the entire equity interest in Sino Profit Trading Limited which details are set out in note 15.

During the year ended 31 December 2022, the Group acquired five car parks in Hong Kong at a total cost of HK$10,034,000 (equivalent to RMB8,602,000).

All investment properties were held under operating leases to earn rental income or for capital appreciation purposes.

11. GOODWILL

	2023	2022
	RMB'000	*RMB'000*
Cost:		
At 1 January and 31 December	**207,580**	207,580
Accumulated impairment:		
At 1 January and 31 December	**(72,628)**	(72,628)
Net carrying amount:		
At 31 December	**134,952**	134,952

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 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 rates, the budgeted gross margins, the discount rate and the terminal growth rate applied in the cash flow projections. As at 31 December 2023, 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, other intangible assets, property, 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 RMB311,884,000 (2022: RMB228,331,000) and RMB186,459,000 (2022: RMB207,816,000) respectively. No impairment loss was recorded for the year ended 31 December 2023 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 global economy uncertainty and economy slowdown in China, pressing on the sales activities of network infrastructure business. Despite the Group's network system integration business would remain challenging in coming year, the Group expects its continuous growth by expanding the customer base, identifying the business opportunities from other regions, the partnership with various tech giants, and the contribution from the government project in relation to the provision of a smart library system. In addition, the Group foresees that the ongoing trend of enterprises' digital transformation would enhance the demand and awareness of the Group's smart office software solution. 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 2023 as mentioned below.

Assumptions were used in the value-in-use calculation for network system integration cash-generating unit for 31 December 2023 and 2022. 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 2023 is -1.01% to 6.41% per annum (2022: 1.91% to 29.77% per annum).

11. 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 27.47% to 30.97% (2022: 25.36% to 28.05%).

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 2023 is 25.72% (2022: 26.29%).

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 2023 is 3.00% (2022: 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.

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**172,984**	268,000
Impairment	**(10,102)**	(13,498)
Trade receivables, net	**162,882**	254,502
Bills receivables	**7,594**	5,665
Contract assets	**133,580**	57,971
	304,056	318,138

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS (Continued)

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**185,826**	202,667
3 to 6 months	**48,093**	48,410
6 to 12 months	**34,132**	49,203
1 to 2 years	**26,869**	12,193
Over 2 years	**1,542**	–
	296,462	312,473

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**13,498**	9,156
(Reversal of)/provision for impairment losses, net *(note 6)*	**(2,807)**	5,025
Amounts written-off as uncollectible	**(642)**	(647)
Exchange realignment	**53**	(36)
At end of year	**10,102**	13,498

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**4,994**	1,773
3 to 6 months	**2,600**	727
6 to 12 months	**–**	3,165
	7,594	5,665

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**6,778**	13,452

The balance represented listed equity securities investments that offer the Group the opportunity for return by way of fair value changes and dividend income. The equity investments are classified as held for trading and measured at fair value through profit or loss.

As at 31 December 2023, equity investments at fair value through profit or loss represents an investment portfolio comprising twelve (2022: thirteen) equity securities listed in Hong Kong of which ten (2022: eleven) are listed on the Main Board of the Stock Exchange and the remaining two (2022: two) are listed on GEM of the Stock Exchange.

The total fair value losses of RMB2,983,000 was recognised for changes in fair value of equity investments at fair value through profit or loss in "Other losses" in the consolidated statement of profit or loss for the year ended 31 December 2023 (2022: fair value gains of RMB5,096,000 in "Other income and gains").

The fair values of equity investments as at 31 December 2023 have been determined by reference to the quoted market prices available on the Stock Exchange.

14. 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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**72,878**	152,501
3 to 12 months	**42,935**	30,957
1 to 2 years	**23,541**	10,107
Over 2 years	**29,305**	21,665
	168,659	215,230

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

15. ACQUISITION OF SINO PROFIT TRADING LIMITED

On 8 June 2023, a wholly-owned subsidiary of the Company completed an acquisition of the entire equity interest in Sino Profit Trading Limited ("Sino Profit") at a consideration of HK$87,900,000 (equivalent to RMB81,360,000) from Delta Wealth Credit Limited (the "Vendor"). The Vendor is indirectly wholly and beneficially owned by Ms. Tin Yat Yu, Carol who also being the executive director and substantial shareholder of the Company.

Sino Profit is a private company limited by shares duly incorporated in British Virgin Islands and is also a registered non-Hong Kong Company under the Companies Ordinance. Sino Profit is principally engaged in property investment, which is the legal and beneficial owner of the office premises located at units 707 & 708 on 7th floor, Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong (the "Office Premises").

A business combination requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the Group shall account for the transaction or other event as an asset acquisition. The Group may elect to apply, or not apply, the concentration test to assess whether an acquired set of activities and assets is not a business. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations and concluded that:

a) The land and building components of each the office unit, together with the in-place leases, are considered a single identifiable asset; and

b) The Office Premises is a group of similar identifiable assets because the assets are similar in nature and risks associated with managing and creating outputs are not significantly different.

The Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Investment properties	**80,152**
Other receivables	**1,649**
Cash and cash equivalents	**145**
Other payables	**(586)**
	81,360

Net cash outflows arising on acquisition of Sino Profit

	RMB'000
Total consideration	**81,360**
Less: Deposit paid in 2022	**(16,272)**
Less: Promissory note payable	**(38,683)**
Less: Cash and cash equivalents acquired	**(145)**
	26,260

16. EVENT AFTER THE REPORTING PERIOD

On 7 November 2023, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Subscriber agreed to subscribe for 59,200,000 new ordinary shares of the par value of US$0.01 each in the share capital of the Company (the "Subscription Share") at the subscription price of HK$0.19 per Subscription Share (the "Subscription"). Details of the Subscription are set out in the announcements of the Company dated 7 November 2023, 25 January 2024 and 31 January 2024, and the circular of the Company dated 20 December 2023. Completion of the Subscription took place on 31 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2023 (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 ("China") market.

The Group's total revenue recorded an increase of approximately RMB4.3 million or approximately 0.8% to approximately RMB561.0 million for the Year (2022: approximately RMB556.7 million). The Group's gross profit decreased by approximately RMB15.7 million or approximately 18.4% to approximately RMB69.7 million for the Year (2022: approximately RMB85.4 million). A net loss for the Year of approximately RMB35.4 million was recorded (2022: approximately RMB33.0 million), which was comparable to 2022.

IT Infrastructure System Integration

As a result of the global economic slowdown and geopolitical uncertainties and volatility throughout 2023, the Group faced a challenging business environment during the Year. Especially the China markets showed slow signs of recovery with intense competition environment, leading to the decline in revenue from the Group's core traditional IT infrastructure system integration business in China. Nevertheless, the Group continued to leverage its core competitiveness and provide advanced and customised IT infrastructure solutions to its customers in diverse segments. The Group also maintained 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.

Despite the revenue from the China market declined, the revenue from the Group's IT infrastructure system integration business in Hong Kong recorded a steady growth. The Group's Hong Kong project regarding the provision of a smart library system for Hong Kong government's Leisure and Cultural Services Department (the "Library Project") has contributed revenue of approximately RMB105.7 million (2022: approximately RMB49.8 million), representing an increase of approximately RMB55.9 million, or approximately 112.2% as compared with that of 2022. The Group expected that the Library Project will be on-going to provide a stable income stream to the Group.

As a result, the overall IT infrastructure system integration segment of the Group contributed revenue of approximately RMB504.7 million for the Year (2022: approximately RMB500.8 million).

Smart Office Software Solutions

The changing economy and operating environment caused by the COVID-19 pandemic has driven the increase in demand and adoption of smart office devices and solutions. The Group continuously enhanced its competitiveness on the integrated product matrix and strong research and development capability to capture the enormous growth opportunities in smart office markets in China. The Group's smart office solutions – Virsical, a well-designed holistic facilities, resources and people wellness platform and ecosystem, focusing in digitised office, building and campus management solutions featuring visualised and interactive Visitor Management, Smart Meeting Management, Workspace Management, Message announcement, Wireless Access, Video Collaboration, and Instant Messaging, are serving most of the Fortune 500 enterprises which covered Medical, Education, Finance, Manufacturing, Campus setup and Retails. Accordingly, the Group's revenue from the provision of smart office software solutions increased by approximately RMB0.4 million, or approximately 0.7%, to approximately RMB56.3 million for the Year, following respective revenue of approximately RMB55.9 million in 2022.

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 2023, the Group held equity securities listed in Hong Kong worth approximately RMB6.8 million as financial assets for trading (2022: approximately RMB13.5 million). During the Year, the Group recorded a net fair value loss on equity investments at fair value through profit or loss of approximately RMB3.0 million (2022: fair value gain of approximately RMB5.1 million). In additions, the Group hold five car-parking spaces and a commercial office during the Year and all of them have been leased out, providing stable rental returns to the Group. Influenced by sluggish property market in Hong Kong, the Group recorded a net fair value losses on investment properties of approximately RMB6.8 million (2022: approximately RMB3.2 million) for the Year.

FINANCIAL REVIEW

Revenue and cost of sales

Revenue of the Group for the Year was approximately RMB561.0 million (2022: approximately RMB556.7 million), representing an increase of approximately RMB4.3 million, or approximately 0.8% as compared with that of 2022. The increase in revenue was primarily attributable to the combined effect of (i) increase in revenue contributed by the Library Project; and (ii) decrease in revenue from the Group's IT infrastructure system integration business in China for the Year.

Following the increase in revenue, the cost of sales of the Group increased by approximately RMB20.0 million, or approximately 4.2% to approximately RMB491.3 million for the Year (2022: approximately RMB471.3 million). The increase in cost of sales was mainly attributable to the higher portion of revenue contributed by hardware and maintenance warranties sales which had comparatively higher direct cost, as compared to the software sales.

Gross profit and gross profit margin

The Group achieved gross profit for the Year amounted to approximately RMB69.7 million (2022: approximately RMB85.4 million), representing a decrease of approximately RMB15.7 million, or approximately 18.4% as compared with that of 2022. The gross profit margin for the Year was approximately 12.4% (2022: approximately 15.3%), representing a decrease of approximately 2.9% as compared with that of 2022. The decrease in gross profit margin was primarily attributable to the increase in the proportion of sales contributed by hardware and maintenance warranties sales, which have a comparatively lower gross profit margins.

Other income and gains

The Group recorded other income and gains of approximately RMB4.2 million for the Year (2022: approximately RMB6.7 million), mainly consisted of (i) rental income from investment properties of RMB1.1 million (2022: approximately RMB61,000); and (ii) the government grants released to the Group of approximately RMB1.2 million (2022: approximately RMB1.1 million). The other income decreased was mainly due to the absence of fair value gain on equity investments at fair value through profit or loss for the Year (2022: approximately RMB5.1 million).

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately RMB1.3 million or approximately 4.5% to approximately RMB27.4 million for the Year (2022: approximately RMB28.7 million). The selling and distribution expenses for the Year was comparable to that of 2022.

Administrative expenses

The administrative expenses of the Group decreased by approximately RMB6.2 million or approximately 9.1% to approximately RMB62.3 million for the Year (2022: approximately RMB68.5 million), primarily attributable to the decrease in staff cost and overall administrative expenses as a result of continuous cost reduction managed by the Group.

Other losses

The other losses for the Year represented (i) fair value losses on equity investments at fair value through profit or loss of approximately RMB3.0 million (2022: fair value gains of approximately RMB5.1 million recorded in "Other income and gains"); and (ii) fair value losses on investment properties of approximately RMB6.8 million (2022: approximately RMB3.2 million). The other losses for 2022 also included a fair value loss on debt investment at fair value through profit or loss of approximately RMB10.9 million.

Finance costs

The finance costs of the Group increased by approximately RMB6.5 million to approximately RMB10.7 million for the Year (2022: approximately RMB4.2 million) as the new bank borrowings for the Year increased the finance costs.

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 RMB5.4 million for the Year (2022: approximately RMB7.0 million), which was arising from the assessable profits of the Group's subsidiaries in China and in Hong Kong during the Year.

The Group recorded total tax expense of approximately RMB1.9 million for the year (2022: approximately RMB4.2 million), primarily due to the recognition of the deferred tax credit of approximately RMB3.0 million (2022: approximately RMB3.0 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

The Group recorded a loss for the Year of approximately RMB35.4 million for the Year (2022: approximately RMB33.0 million). The increase in loss was mainly attributable to the combined effect of decline of gross profit, the decrease in other losses and the increase in finance cost for the Year.

Liquidity and financial resources

As at 31 December 2023, the Group's gearing ratio, which is calculated by total of interest-bearing bank and other borrowings, promissory note payable and convertible bond divided by total assets, was approximately 31.2% (2022: approximately 12.7%). The increase in Group's gearing ratio was mainly due to the increase in bank and other borrowings from approximately RMB69.9 million as at 31 December 2022 to approximately RMB169.6 million as at 31 December 2023, and the increment was mainly due to the increase in new bank borrowings to finance the Group's business operation in Hong Kong for the Year.

As at 31 December 2023, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB169.6 million (2022: approximately RMB69.9 million), among which approximately RMB119.8 million (2022: approximately RMB50.6 million) was unsecured and guaranteed by a director of the Company. As at 31 December 2023, the interest-bearing bank and other borrowings of approximately RMB19.9 million (2022: approximately RMB19.3 million) carried at fixed interest rates and approximately RMB149.7 million (2022: approximately RMB50.6 million) carried at floating interest rates.

As at 31 December 2023, the carrying amount of convertible bond of the Group amounted to approximately RMB26.4 million (2022: approximately RMB24.6 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 2023.

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 2023 was approximately RMB16.1 million (2022: approximately RMB20.3 million). The average turnover days for inventories was 14 days as at 31 December 2023 (2022: 15 days). Trade and bills receivables balance as at 31 December 2023 was approximately RMB304.1 million (2022: approximately RMB318.1 million). The average turnover days for trade and bills receivables increased to 202 days as at 31 December 2023 (2022: 173 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 2023 was approximately RMB168.7 million (2022: approximately RMB215.2 million). The average turnover days for trade payables decreased to 143 days as at 31 December 2023 (2022: 151 days).

Affected by the increase in average turnover days for trade and bill receivables, the Group's cash conversion cycle for the Year increased from 37 days in 2022 to 73 days in 2023.

Cash flows

The net cash used in operating activities for the Year amounted to approximately RMB36.9 million.

The net cash used in investing activities for the Year of approximately RMB20.4 million was mainly attributable to the acquisition of investment properties of approximately RMB26.3 million.

The net cash generated from financing activities for the Year of approximately RMB74.0 million was primarily attributable to the combined effect of (i) repayment of bank and other borrowings of approximately RMB46.1 million; (ii) new bank and other borrowings of approximately RMB141.4 million; and (iii) payments for the acquisition of 30% interest in the Group's unincorporated joint venture.

Charge on assets

As at 31 December 2023, investment properties of approximately RMB72.7 million (2022: approximately RMB5.5 million) were pledged as security for interest-bearing bank and other borrowings of the Group.

Capital expenditures

The Group had capital expenditures of approximately RMB88.1 million for the Year (2022: approximately RMB10.1 million) for additions to property, plant and equipment, investment properties and right-of-use assets.

Capital commitments

As at 31 December 2023, the Group had no significant capital commitments (2022: Nil).

CAPITAL STRUCTURE

Placing of new shares under general mandate

On 7 November 2023, China Demeter Securities Limited, a placing agent and the Company entered into a conditional placing agreement (the "Placing Agreement") pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 23,448,000 ordinary shares of the par value of US$0.01 each in the share capital of the Company (the "Placing Share(s)") at the placing price of HK$0.19 per Placing Share (the "Placing"). The closing price of the shares of the Company as quoted on the Stock Exchange on 7 November 2023, being the date of the Placing Agreement, was HK$0.21 per share. The Placing is conditional upon the fulfilment of the following conditions: (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares; and (ii) all necessary consents and approvals to be obtained on the part of each of the placing agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained. Completion of the Placing took place on 28 November 2023, and an aggregate of 23,448,000 Placing Shares (with aggregate nominal value of US$234,480) have been fully issued to not less than six placees who shall be professional, institutional or other investors independent of and not connected with the Company, the connected persons of the Company and their respective associates. As such, the gross proceeds from the Placing was approximately HK$4.5 million, and the net proceeds from the Placing, after deducting the placing commission and other related expenses incurred in relation to the Placing, was approximately HK$4.2 million. The net issue price of each Placing Share is HK$0.18. Up to the date of this announcement, the net proceeds from the Placing was fully used for the repayment of the Group's current liabilities as intended. Details of the Placing are set out in the announcements of the Company dated 7 November 2023 and 28 November 2023.

Subscription of new shares under specific mandate

On 7 November 2023, Mr. Wong Tai Kuen being the subscriber (the "Subscriber") and the Company entered into the subscription agreement (the "Subscription Agreement") pursuant to which the Subscriber has conditionally agreed to subscribe for 59,200,000 ordinary shares of the par value of US$0.01 each in the share capital of the Company (the "Subscription Share(s)") at the subscription price of HK$0.19 per Subscription Share (the "Subscription").

Pursuant to the Subscription Agreement, the Subscriber agreed that, in the event that upon completion of the Subscription, the number of Subscription Shares to be allotted and issued to the Subscriber under the Subscription Agreement would cause the shareholding of the Subscriber to become 30% or more (or such percentage that would trigger the obligation of the Subscriber to make a general offer for the issued shares of the Company under Rule 26 of the Takeovers Code), the Company shall have the right to adjust the number of Subscription Shares downward such that no general offer obligations on the part of the Subscriber would be triggered. The Subscription was conditional upon the fulfilment of the following conditions: (i) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; (ii) all necessary consents and approvals required to be obtained by the parties hereto in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Subscription, having been obtained; and (iii) the passing of necessary resolution(s) at the special general meeting of the Company by the Company's shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules and other applicable laws and regulations to approve the Subscription Agreement and the transactions contemplated thereunder, including the specific mandate for the allotment and issue of the Subscription Shares.

Subsequent to the end of the reporting period, all the conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on 31 January 2024. The Subscriber has subscribed for 59,200,000 Subscription Shares at the subscription price of HK$0.19 per Subscription Share. The gross proceeds from the Subscription was approximately HK$11.3 million. The net proceeds, after deduction of all relevant expenses (including but not limited to legal expenses and disbursements) incidental to the Subscription of approximately HK$0.5 million, was approximately HK$10.8 million. Up to the date of this announcement, the net proceeds from the Placing was fully utilised as intended as to (i) approximately HK$9.3 million for the repayment of the Group's current liabilities; and (ii) the remaining proceeds of approximately HK$1.5 million for the general working capital of the Group in which approximately HK$1.3 million and approximately HK$0.2 million for payment of salaries expenses and rental expenses respectively.

Details of the Subscription are set out in the announcements of the Company dated 7 November 2023, 11 January 2024, 25 January 2024 and 31 January 2024, and the circular of the Company dated 20 December 2023.

INVESTMENT IN LISTED EQUITY INVESTMENTS

During the Year, the Group recorded fair value losses on equity investments at fair value through profit or loss of approximately RMB3.0 million (2022: fair value gains of approximately RMB5.1 million), which was related to the fair value losses from the Group's investment in listed securities. As at 31 December 2023, the Group's equity investments at fair value through profit or loss consisted of 12 listed equity investments (2022: 13), all of them were shares listed on the Stock Exchange. The global geopolitical tensions and volatility of China's economy throughout 2023 shunned the Hong Kong stock market, and affected the performance of the Group's securities investment. The Group will closely monitor the Hong Kong securities market and the performance of its securities investment.

As at 31 December 2023, 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.

MATERIAL ACQUISITIONS

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"). Sino Profit is principally engaged in holding investment properties located in Hong Kong.

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 Rules Governing the Listing of Securities on the Stock Exchange ("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.

Upon the completion of the Acquisition on 8 June 2023, Sino Profit became an indirect wholly-owned subsidiary of the Company. Details of the Acquisition are set out in the announcements of the Company dated 18 October 2022, 13 December 2022, 14 March 2023, 28 April 2023 and 8 June 2023, and the circular of the Company dated 25 November 2022.

Acquisition of 30% interest in the Group's unincorporated joint venture

On 10 April 2023 and 13 April 2023, Wafer Systems (Asia) Limited ("Wafer", an indirect wholly-owned subsidiary of the Company), iMusic iDol Limited (the "JV Partner"), and Delta Wealth Finance Limited ("Delta") entered into a settlement agreement and a supplemental agreement to the settlement agreement (collectively the "Settlement Agreements") respectively in relation to the settlement arrangement. The arrangement involves the payment of an aggregate sum of HK$9 million by Wafer to the JV Partner and the return of 30% of the total security guarantee deposit by Wafer to the JV Partner, and in return the JV Partner shall transfer its 30% beneficial interest in Wafer iMusic Joint Venture (the "Joint Venture", a contractual unincorporated joint venture with its beneficial interest owned as to 70% by Wafer and 30% by the JV Partner) to Wafer (or its nominee), subject to the approval of the Leisure and Cultural Services Department of the Government of the HKSAR. Details of the Settlement Agreements are set out in the announcement of the Company dated 13 April 2023. A deed of novation dated 10 May 2023 was entered into among the Government of the HKSAR, Wafer and the JV Partner, pursuant to which JV Partner agreed to novate all of their rights, title and interests in, and all of their liabilities and obligations, under the contract regarding the Library Project to Wafer (the "Novation"), and Wafer accepts the Novation and undertakes to assume, observe, perform, discharge and be bound by each and all of the liabilities and obligations of Wafer and the JV Partner under the Library Project.

On 1 August 2023, a letter of confirmation was signed by Wafer, the JV Partner and Delta, confirming that all of their respective undertakings under the Settlement Agreements have been fulfilled and duly performed. On the same date, a deed of assignment was entered into between the JV Partner (as assignor) and Wafer (as assignee), pursuant to which the JV Partner has agreed to transfer and assign, and Wafer has agreed to accept the transfer and assignment of all of the rights, title, ownership and interests held by the JV Partner under the Joint Venture (the "Assignment"). Upon completion of the Assignment on 1 August 2023, the Joint Venture became indirectly wholly owned by the Company.

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 2023 and up to the date of this announcement.

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 325 (2022: 306). The breakdown of employees of the Group as at 31 December 2023 and 2022 is as follows:

	As at 31 December 2023	As at 31 December 2022
Manufacturing and technical engineering	**125**	112
Sales and marketing	**62**	63
General and administration	**54**	51
Research and development	**84**	80
Total	**325**	306

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, the Group will maintain the stable development of its IT infrastructure system integration and smart office software solution businesses. Leveraging the Group's enhanced customer base and stable revenue streams, the Group remains cautiously optimistic about its business and operation prospect. Being a leading provider of smart office solutions in China, the Group has been deepening its achievements in the smart office field to meet enterprises' needs as these relate to intelligent operations, employee health, collaborative efficiency, carbon emissions reduction, energy conservation and user experience. Its integrated product matrix, strong research & development capabilities, large customer base and extensive ecological cooperation network contribute to its core competitiveness. The Group will continue to develop and optimise solutions to offer its customers one-stop smart-space solutions and facilitate enterprises' digital transformation. Apart from the above, the Group will continue actively to participate in tenders to secure the income stream from both private and public sector customers.

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 year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") is expected to be held on 31 May 2024 (Friday) and the notice of AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.investechholdings.com) 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 28 May 2024 (Tuesday) to 31 May 2024 (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 27 May 2024 (Monday).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (renumbered to Appendix C3 with effect from 31 December 2023) 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 2023.

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 all the code provisions as set out in Part 2 of the Corporate Governance Code (the "CG Code") in Appendix 14 (renumbered to Appendix C1 with effect from 31 December 2023) to the Listing Rules during the year ended 31 December 2023, except for the following deviation.

Code provision C.2.1 of Part 2 of 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 C.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 C.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in future.

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 2023, the consolidated financial statements for the year ended 31 December 2023 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 2023 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 2023. 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 2023.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2023 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) in due course in accordance with the Listing Rules.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Ms. Tin Yat Yu, Carol, Ms. Wang Fang 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.