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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 2021

2021 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(Re-presented) ⁽¹⁾
Revenue	484,598	469,116
Gross profit	57,108	51,267
Loss before tax	<u>(22,048)</u>	<u>(78,278)</u>
(Loss)/profit for the year		
– Continuing operation	(22,329)	(78,662)
– Discontinued operation	<u>1,329</u>	<u>(8,024)</u>
	<u>(21,000)</u>	<u>(86,686)</u>
(Loss)/profit for the year attributable to owners of the parent		
– Continuing operation	(18,176)	(75,027)
– Discontinued operation	<u>1,329</u>	<u>(8,024)</u>

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
		(Re-presented) ⁽¹⁾
Loss for the year attributable to non-controlling interests		
– Continuing operation	<u>(4,153)</u>	<u>(3,635)</u>
(Loss)/earnings per share		
From continuing and discontinued operation		
– Basic and diluted	<u>(RMB21.03 cents)</u>	<u>(RMB109.18 cents)</u>
From continuing operation		
– Basic and diluted (<i>RMB cents</i>)	<u>(RMB22.69 cents)</u>	<u>(RMB98.63 cents)</u>
From discontinued operation		
– Basic and diluted (<i>RMB cents</i>)	<u>RMB1.66 cents</u>	<u>(RMB10.55 cents)</u>
⁽¹⁾	Comparative amounts are re-presented as a result of certain subsidiaries being disposed of for the year ended 31 December 2021, which constitutes a discontinued operation.	
	<ul style="list-style-type: none"> The Group recorded a total revenue of approximately RMB484.6 million for the year ended 31 December 2021, representing an increase of approximately RMB15.5 million, or approximately 3.3% as compared to the total revenue of approximately RMB469.1 million for the year ended 31 December 2020. The Group's net loss for the year amounted to approximately RMB21.0 million for the year ended 31 December 2021, as compared to the net loss of approximately RMB86.7 million for the year ended 31 December 2020. Basic and diluted loss per share from continuing operation was approximately RMB22.69 cents for the year ended 31 December 2021, as compared to basic and diluted loss per share from continuing operation of approximately RMB98.63 cents for the year ended 31 December 2020. 	

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 2021, together with comparative figures for the year ended 31 December 2020. The consolidated financial results of the Group for the year ended 31 December 2021 have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i> (Re-presented)
CONTINUING OPERATION			
Revenue	4	484,598	469,116
Cost of sales		<u>(427,490)</u>	<u>(417,849)</u>
Gross profit		57,108	51,267
Other income and gains	4	5,252	6,027
Selling and distribution expenses		(25,806)	(25,942)
Administrative expenses		(54,359)	(48,647)
Other expenses, net		(100)	(516)
Impairment of goodwill	10	–	(57,612)
(Impairment losses)/reversal of impairment losses of financial assets, net		(1,136)	71
Finance costs	5	<u>(3,007)</u>	<u>(2,926)</u>
Loss before tax	6	(22,048)	(78,278)
Income tax expense	7	<u>(281)</u>	<u>(384)</u>
Loss for the year from continuing operation		(22,329)	(78,662)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	16	<u>1,329</u>	<u>(8,024)</u>
LOSS FOR THE YEAR		<u>(21,000)</u>	<u>(86,686)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

Year ended 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i> (Re-presented)
(Loss)/profit for the year attributable to:			
Owners of the parent			
– From continuing operation		(18,176)	(75,027)
– From discontinued operation		<u>1,329</u>	<u>(8,024)</u>
		(16,847)	(83,051)
Non-controlling interests			
– From continuing operation		<u>(4,153)</u>	<u>(3,635)</u>
		<u>(21,000)</u>	<u>(86,686)</u>
 (LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF			
THE PARENT			
	9		(Re-presented)
 From continuing operation and discontinued operation			
– Basic and diluted		<u>(RMB21.03 cents)</u>	<u>(RMB109.18 cents)</u>
 From continuing operation			
– Basic and diluted		<u>(RMB22.69 cents)</u>	<u>(RMB98.63 cents)</u>
 From discontinued operation			
– Basic and diluted		<u>RMB1.66 cents</u>	<u>(RMB10.55 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
LOSS FOR THE YEAR	<u>(21,000)</u>	<u>(86,686)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	26,064	21,848
Recycle of exchange differences upon disposal of foreign operations	<u>(657)</u>	<u>–</u>
	<u>25,407</u>	<u>21,848</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	(27,083)	(24,489)
Change in fair value of financial asset at fair value through other comprehensive income	<u>(70,992)</u>	<u>(271,491)</u>
	<u>(98,075)</u>	<u>(295,980)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(72,668)</u>	<u>(274,132)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(93,668)</u>	<u>(360,818)</u>
Total comprehensive loss for the year attributable to:		
Owners of the parent	(89,437)	(356,994)
Non-controlling interests	<u>(4,231)</u>	<u>(3,824)</u>
	<u>(93,668)</u>	<u>(360,818)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,995	1,044
Right-of-use assets		17,824	2,963
Goodwill	<i>10</i>	134,952	134,952
Other intangible assets		78,448	98,691
Deferred tax assets		3,718	3,650
Financial asset at fair value through other comprehensive income	<i>11</i>	40,086	111,078
Loan receivables		–	1,749
		<hr/>	<hr/>
Total non-current assets		277,023	354,127
CURRENT ASSETS			
Inventories		17,320	12,648
Trade and bills receivables	<i>12</i>	208,047	199,575
Loan receivables		1,749	14,783
Interest receivables		–	149
Prepayments, other receivables and other assets		55,195	42,916
Equity investment at fair value through profit or loss	<i>13</i>	2,880	999
Debt investment at fair value through profit or loss	<i>14</i>	12,530	13,055
Pledged deposits		25,765	6,090
Cash and cash equivalents		54,920	76,128
		<hr/>	<hr/>
Total current assets		378,406	366,343
CURRENT LIABILITIES			
Trade payables	<i>15</i>	174,832	161,709
Contract liabilities		25,833	23,284
Other payables and accruals		25,047	35,413
Interest-bearing bank and other borrowings		36,347	46,184
Tax payable		14,877	13,196
		<hr/>	<hr/>
Total current liabilities		276,936	279,786
		<hr/>	<hr/>
NET CURRENT ASSETS		101,470	86,557
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		378,493	440,684
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Contract liabilities	2,831	3,344
Interest-bearing bank and other borrowings	12,921	1,991
Convertible bond	21,672	–
Deferred tax liabilities	11,768	14,805
	<hr/>	<hr/>
Total non-current liabilities	49,192	20,140
	<hr/>	<hr/>
Net assets	329,301	420,544
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,464	188,710
Reserves	317,286	182,389
	<hr/>	<hr/>
	322,750	371,099
	<hr/>	<hr/>
Non-controlling interests	6,551	49,445
	<hr/>	<hr/>
Total equity	329,301	420,544
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net cash flows (used in)/from operating activities	<u>(8,707)</u>	<u>19,917</u>
Net cash flows (used in)/from investing activities	<u>(6,456)</u>	<u>24,699</u>
Net cash flows used in financing activities	<u>(4,867)</u>	<u>(15,853)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,030)	28,763
Cash and cash equivalents at beginning of year	76,128	48,781
Effect of foreign exchange rate changes, net	<u>(1,178)</u>	<u>(1,416)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>54,920</u>	<u>76,128</u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

InvesTech Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company announced on 3 May 2021 that the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The changes become effective on 7 July 2021 (Bermuda time). The address of the registered office of the Company has been changed from P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands to Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda after the change of domicile. The Company’s principal place of business in Hong Kong is Room 1201, 12/F, C C Wu Building, 302–308 Hennessy Road, Wanchai, Hong Kong.

The Company 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. During the year ended 31 December 2021, the Group had discontinued its money lending business.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 new and revised IFRSs for the first time for the current year's financial statements.

Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

The new and amended IFRSs that are effective from 1 January 2021 did not have significant financial effect on these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

In prior years, for management purposes, the Group was organised into business units based on their products and services and had two reportable operating segments as follows:

- (a) the communication system segment, which is engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services, smart office software solutions, and the network equipment rental business; and
- (b) the money lending segment, which provides credit financing to entities and individuals in Hong Kong.

During the year ended 31 December 2021, the Group's money lending segment was regarded as a discontinued operation which details are set out in note 16 to this announcement.

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

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investment at fair value through profit or loss, debt investment at fair value through profit or loss, and corporate and other unallocated assets as these assets are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude interest-bearing bank and other borrowings (other than lease liabilities), convertible bond, tax payable, deferred tax liabilities, loans from a director and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2021

	Continuing operation	Discontinued operation	
	Communication system RMB'000	Money lending RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	484,598	48	484,646
Segment results	(10,537)	1,329	(9,208)
Interest income			259
Finance costs (other than interest on lease liabilities)			(2,018)
Corporate and other unallocated expenses			(9,752)
Loss before tax and discontinued operation			(20,719)
Segment assets	553,595	–	553,595
Corporate and other unallocated assets			101,834
Total assets			655,429
Segment liabilities	200,385	–	200,385
Corporate and other unallocated liabilities			125,743
Total liabilities			326,128
Other segment information:			
Impairment losses recognised in the consolidated statement of profit or loss, net	1,136	–	1,136
Depreciation and amortisation	26,894	–	26,894
Capital expenditure*	22,527	–	22,527

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information for continuing operation

(a) *Revenue from external customers*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Re-presented)
Mainland China	461,574	418,684
Vietnam	20,052	37,217
Hong Kong	2,379	6,138
United States of America	3	3,095
Other countries/regions	590	3,982
	<u>484,598</u>	<u>469,116</u>

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

(b) *Non-current assets*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	269,636	350,474
Hong Kong	3,665	1
Vietnam	4	2
	<u>273,305</u>	<u>350,477</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets. The non-current assets in Mainland China comprise the financial asset at fair value through other comprehensive income of RMB40,086,000 (2020: RMB111,078,000).

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 2021 and 2020.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains, net, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Re-presented)
<i>Continuing operation</i>		
Revenue from contracts with customers	<u>484,598</u>	<u>469,116</u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers

Communication system segment

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Type of goods or services		
<i>Continuing operation</i>		
Sales of goods	337,878	296,144
Rendering of services	<u>146,720</u>	<u>172,972</u>
Total revenue from contracts with customers	<u><u>484,598</u></u>	<u><u>469,116</u></u>
Geographical markets		
<i>Continuing operation</i>		
Mainland China	461,574	418,684
Vietnam	20,052	37,217
Hong Kong	2,379	6,138
United States of America	3	3,095
Other countries/regions	<u>590</u>	<u>3,982</u>
Total revenue from contracts with customers	<u><u>484,598</u></u>	<u><u>469,116</u></u>
Timing of revenue recognition		
<i>Continuing operation</i>		
Goods transferred at a point in time	337,878	296,144
Services transferred over time	<u>146,720</u>	<u>172,972</u>
Total revenue from contracts with customers	<u><u>484,598</u></u>	<u><u>469,116</u></u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Other income and gains

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Continuing operation</i>		
Bank interest income	239	419
Fair value gain on an equity investment at fair value through profit or loss	1,948	–
Fair value gain on a debt investment at fair value through profit or loss	1,364	1,607
Finance income on the net investment in a lease	225	389
Gain on collection of impaired trade receivables acquired in a business combination**	–	73
Government grants released*	1,475	3,295
Others	1	244
	<u>5,252</u>	<u>6,027</u>

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Continuing operation</i>		
Interest on bank and other borrowings	2,018	2,255
Interest on lease liabilities	989	671
	<u>3,007</u>	<u>2,926</u>

6. LOSS BEFORE TAX FROM CONTINUING OPERATION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Re-presented)
<i>Continuing operation</i>		
Cost of inventories sold*	405,739	394,724
Depreciation of property, plant and equipment	876	1,089
Depreciation of right-of-use assets	5,775	5,285
Amortisation of other intangible assets**	20,243	20,245
Impairment of goodwill	–	57,612
Impairment losses/(reversal of impairment losses) of trade receivables, net	1,136	(71)
Short-term lease expense	1,202	1,655
Auditors' remuneration	1,556	1,566
Research and development costs***	17,944	13,373
Foreign exchange differences, net	100	319
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	56,259	48,348
– Pension scheme contributions	11,956	6,080
– Share-based payments	626	–
	<u>68,841</u>	<u>54,428</u>
Reversal of write-down of inventories to net realisable value*	(2,608)	(1,360)
Net fair value (gain)/loss on equity investment at fair value through profit or loss	<u>(1,948)</u>	<u>188</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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (equivalent to RMB1,779,000) (2020: HK\$2,000,000 (equivalent to RMB1,763,000)) 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.

	2021 RMB'000	2020 RMB'000 (Re-presented)
<i>Continuing operation</i>		
Current – Mainland China		
Charge for the year	3,386	3,026
Current – Vietnam		
Charge for the year	–	1,042
Deferred income tax	(3,105)	(3,684)
	<hr/> 281 <hr/>	<hr/> 384 <hr/>
Total tax charge for the year	281	384

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:

	2021	2020
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.**^	10.0%	12.5%

* The entity is qualified as High and New Technology Enterprises and was entitled to a preferential CIT rate of 15% for the years ended 31 December 2021 and 2020.

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

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

The subsidiary which operates in Vietnam was subject to CIT at a rate of 14% (2020: 14%) on taxable income for the year ended 31 December 2021. This entity is entitled to enjoy 30% tax relief based on the condition that its revenue was less than VND200 billion (equivalent to RMB59,781,000) for the years ended 31 December 2021 and 2020.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2021 and subsequent to the end of the reporting period (2020: 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 80,090,254 (2020: 76,065,912 (Re-presented)) in issue during the year.

The calculation of diluted loss per share for the year ended 31 December 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.

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

	2021 RMB'000	2020 <i>RMB'000</i> (Re-presented)
(Loss)/earnings		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (loss)/earnings per share calculation:		
– From continuing operation	(18,176)	(75,027)
– From discontinued operation	<u>1,329</u>	<u>(8,024)</u>
	<u>(16,847)</u>	<u>(83,051)</u>
	Number of shares	
	2021	2020 (Re-presented)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	<u>80,090,254</u>	<u>76,065,912</u>
(Loss)/earnings per share:		
Basic and diluted		
– From continuing operation	(RMB22.69 cents)	(RMB98.63 cents)
– From discontinued operation	<u>RMB1.66 cents</u>	<u>(RMB10.55 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 capital reorganisation of the Company on 28 July 2021, and the bonus elements in the issue of shares of the Company on 6 September 2021 and 11 March 2022 as if effective since 1 January 2020.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

10. GOODWILL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost:		
At 1 January and 31 December	<u>207,580</u>	<u>207,580</u>
Accumulated impairment:		
At 1 January	(72,628)	(15,016)
Impairment during the year (<i>note 6</i>)	<u>–</u>	<u>(57,612)</u>
At 31 December	<u>(72,628)</u>	<u>(72,628)</u>
Net carrying amount:		
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 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 the budgeted revenue growth rate, the budgeted gross margins, the discount rate and the long term growth rate applied in the cash flow projections. During the year ended 31 December 2020, the Group recognised an impairment loss of approximately RMB57,612,000 against goodwill following a reduction in the future cash flow projection of Fortune Grace Management Limited and its subsidiaries (“Fortune Grace Group”). As at 31 December 2021, based on the goodwill impairment assessment results, the Recoverable Amount of CGU and the carrying amount of the network system integration cash-generating unit is approximately RMB252,568,000 (2020: RMB302,249,000) and RMB233,219,000 (2020: RMB282,635,000) respectively. No impairment loss was recorded for the year ended 31 December 2021 as the recoverable amount of CGU exceeds its carrying amount, which includes the net carrying amount of the goodwill.

10. GOODWILL (Continued)

The cash flow projections have taken into account the outbreak of COVID-19 pandemic (the “COVID-19”) would continuously affect the global economy but become stabilised in coming years, the Group expects continuously 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 outbreak of COVID-19. 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 2021 as mentioned below.

Assumptions were used in the value-in-use calculation for network system integration cash-generating unit for the years ended 31 December 2021 and 2020. 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 2021 is 1.00% to 23.28% per annum (2020: 4.36% to 17.69% per annum).

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 25.43% to 30.18% (2020: 24.15% to 33.28%).

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 2021 is 26.67% (2020: 26.07%).

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 2021 is 3.00% (2020: 3.00%).

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

If the key assumptions on which the Group had based its determination of the Recoverable Amount of CGU changed in an unfavourable extent, the changes may cause an impairment loss.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement (the “Agreement”) with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* (“CCT”)) which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company would inject an amount of RMB600,000,000 in CCT. The capital injection was completed on 25 July 2018 when the Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. Upon completion of the capital injection into CCT and other conditions as stipulated in the Agreement, the Group has irrevocably designated this unlisted equity investment at fair value through other comprehensive income at initial recognition as the Group considers this investment to be strategic in nature. As at 31 December 2019, resulting from CCT’s capital increase during the year, the Company’s shareholding percentage decreased to approximately 3.91% of the enlarged registered capital of CCT. There was no change on the shareholding percentage as at 31 December 2021 and 2020.

	2021	2020
	RMB’000	RMB’000
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
CCT	40,086	111,078

During the year ended 31 December 2021, 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 RMB70,992,000 (2020: RMB271,491,000). The fair value loss for the year ended 31 December 2021 was primarily attributable to (i) the continuous poor business and economic environment in the industry of satellite communication products as a result of the sanctions imposed by the United States of America and the slowdown in the global economy caused by the outbreak and the escalation of the COVID-19; (ii) the asset impairment for a major subsidiary of CCT that undergoes bankruptcy reorganisation procedures; (iii) the decrease in value of equity investments held by CCT; and (iv) 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.

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

12. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	204,207	194,481
Impairment	<u>(9,156)</u>	<u>(8,189)</u>
Trade receivables, net	<u>195,051</u>	<u>186,292</u>
Contract assets	6,252	6,402
Bills receivable	<u>6,744</u>	<u>6,881</u>
	<u>208,047</u>	<u>199,575</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	144,031	79,279
3 to 6 months	23,832	46,699
6 to 12 months	24,066	41,071
1 to 2 years	9,374	25,042
Over 2 years	<u>–</u>	<u>603</u>
	<u>201,303</u>	<u>192,694</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	8,189	9,392
Provision for/(reversal of) impairment losses, net (<i>note 6</i>)	1,136	(71)
Amounts written off as uncollectible	(110)	(1,405)
Exchange realignment	<u>(59)</u>	<u>273</u>
At end of year	<u>9,156</u>	<u>8,189</u>

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	4,845	2,486
3 to 6 months	237	1,800
6 to 12 months	<u>1,662</u>	<u>2,595</u>
	<u><u>6,744</u></u>	<u><u>6,881</u></u>

At 31 December 2021 and 2020, no amounts due from related parties of the Group were included in the trade and bills receivables.

13. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Listed equity investment, at fair value	<u><u>2,880</u></u>	<u><u>999</u></u>

During the year ended 31 December 2017, the Group acquired shares of a listed company in Hong Kong, the trading of which has been suspended since October 2017. The equity investment is classified as held for trading and measured at fair value through profit or loss.

A fair value gain of RMB1,948,000 was recognised for changes in fair value of equity investment at fair value through profit or loss in “Other income and gains” (2020: “Other expenses, net”) in the consolidated statement of profit or loss for the year ended 31 December 2021 (2020: fair value loss of RMB188,000).

14. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unlisted debt investment	<u><u>12,530</u></u>	<u><u>13,055</u></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 and 12 October 2021, the Company entered into supplemental subscription agreements, pursuant to which, the maturity date of the debt investment is extended to 19 March 2021, 19 June 2021, 19 September 2021 and 19 January 2022 respectively. The interest rate of the debt investment was revised to 9% per annum effective from 19 June 2021.

A fair value gain of RMB1,364,000 was recognised for changes in fair value of debt investment at fair value through profit or loss in “Other income and gains” in the consolidated statement of profit or loss for the year ended 31 December 2021 (2020: RMB1,607,000).

Subsequent to the end of the reporting period, the bond issuer failed to pay the principal and the interest due on 19 January 2022 pursuant to the fourth 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 18 March 2022 of approximately HK\$593,000 (equivalent to RMB482,000).

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	94,105	86,387
3 to 12 months	48,709	53,005
1 to 2 years	12,924	5,936
Over 2 years	19,094	16,381
	<u>174,832</u>	<u>161,709</u>

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

At 31 December 2021 and 2020, no amounts due to related parties of the Group were included in the trade payables.

16. DISCONTINUED OPERATION

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 is 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 and its comparative information was also reclassified to conform with the current period’s presentation.

The results from the discontinued operation for the period from 1 January 2021 to 30 March 2021 and the year ended 31 December 2020 are presented below:

	Period from 1 January 2021 to 30 March 2021 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>
Revenue	48	1,496
Other income	–	9
Administrative expenses	(15)	(154)
Impairment of financial assets	–	(9,367)
Income tax expense	–	(8)
	<u>33</u>	<u>(8,024)</u>
Gain on disposal of subsidiaries	1,296	–
Profit/(loss) for the period/year from discontinued operation	<u>1,329</u>	<u>(8,024)</u>

16. DISCONTINUED OPERATION (Continued)

The assets and liabilities of the discontinued operation 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	<u>13,355</u>

The net cash flow incurred by the discontinued operation for the period from 1 January 2021 to 30 March 2021 and the year ended 31 December 2020 are stated as follows:

	Period from 1 January 2021 to 30 March 2021 RMB'000	Year ended 31 December 2020 RMB'000
Operating activities	183	4,690
Investing activities	–	–
Financing activities	(245)	(4,707)
	<hr/>	<hr/>
Net cash outflow	<u>(62)</u>	<u>(17)</u>

17. EVENT AFTER THE REPORTING PERIOD

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”). 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. Completion of the Placing took place on 11 March 2022.

18. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 16).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021 (the “Year”), the Group continued to focus on its core business of the IT infrastructure system integration and the sales of smart office software solutions. The majority of the Group’s revenue was generated from the market in the People’s Republic of China (the “PRC” or “China”). The overall financial performance of the Group for the Year is comparable to that of 2020, by excluding the effect of impairment loss of goodwill recorded in 2020. During the year under review, the Group’s money-lending business was discontinued.

Following the outbreak of COVID-19 pandemic (the “COVID-19”) became stabilised and slowdown in the PRC, the Group’s operations gradually resumed to normal during the Year, particularly in the first half of the year, the Group promptly resumed sales activities with existing and potential customers. By maintaining close ties with its clients and capturing surging demand for IT infrastructure system integration and smart office software solutions across various industries in China, the Group grew its sales considerably. However, certain deliveries were deferred due to late deliveries of goods by suppliers and urban lockdowns, in turn leading to a delay in the recognition of revenue. As a result, the Group’s total revenue remained steady with a slight increase of approximately RMB15.5 million or approximately 3.3% to approximately RMB484.6 million for the Year (2020: approximately RMB469.1 million). The Group’s gross profit increased by approximately RMB5.8 million or approximately 11.3% to approximately RMB57.1 million for the Year (2020: approximately RMB51.3 million), broadly in line with revenue growth. A net loss for the year of approximately RMB21.0 million was recorded, narrowed from the loss of RMB86.7 million in last year, mainly attributable to the absence of the recognition of the impairment of loan receivables and the impairment of goodwill in relation to the network system integration cash-generating unit for the Year.

IT infrastructure system integration

The Group continued to expedite the development of its traditional IT infrastructure system integration business, which remained a major source of revenue during the Year. In addition to strengthening its core competitiveness in the provision of a wide range of products and services through the traditional IT infrastructure system integration business, the Group also joined forces with various tech giants, with the aim of acquiring new clients through strategic alliances to deliver cutting-edge IT infrastructure solutions. To foster its sustainable growth, the Group has further expanded its customer base, in not only the private sector but also the public sector during the Year.

Leveraging the solid foundations in the industry and strong customer relationships, the Group’s revenue from the IT infrastructure system integration segment increased by approximately RMB1.9 million or approximately 0.4% to approximately RMB448.6 million for the Year (2020: approximately RMB446.7 million).

Smart office software solutions

As office closures and work-from-home arrangements were adopted across various industries during the Year, demand surged for the Group's smart office software solutions and property technology ("PropTech") solutions, which operate with Internet of Things (IoT) technology. The number of orders for, and sales of, smart office software solutions increased significantly, delivering revenue growth of approximately RMB13.6 million or approximately 60.7% to approximately RMB36.0 for the Year (2020: approximately RMB22.4 million). Such encouraging results attest to the success of the Group's early investment in the development of smart office software and PropTech solutions, whose applications include such tools as intelligent building control systems and smart visitor management systems. The evolution of artificial intelligence, IoT technology and global awareness of the importance of sustainability, green technologies, productivity and manageability in the commercial real estate industry represent promising developments for the Group.

To capture further opportunities in the smart office software solutions industry and expand its market share, the Group will expand the scope of its services and continue to upgrade Virsical, our flagship smart office software solutions product. During the Year, the Group also allocated more resources to expand its research and development team and centre located in Xi'an, the PRC.

Contract awarded to the Group

In September 2021, a government contract for the provision of a smart library system for the Hong Kong government's Leisure and Cultural Services Department with contract sum of approximately HK\$693.1 million was awarded to an unincorporated joint venture, which was formed by the Group and an independent third party in proportion to the contribution of 70% and 30% respectively. The project involves the design, supply, delivery, installation, commissioning, implementation, system support and maintenance of core library systems, alongside the provision of other services. The estimated project duration is from September 2021 to March 2026, with a warranty and maintenance period running until March 2036. The project is set to broaden our revenue stream and expand our business in Hong Kong in coming years.

FINANCIAL REVIEW

Revenue and cost of sales

The Group recorded a total revenue for the Year of approximately RMB484.6 million (2020: approximately RMB469.1 million), representing an increase of approximately RMB15.5 million, or approximately 3.3% as compared with that of 2020. The increase in sales was primarily attributable to the increase in sale of products in relation to the Group's traditional IT infrastructure system integration and smart office software solutions for the Year.

The cost of sales increased by approximately RMB9.7 million, or approximately 2.3% to approximately RMB427.5 million for the Year (2020: approximately RMB417.8 million). The increase in the 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 RMB57.1 million (2020: approximately RMB51.3 million), representing an increase of approximately RMB5.8 million, or approximately 11.3% as compared with that of 2020. The gross profit margin for the Year was approximately 11.8% (2020: approximately 10.9%), representing an increase of approximately 0.9% as compared with that of 2020. The increase in gross profit margin was primarily attributable to the increase in sales of the Group's smart office software solutions throughout the Year, which had a relatively high profit margin as compared to that of other products and services of the Group.

Other income and gains

The Group recorded other income and gains of approximately RMB5.3 million for the Year (2020: approximately RMB6.0 million), mainly consisted of (i) government grants released to the Group of approximately RMB1.5 million (2020: approximately RMB3.3 million); (ii) a fair value gain on an equity investment at fair value through profit or loss of approximately RMB1.9 million (2020: fair value loss of approximately RMB0.2 million included in other expenses); (iii) a fair value gain on a debt investment at fair value through profit or loss of approximately RMB1.4 million (2020: approximately RMB1.6 million); (iv) finance income on the net investment in a lease of approximately RMB0.2 million (2020: approximately RMB0.4 million); and (v) bank interest income of approximately RMB0.2 million (2020: approximately RMB0.4 million).

Selling and distribution expenses

The selling and distribution expenses decreased by approximately RMB0.1 million or approximately 0.4% to approximately RMB25.8 million for the Year (2020: approximately RMB25.9 million), primarily due to the combined effect of (i) the decrease in sales commission; and (ii) the increase in the marketing activities as a result of the resumption of normal operations and social distancing relaxation in the PRC during the Year.

Administrative expenses

The administrative expenses increased by approximately RMB5.8 million or approximately 11.9% to approximately RMB54.4 million for the Year (2020: approximately RMB48.6 million), was primarily attributable to the increase in business operations and activities during the Year.

Other expenses and impairment of goodwill

The other expenses mainly represented foreign exchange loss. No impairment loss on goodwill in relation to the network system integration cash-generating unit was recorded for the Year (2020: approximately RMB57.6 million).

Finance costs

The finance costs recorded for the Year of approximately RMB3.0 million is comparable to that of 2020 (2020: approximately RMB2.9 million).

Income tax

The income tax of the Group comprised provision of income tax expense and deferred tax. The Group recorded income tax expense of approximately RMB3.4 million (2020: approximately RMB4.1 million) for the Year, and the decrease in income tax expense was mainly due to the absence of assessable profit incurred in Vietnam during the Year. The Group recorded tax expense for the Year of approximately RMB0.3 million (2020: approximately RMB0.4 million), primarily due to the recognition of the deferred tax credit of approximately RMB3.1 million (2020: approximately RMB3.7 million) arising from the amortisation of other intangible assets, which offset the impact of income tax expense.

Loss for the Year from continuing operation

The Group recorded a loss for the Year from continuing operation of approximately RMB22.3 million for the Year (2020: approximately RMB78.7 million). The decrease was mainly attributable to the absence of the impairment loss on goodwill for the Year (2020: approximately RMB57.6 million).

Liquidity and financial resources

As at 31 December 2021, 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 10.8% (31 December 2020: approximately 6.7%). The increase in gearing ratio was mainly due to the combined effect of (i) the decrease in total assets resulted from the decrease in loan receivables balance resulted from the disposal of subsidiaries and the decrease in fair value of the investment in non-listed equity investment; and (ii) the issue of convertible bond, during the year.

As at 31 December 2021, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB49.3 million (31 December 2020: approximately RMB48.2 million), among which approximately RMB29.3 million (31 December 2020: approximately RMB41.2 million) was unsecured and guaranteed by a director of the Company. As at 31 December 2021, the interest-bearing bank and other borrowings of approximately RMB24.9 million (31 December 2020: approximately RMB17.6 million) carried at fixed interest rates and approximately RMB24.4 million (31 December 2020: approximately RMB30.6 million) carried at floating interest rates.

As at 31 December 2021, the carrying amount of convertible bond of the Group amounted to approximately RMB21.8 million (31 December 2020: Nil).

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 2021.

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 2021 was approximately RMB17.3 million (31 December 2020: approximately RMB12.6 million). The average turnover days for inventories was 13 days as at 31 December 2021 (31 December 2020: 11 days).

Trade and bills receivables balance as at 31 December 2021 was approximately RMB208.0 million (31 December 2020: approximately RMB199.6 million). The average turnover days for trade and bills receivables decreased to 154 days as at 31 December 2021 (31 December 2020: 159 days), which was comparable between the years.

Trade payables balance as at 31 December 2021 was approximately RMB174.8 million (31 December 2020: approximately RMB161.7 million). The average turnover days for trade payables decreased to 144 days as at 31 December 2021 (31 December 2020: 145 days), which was comparable between the years.

The Group's cash conversion cycle for the Year was 23 days as compared with that of 25 days in 2020.

Cash flows

The net cash used in operating activities for the Year amounted to approximately RMB8.7 million.

The net cash used in investing activities for the Year of approximately RMB6.5 million was mainly attributable to the combined effect of (i) the receipt of proceeds from the disposal of subsidiaries of approximately RMB13.4 million; and (ii) the increase in pledged deposits of RMB19.7 million.

The net cash used in financing activities for the Year of approximately RMB4.9 million was primarily attributable to the combined effect of (i) repayment of bank and other borrowings of approximately RMB54.0 million; (ii) new bank and other borrowings of approximately RMB42.1 million; (iii) the gross proceeds from the issue of shares of approximately RMB14.5 million; and (iv) payment of lease liabilities of approximately RMB7.6 million.

Capital expenditures

The Group had capital expenditures of approximately RMB22.5 million for the Year (31 December 2020: approximately RMB0.6 million) for additions to property, plant and equipment and right-of-use assets.

Capital commitments

The Group had no significant capital commitments as at 31 December 2021 (31 December 2020: Nil).

INVESTMENT IN LISTED EQUITY SECURITIES

During the year ended 31 December 2021, the Group recorded a fair value gain on a held for trading listed securities investment of approximately RMB1.9 million, details as follows:

Movement during the year ended 31 December 2021

Stock code	Name of investee company	Carrying amount as at 1 January 2021	Unrealised gain	Exchange realignment	Carrying amount as at 31 December 2021	Dividend income for the year ended 31 December 2021	Net income for the year ended 31 December 2021	Number of shares held and % of total share held by the Group as at 31 December 2021	Percentage to the Group's total assets as at 31 December 2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Approximately	Approximately
6108	New Ray Medicine International Holding Limited	999	1,948	(67)	2,880	-	1,948	25,080,000/ Approximately 1.50%	0.44%
		<u>999</u>	<u>1,948</u>	<u>(67)</u>	<u>2,880</u>	<u>-</u>	<u>1,948</u>		

Investee Company's Principal Business, Performance and Future Prospect

New Ray Medicine International Holding Limited ("New Ray")

New Ray is an investment holding company. New Ray and its subsidiaries are principally engaged in (i) the distribution and trading of pharmaceutical products; and (ii) the provision of marketing and promotion services in the PRC. As disclosed in the interim report of New Ray for the six month ended 30 June 2021, (i) the unaudited revenue and profit of New Ray for the six month ended 30 June 2021 were approximately HK\$214.5 million and approximately HK\$1.1 million respectively; (ii) New Ray focused on its own core business and would continue to diversify its existing product portfolio; and (iii) New Ray would also continue to enhance and expand its sales and marketing capabilities in the PRC.

Pursuant to the inside information announcement of New Ray dated 22 March 2022, it is expected that New Ray will record a substantial reduction in net loss from approximately HK\$69.7 million in 2020 to not more than HK\$3.0 million in 2021, based on its latest available unaudited consolidated management accounts.

New Ray was suspended trading on 6 October 2017 due to Securities and Futures Commission has issued a direction under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend trading in the shares of New Ray, and the trading in the shares of New Ray was permitted to recommence on 22 March 2022.

The Group remained holding 25,080,000 shares of New Ray in its investment portfolio as at 31 December 2021. The Group's management appointed an external valuer to be responsible for the valuation of shares of New Ray. The fair value of shares of New Ray held by the Group was approximately RMB2.9 million as at 31 December 2021.

INVESTMENT IN NON-LISTED EQUITY SECURITIES

Investee Company's Principal Business, Performance and Future Prospect

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

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

During the year ended 31 December 2017, the Company entered into a capital injection agreement to inject an amount of RMB600 million to CCT (the "CCT Investment"). The CCT Investment was completed on 25 July 2018 and the Company had interested in approximately 3.91% of the enlarged registered capital of CCT as at 31 December 2021. 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 2021 was approximately RMB40.1 million which accounted for approximately 6.1% of the Group's total asset as at 31 December 2021.

During the year ended 31 December 2021, the fair value loss net of the income tax in respect of the above unlisted equity investment recognised in other comprehensive loss amounted to RMB70,992,000 (2020: RMB271,491,000). The fair value loss was mainly attributable to (i) the continuous poor business and economic environment in the industry of satellite communication products as a result of the sanctions imposed by the United States of America and the slowdown in the global economy caused by the outbreak and the escalation of the COVID-19; (ii) the asset impairment for a major subsidiary of CCT that undergoes bankruptcy reorganisation procedures; (iii) the decrease in value of equity investments held by CCT; and (iv) the unenforced amount under various litigations for enforcement to CCT.

Given that there were several factors affecting its operating capabilities, such as the seizure of important assets, 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 future.

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

EMPLOYEES

As at 31 December 2021, the total number of employees of the Group was 285 (31 December 2020: 256). The breakdown of employees of the Group as at 31 December 2021 and 2020 is as follows:

	As at 31 December 2021	As at 31 December 2020
Manufacturing and technical engineering	93	81
Sales and marketing	61	58
General and administration	52	50
Research and development	79	67
	<hr/>	<hr/>
Total	285	256
	<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.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of 25% of entire equity interest in Fortune Grace Management Limited (the “Fortune Grace”)

On 23 September 2021, the Company entered into a sale and purchase agreement with Smoothly Global Holdings Limited (the “Vendor”) to acquire twenty-five (25) ordinary shares of Fortune Grace, representing its 25% entire equity interest, at a consideration of HK\$30.0 million which shall be settled by the issue of the convertible bond in the principal amount of HK\$30.0 million by the Company to the Vendor (the “Acquisition”). Prior to the completion of the Acquisition, the Company held 75% of equity interest in Fortune Grace, being a direct non-wholly-owned subsidiary of the Company.

The Acquisition constitutes a connected transaction of the Company. As at the date of the sale and purchase agreement (i.e. 23 September 2021), the Vendor was a substantial shareholder (as defined in the Rules (the “Listing Rules”) Governing the Listing of Securities on main board of the Stock Exchange) of the Company interested in approximately 18.41% of the then issued share capital of the Company. The Vendor was also owned as to 70% by Mr. Chan Sek Keung, Ringo and as to 20% by Ms. Wang Fang. On 23 September 2021, Mr. Chan Sek Keung, Ringo was executive Director and was beneficially and deemed to be interested in approximately 5.63% of the then issued share capital of the Company, while Ms. Wang Fang was executive Director and was beneficially interested in approximately 0.05% of the then issued share capital of the Company. Accordingly, the Acquisition constitutes a connected transaction and is subject to the reporting, announcement, circular and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Upon the completion of the Acquisition on 26 November 2021, Fortune Grace became a direct wholly-owned subsidiary of the Company. Details of the Acquisition are set out in the announcements of the Company dated 23 September 2021, 18 October 2021, 29 October 2021 and 19 November 2021, and the circular of the Company dated 2 November 2021.

Disposal – Discontinued operation – money lending business

The Group disposed of the money lending business segment in March 2021.

On 25 March 2021, the Company (as the vendor), Metro Win Investment Holdings Limited (the “Metro Win”, as the purchaser), and Ms. Cheung Hing Ling (being the ultimate beneficial owner of Metro Win, as the guarantor) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Metro Win has conditionally agreed to purchase one (1) share of InvesTech Finance (International) Limited (the “Target Company”), representing the entire issued share of the Target Company at the consideration of HK\$16.0 million (the “Disposal Transaction”). The Target Company is principally engaged in investment holding and its wholly owned subsidiary, InvesTech Finance Limited, is a company incorporated in Hong Kong with limited liability and is principally engaged in money lending business. Details of the Disposal Transaction have been set out in the announcement of the Company dated 25 March 2021.

Completion of the Disposal Transaction took place on 30 March 2021 and a gain on disposal of subsidiaries of approximately RMB1.3 million was recognised during the Year. As a result of the Disposal Transaction, the Group discontinued its operation in the money lending business.

During the Year, the Group recorded profit from discontinued operation of approximately RMB1.3 million (2020: loss of approximately RMB8.0 million).

CAPITAL STRUCTURE

Change of domicile

The Company has been deregistered from the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The change of domicile became effective on 7 July 2021 (Bermuda time) (8 July 2021 (Hong Kong time)). In connection with the change of domicile, a new memorandum of continuance and the New Bye-laws have been adopted by the Company with effect from 7 July 2021 (Bermuda time) (8 July 2021 (Hong Kong time)).

Capital reorganisation

On 3 May 2021, the Company announced to implement the capital reorganisation after the change of domicile becoming effective that (i) every twenty (20) issued and unissued shares of US\$0.02 each will be consolidated into one (1) consolidated share (“Consolidated Share”) of US\$0.40 each (the “Share Consolidation”); (ii) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of US\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from US\$0.40 to US\$0.01 (the “Capital Reduction”); (iii) immediately following the Capital Reduction, each authorised but unissued Consolidated Shares of US\$0.40 each will be sub-divided into forty (40) new shares of US\$0.01 each (the “Share Subdivision”); and (iv) the credits arising in the books of the Company from the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation, and the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda. The Share Consolidation, Capital Reduction and Share Subdivision became effective on 28 July 2021. Details of the above are set out in the announcements of the Company dated 3 May 2021, 26 May 2021, 23 June 2021, 8 July 2021 and 27 July 2021, and the circular of the Company dated 31 May 2021.

Placing of new shares under general mandate

On 16 August 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 14,040,000 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\$1.24 per Placing Share (the “First Placing”). Completion of the First Placing took place on 6 September 2021, and an aggregate of 14,040,000 Placing Shares have been successfully placed to not less than six places pursuant to the terms and condition of the placing agreement. The Company received net proceeds of approximately HK\$16.8 million (equivalent to approximately RMB14.0 million) from the First Placing. Up to the date of this announcement, the entire new proceeds has been utilised as to (i) approximately HK\$7.6 million for the general working capital; (ii) approximately HK\$1.2 million for financing the business development of the Group; and (iii) approximately HK\$8.0 million for repayment of bank and other borrowings of the Group. Details of the First Placing are set out in the announcements of the Company dated 16 August 2021, 27 August 2021, 1 September 2021 and 6 September 2021.

EVENT AFTER THE END OF THE REPORTING PERIOD

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 (“New Placing Share(s)”) at the placing price of HK\$1.5 per New Placing Share (the “Second Placing”). Completion of the Second Placing took place on 11 March 2022, and an aggregate of 33,000,000 New Placing Shares have been fully placed by the placing agent, the gross proceeds from the Second Placing was HK\$49.5 million, and the net proceeds from the Second Placing, after deducting the placing commission and other expenses incurred in the Second Placing, was approximately HK\$48.0 million. Such net proceeds are intended to be used for project on hand of approximately HK\$29.6 million has not been utilised up to the date of this announcement. Details of the Second 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.

Save as disclosed in this announcement, there was no other significant subsequent event undertaken by the Group subsequent to 31 December 2021 and up to the date of this announcement.

OUTLOOK

Leveraging robust demand for IT infrastructure system integration and smart office software solution business in the PRC’s market, the Group will continue to enhance its business development, with a focus on smart office software solutions to capture market opportunities. It is worth noting that the Group’s total contracted sales backlog (comprised of the sales of both IT infrastructure system integration and smart office software solutions) increased by approximately 340.3% to approximately RMB802.9 million as at 31 December 2021, as compared to that of 2020. The Group expects its revenue to grow, with more income recognised upon the completion of projects in the years ahead.

The Group has always actively sought opportunities to build a new business ecosystem and to become a leading integrated smart IT solutions provider. With a view to further expanding our revenue base and diversifying our business, the Group’s management will continue to identify suitable acquisition and investment targets to tap new business opportunities in markets both inside and outside China, especially in Asia-Pacific, while progressing enterprise metaverse development and achieving breakthroughs in the industry.

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 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") is expected to be held on 23 May 2022 (Monday) and the notice of AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 18 May 2022 (Wednesday) to 23 May 2022 (Monday) (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 17 May 2022 (Tuesday).

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 2021.

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 2021 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 14 May 2021 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. Lu, Brian Yong Chen 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. Huang Liangkuai resigned as a member on 7 April 2021 and Mr. Yuen Shiu Wai was appointed as a member on 7 April 2021. Mr. Wong Chun Sek, Edmund stepped down as Chairman on 14 May 2021 and Mr. David Tsoi was appointed as Chairman on 14 May 2021. 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 2021, the consolidated financial statements for the year ended 31 December 2021 and this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 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 2021. 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 2021.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2021 containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.investech-holdings.com). The printed copies of the annual report will be despatched to Shareholders in due course.

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

Hong Kong, 31 March 2022

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