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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	227,297	261,641
Gross profit	23,338	33,355
Loss before tax	(41,895)	(18,710)
	<u>(40,467)</u>	<u>(19,327)</u>
Loss for the period		
(Loss)/profit for the period attributable to:		
– Owners of the parent	(40,467)	(23,133)
– Non-controlling interests	–	3,806
	<u>(40,467)</u>	<u>(19,327)</u>
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Re-presented) (Unaudited)
Loss per share		
– Basic and diluted (<i>RMB cents</i>)	<u>(20.94)</u>	<u>(16.41)</u>

SELECTED FINANCIAL RATIOS

	Six months ended 30 June	
	2024 (approximate)	2023 (approximate)
Gross profit margin	10.3%	12.7%
Net loss margin ⁽¹⁾	<u>(17.8%)</u>	<u>(7.4%)</u>
	As at 30 June 2024 (approximate)	As at 31 December 2023 (approximate)
Current ratio (<i>times</i>)	1.0	1.0
Gearing ratio ⁽²⁾	32.4%	31.2%
Return on total assets ⁽³⁾	(5.4%)	(4.7%)
Return on total equity ⁽³⁾	<u>(16.1%)</u>	<u>(12.1%)</u>

⁽¹⁾ Calculated by using loss for the period divided by revenue.

⁽²⁾ Calculated by using the total of interest-bearing bank and other borrowings, convertible bond and promissory note payable divided by total assets.

⁽³⁾ Calculated by using loss for the period divided by average balances of total assets or total equity.

BUSINESS REVIEW

During the six months ended 30 June 2024 (the “Period”), 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”).

During the Period, the financial performance of the Group’s IT infrastructure system integration business and sales of smart office software solutions, especially in China, was adversely affected by the intense competition amongst the Mainland China’s market and continued uncertainty across the global market. The weak global trade, geopolitical uncertainties and volatility reduced our customers’ demand as well as the Group’s sales orders during the Period, and negatively affected the overall operating results of the Group. 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 enhancing customer relationship and acquiring new customers through strategic alliances.

The sales in Hong Kong region, which was mainly contributed by the provision of a smart library system for Hong Kong government’s Leisure and Cultural Services Department (the “Library Project”), remained constant as compared with the corresponding period in 2023. The Group expected that the Library Project will be on-going to provide a stable income stream to the Group.

Impacted by the unfavorable economic climate, high interest rates environment and weak market sentiment in Hong Kong, the property and investment markets in Hong Kong continued to face challenges during the Period, and adversely affected the financial performance of the Group’s equity and property investments. During the Period, the Group recorded a net fair value loss on equity investments at fair value through profit or loss of approximately RMB2.9 million (six months ended 30 June 2023: approximately RMB2.4 million) and a fair value loss on investment properties of approximately RMB14.9 million (six months ended 30 June 2023: Nil).

In light of the above, the Group’s total revenue recorded a decrease of approximately RMB34.3 million or approximately 13.1% to approximately RMB227.3 million for the Period (six months ended 30 June 2023: approximately RMB261.6 million). The Group’s gross profit decreased by approximately RMB10.1 million or approximately 30.2% to approximately RMB23.3 million for the Period (six months ended 30 June 2023: approximately RMB33.4 million). A net loss for the Period of approximately RMB40.5 million was recorded (30 June 2023: approximately RMB19.3 million).

OUTLOOK

Hong Kong serves as a gateway for mainland enterprises to “go global” and develop the markets along the routes of the Belt and Road Initiative as well as those in other overseas territories. The Group is cautiously optimistic with our business prospect, where appropriate and, opportunities arise, the Group will continue to explore the new markets and tap into business opportunities more vigorously, especially in the Asia Pacific markets. Despite the global economy is recovering slowly and is expected to remain subdued, the Group will always stay vigilant and well prepared in response to the business challenges and uncertainties caused by ongoing geopolitical conflicts and trade barriers. The Group will adopt a variety of strategies to strengthen its product portfolio and expand its customer base and sales network, and is expected that the sales performance of the Group in the second half of 2024 will be improved.

Looking ahead, the Group will maintain the stable development of its IT infrastructure system integration and smart office software solution businesses. Being a leading provider of smart office solutions in China, the Group will continue to develop and optimise solutions to offer our customers one-stop smart-space solutions and facilitate enterprises’ digital transformation. We continued to upgrade and enhance our solutions, for example, to incorporate Artificial Intelligence (AI) across our products’ features and applications to enable further innovation and to empower our customers to drive increased productivity and efficiency.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(40,467)	(19,327)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(276)	85
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of the Company's financial statements into presentation currency	490	2,078
Change in fair value of financial asset at fair value through other comprehensive income	(373)	(799)
	117	1,279
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(159)	1,364
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(40,626)	(17,963)
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(40,626)	(22,459)
Non-controlling interests	–	4,496
	(40,626)	(17,963)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Investment properties	<i>10</i>	64,544	77,575
Property, plant and equipment		1,556	1,391
Right-of-use assets		9,768	13,026
Goodwill	<i>11</i>	134,952	134,952
Other intangible assets		27,836	37,959
Deferred tax assets		3,842	3,932
Financial asset at fair value through other comprehensive income	<i>12</i>	12,566	12,939
Total non-current assets		255,064	281,774
CURRENT ASSETS			
Inventories		12,741	16,053
Trade and bills receivables and contract assets	<i>13</i>	335,399	304,056
Prepayments, other receivables and other assets		55,959	35,308
Equity investments at fair value through profit or loss	<i>14</i>	4,000	6,778
Debt investment at fair value through profit or loss	<i>15</i>	–	1,454
Pledged deposits		25,193	24,781
Cash and cash equivalents		55,142	76,196
Total current assets		488,434	464,626
CURRENT LIABILITIES			
Trade payables	<i>16</i>	167,196	168,659
Contract liabilities		24,335	18,934
Other payables and accruals		48,618	30,842
Promissory note payable		29,204	36,700
Interest-bearing bank and other borrowings		180,418	162,699
Convertible bond		27,406	26,364
Tax payable		22,007	22,814
Total current liabilities		499,184	467,012

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NET CURRENT LIABILITIES	<u>(10,750)</u>	<u>(2,386)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>244,314</u>	<u>279,388</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,179	6,862
Deferred tax liabilities	4,175	5,693
Total non-current liabilities	<u>8,354</u>	<u>12,555</u>
Net assets	<u>235,960</u>	<u>266,833</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	13,427	9,221
Reserves	222,533	257,612
Total equity	<u>235,960</u>	<u>266,833</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	<u>(34,723)</u>	<u>(3,034)</u>
Net cash flows from/(used) in investing activities	<u>1,016</u>	<u>(21,551)</u>
Net cash flows from financing activities	<u>12,883</u>	<u>41,006</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,824)	16,421
Cash and cash equivalents at beginning of period	76,196	59,436
Effect of foreign exchange rate changes, net	<u>(230)</u>	<u>2,300</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>55,142</u>	<u>78,157</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

InvesTech Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and 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 Room 02–03, 18/F, AIA Financial Centre, 712 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and smart office software solutions, and the network equipment rental business.

2.1 BASIS OF PREPARATION

This interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standard 34 Interim Financial Reporting. This interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of this interim condensed consolidated financial information are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the new and amendments to IFRS Accounting Standards and IFRIC Interpretations and application of the accounting policy which became relevant to the Group.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

This interim condensed consolidated financial information is unaudited, but has been reviewed by the audit committee of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amendments to IFRS Accounting Standards for the first time for the current period’s financial information and application of the accounting policy which became relevant to the Group.

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The application of the above amendments did not have a significant impact on the interim condensed consolidated financial information.

3. OPERATING 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 disclosed in note 4.

4. REVENUE, OTHER INCOME AND GAINS

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of goods	118,049	131,510
Rendering of services	109,248	130,131
	<u>227,297</u>	<u>261,641</u>
Total revenue from contracts with customers	<u>227,297</u>	<u>261,641</u>
Geographical markets		
Mainland China	164,280	196,894
Hong Kong	59,282	60,790
Vietnam	2,851	3,848
United States of America	–	27
Other countries/regions	884	82
	<u>227,297</u>	<u>261,641</u>
Total revenue from contracts with customers	<u>227,297</u>	<u>261,641</u>
Timing of revenue recognition		
Goods transferred at a point in time	118,049	131,510
Services transferred over time	109,248	130,131
	<u>227,297</u>	<u>261,641</u>
Total revenue from contracts with customers	<u>227,297</u>	<u>261,641</u>
Other income and gains		
Bank interest income	206	176
Rental income	1,107	–
Government grants released*	830	883
Fair value gain on debt investment at fair value through profit or loss (<i>note 15</i>)	–	673
Foreign exchange difference	–	46
Others	17	51
	<u>2,160</u>	<u>1,829</u>
Total other income and gains	<u>2,160</u>	<u>1,829</u>

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

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	5,345	3,275
Interest on convertible bond	619	564
Interest on lease liabilities	269	877
	<u>6,233</u>	<u>4,716</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold*	193,175	217,498
Depreciation of property, plant and equipment	570	541
Depreciation of right-of-use assets	3,306	3,131
Amortisation of other intangible assets**	10,123	10,122
Impairment of trade receivables, net	912	1,616
Lease payments not included in the measurement of lease liabilities		
– Short-term leases	–	62
Research and development costs***	11,380	10,818
Foreign exchange difference, net	96	(46)
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	38,465	36,267
– Pension scheme contributions	7,425	7,301
	<u>45,890</u>	<u>43,568</u>
Fair value loss on investment properties (<i>note 10</i>)	14,891	–
Fair value loss on equity investments at fair value through profit or loss, net (<i>note 14</i>)	2,941	2,445
Fair value gain on debt investment at fair value through profit or loss (<i>note 15</i>)	–	(673)
	<u>14,891</u>	<u>(673)</u>

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

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

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

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China	–	2,135
Deferred tax credit	(1,428)	(1,518)
	<hr/>	<hr/>
Total tax (credit)/expense for the period	<u>(1,428)</u>	<u>617</u>

The Group is subject to Hong Kong profits tax at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 RMB1,861,000) (six months ended 30 June 2023: HK\$2,000,000 (equivalent to RMB1,851,000)) 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 are subject to corporate income tax (“CIT”) at the statutory tax rate of 25% in the following periods:

Name of the subsidiaries	Six months ended 30 June	
	2024	2023
Beijing Wafer New Century Information Technology Co., Ltd.*^	15%	15%
Wafer (Xi'an) Software Co., Ltd.**^	15%	10%
	<hr/>	<hr/>

* The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the six months ended 30 June 2024 and 2023.

** The entity is qualified as High and New Technology Enterprises and entitled to a preferential CIT rate of 15% for the six months ended 30 June 2024. The entity is qualified as Small Low-Profit Enterprises and entitled to a preferential CIT rate of 10% for the six months ended 30 June 2023.

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

The subsidiary which operates in Vietnam was subject to CIT at a rate of 20% (six months ended 30 June 2023: 20%) on taxable income for the six months ended 30 June 2024.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the six months ended 30 June 2024 and subsequent to the end of the reporting period (six months ended 30 June 2023: 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 period attributable to owners of the parent, and the weighted average number of ordinary shares of 193,214,000 (six months ended 30 June 2023: 140,936,000 (re-presented)) in issue during the period.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation	<u>(40,467)</u>	<u>(23,133)</u>
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Re-presented) (Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>193,214,000</u>	<u>140,936,000</u>
Loss per share		
Basic and diluted	<u>RMB(20.94) cents</u>	<u>RMB(16.41) cents</u>

The weighted average number of ordinary shares for the calculation of basic and diluted loss per share for the six months ended 30 June 2023 had been adjusted for the bonus elements in the issue of shares of the Company completed on 28 November 2023 and 31 January 2024 as if effective since 1 January 2023.

The calculation of diluted loss per share for the six months ended 30 June 2024 and 2023 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 six months ended 30 June 2024 and 2023 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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Fair value		
At beginning of period/year	77,575	5,528
Additions	–	80,152
Fair value loss included in other losses	(14,891)	(6,812)
Exchange realignment	1,860	(1,293)
	<u>64,544</u>	<u>77,575</u>
At end of period/year	<u>64,544</u>	<u>77,575</u>

As at 30 June 2024, the Group's investment properties consisted of car parks and office premises located in Hong Kong. All investment properties were held under operating leases to earn rental income or for capital appreciation purposes, and were measured by using the fair value model.

During the six months ended 30 June 2024, there was no additions to investment properties. During the six months ended 30 June 2023, the Group acquired the office premises 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 on 8 June 2023.

During the six months ended 30 June 2024, there were no changes to the valuation techniques for the investment properties.

The investment properties of the Group at an aggregated amount of RMB59,565,000 (31 December 2023: RMB72,712,000) were pledged to secure a bank loan of the Group as at 30 June 2024.

11. GOODWILL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cost:		
At beginning and end of the period/year	<u>207,580</u>	<u>207,580</u>
Accumulated impairment:		
At beginning and end of the period/year	<u>(72,628)</u>	<u>(72,628)</u>
Net carrying amount:		
At end of the period/year	<u>134,952</u>	<u>134,952</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.

In the opinion of the directors of the Company, during the six months ended 30 June 2024, there was no material changes on the network system integration business and no material event occurred or circumstance changes that would reduce the recoverable amount of the network system integration cash-generating unit below its carrying value. Considering the reasons above and the requirement under IAS 36, the directors of the Company did not identify any impairment indicator of the network system integration cash-generating unit, and no impairment testing of goodwill was performed during the six months ended 30 June 2024.

12. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 17 February 2017, the Company entered into a capital injection agreement (“Agreement”) with 華訊方舟科技有限公司 (China Communication Technology Co., Ltd.* (“CCT”)) which was established in Shenzhen, Guangdong Province of the PRC, and certain shareholders of CCT, pursuant to which the Company would inject an amount of RMB600,000,000 in CCT. The capital injection was completed on 25 July 2018 when the Company became a non-substantial shareholder of CCT and owned approximately 3.95% of the enlarged registered capital of CCT. Upon completion of the capital injection into CCT and other conditions as stipulated in the Agreement, the Group has irrevocably designated this unlisted equity investment at fair value through other comprehensive income at initial recognition as the Group considers this investment to be strategic in nature. As at 31 December 2019, resulting from CCT’s capital increase during the year ended 31 December 2019, the Company’s interest in the shareholding percentage decreased to approximately 3.91% of the enlarged registered capital of CCT. There is no change on the shareholding percentage during the six months ended 30 June 2024.

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
CCT	<u>12,566</u>	<u>12,939</u>

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

During the six months ended 30 June 2024, 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 RMB373,000 (six months ended 30 June 2023: RMB799,000). The fair value loss for the six months ended 30 June 2024 was primarily attributable to (i) the fair value loss of the investment properties held by CCT; (ii) the decrease in value of equity investments held by CCT; and (iii) the decrease in recoverable amount of other receivables held by CCT.

To support 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.

13. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	167,901	172,984
Impairment	(11,001)	(10,102)
	<hr/>	<hr/>
Trade receivables, net	156,900	162,882
Bills receivables	16,360	7,594
Contract assets	162,139	133,580
	<hr/>	<hr/>
Trade and bills receivables and contract assets	335,399	304,056
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Trade receivables of the Group represented proceeds receivable from the sale of goods and rendering of services. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit term generally ranges from 30 to 90 days, and a longer credit term will be granted to certain major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, as at 30 June 2024, except for an amount due from one (31 December 2023: one) customer exceeding 10% of the Group's total trade and bills receivables, the remaining balances of the trade and bills receivables related to a large number of diversified customers. There is no significant concentration of credit risk as at 30 June 2024. Trade receivables were interest-free and unsecured as at 30 June 2024.

Contract assets arise from construction services for communication network infrastructure and network system upgrade infrastructure. It primarily relates to the Group's right to consideration for work completed but not yet unconditional at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Additionally, 5% of the contract sum is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

The movements of the contract assets are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period/year	133,580	57,971
Transfer in the period from contract assets to trade receivables	(30,913)	(31,604)
Increase in contract assets as a result of changing in measure of progress	56,285	105,730
Exchange realignment	3,187	1,483
	<hr/>	<hr/>
At end of period/year	162,139	133,580
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An aging analysis of the trade receivables and contract assets of the Group as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	218,904	185,826
3 to 6 months	32,180	48,093
6 to 12 months	28,970	34,132
1 to 2 years	26,265	26,869
Over 2 years	12,720	1,542
	319,039	296,462

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of the period/year	10,102	13,498
Provision for/(reversal of) impairment losses, net	912	(2,807)
Amounts written off as uncollectible	(37)	(642)
Exchange realignment	24	53
At end of the period/year	11,001	10,102

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	3,228	4,994
3 to 6 months	12,905	2,600
6 to 12 months	227	–
	16,360	7,594

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Listed equity investments, at fair value	<u>4,000</u>	<u>6,778</u>

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 30 June 2024, equity investments at fair value through profit or loss represents an investment portfolio comprising twelve (31 December 2023: twelve) equity securities listed in Hong Kong of which ten (31 December 2023: ten) are listed on the Main Board of the Stock Exchange and the remaining two (31 December 2023: two) are listed on GEM of the Stock Exchange.

A fair value loss of RMB2,941,000 was recognised for changes in fair value of equity investments at fair value through profit or loss in “Other losses” in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB2,445,000).

The fair values of equity investments as at 30 June 2024 have been determined by reference to the quoted market prices available on the Stock Exchange.

15. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Unlisted debt investment	<u>–</u>	<u>1,454</u>

The investment was measured at fair value through profit or loss.

On 29 December 2023, the Company and Metro Win Investment Holdings Limited (“Metro Win”) entered into the sale and purchase agreement, pursuant to which Metro Win has agreed to acquire, and the Company has agreed to sell the unlisted bond at the cash consideration of HK\$1,600,000 (equivalent to RMB1,454,000). The disposal of the unlisted bond to Metro Win was completed on 3 January 2024 and all interests of unlisted bond has been transferred to Metro Win on the same date.

A fair value gain of RMB673,000 was recognised for changes in fair value of debt investment at fair value through profit or loss in “Other income and gains” in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023.

16. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	73,301	72,878
3 to 12 months	42,476	42,935
1 to 2 years	25,129	23,541
Over 2 years	26,290	29,305
	<u>167,196</u>	<u>168,659</u>

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

FINANCIAL REVIEW

Revenue and cost of sales

Revenue of the Group for the Period was approximately RMB227.3 million (six months ended 30 June 2023: approximately RMB261.6 million), representing a decrease of approximately RMB34.3 million, or approximately 13.1% as compared with that of the corresponding period in 2023. The decrease in revenue was mainly due to the intense competition amongst the Mainland China's market and continued uncertainty across the global market during the Period.

The cost of sales of the Group decreased by approximately RMB24.3 million, or approximately 10.6% to approximately RMB204.0 million for the Period (six months ended 30 June 2023: approximately RMB228.3 million). The decrease in cost of sales was in line with the decrease in revenue of the Group.

Gross profit and gross profit margin

The Group achieved gross profit for the Period amounted to approximately RMB23.3 million (six months ended 30 June 2023: approximately RMB33.4 million), representing a decrease of approximately RMB10.1 million, or approximately 30.2% as compared with that of the corresponding period in 2023. The gross profit margin for the Period was approximately 10.3% (six months ended 30 June 2023: approximately 12.7%), representing a decrease of approximately 2.4% as compared with that of the corresponding period in 2023.

Other income and gains

The Group recorded other income and gains of approximately RMB2.2 million for the Period (six months ended 30 June 2023: approximately RMB1.8 million), mainly consisted of (i) rental income from investment properties of approximately RMB1.1 million (six months ended 30 June 2023: Nil); and (ii) the government grants released to the Group of approximately RMB0.8 million (six months ended 30 June 2023: approximately RMB0.9 million).

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately RMB2.4 million or approximately 18.8% to approximately RMB10.4 million for the Period (six months ended 30 June 2023: approximately RMB12.8 million), primarily due to the decrease in marketing and promotion expenses.

Administrative expenses

The administrative expenses of the Group decreased by approximately RMB0.3 million or approximately 0.9% to approximately RMB32.0 million for the Period (six months ended 30 June 2023: approximately RMB32.3 million). The administrative expenses for the Period was comparable to that of the corresponding period in 2023.

Other losses

The other losses for the Period represented (i) fair value loss on investment properties of approximately RMB14.9 million (six months ended 30 June 2023: Nil); and (ii) fair value losses on equity investments at fair value through profit or loss of approximately RMB2.9 million (six months ended 30 June 2023: approximately RMB2.4 million).

Finance costs

The finance costs of the Group increased by approximately RMB1.5 million to approximately RMB6.2 million for the Period (six months ended 30 June 2023: approximately RMB4.7 million) as the new bank borrowings for the Period increased the finance costs.

Income tax

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

The Group recorded tax credit for the Period of approximately RMB1.4 million (six months ended 30 June 2023: tax expense of approximately RMB0.6 million), primarily due to the recognition of the deferred tax credit of approximately RMB1.4 million (six months ended 30 June 2023: approximately RMB1.5 million) arising from the amortisation of other intangible assets. The Group did not record income tax expense derived by the assessable profit of the Group's subsidiary in China during the Period (six months ended 30 June 2023: approximately RMB2.1 million).

Loss for the Period

The Group recorded a loss for the Period of approximately RMB40.5 million for the Period (six months ended 30 June 2023: approximately RMB19.3 million). The increase in loss was mainly attributable to (i) the fair value loss on investment properties of approximately RMB14.9 million recorded for the Period; and (ii) the decline in revenue and gross profit.

Liquidity and financial resources

As at 30 June 2024, 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 32.4% (31 December 2023: approximately 31.2%). The gearing ratio of the Group remained stable.

As at 30 June 2024, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB184.6 million (31 December 2023: approximately RMB169.6 million), among which approximately RMB127.9 million (31 December 2023: approximately RMB119.8 million) was unsecured and guaranteed by a director of the Company. As at 30 June 2024, the interest-bearing bank and other borrowings of approximately RMB16.7 million (31 December 2023: approximately RMB19.9 million) carried at fixed interest rates and approximately RMB167.9 million (31 December 2023: approximately RMB149.7 million) carried at floating interest rates.

As at 30 June 2024, the carrying amount of convertible bond of the Group amounted to approximately RMB27.4 million (31 December 2023: approximately RMB26.4 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 30 June 2024.

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.

Cash flows

The net cash used in operating activities for the Period amounted to approximately RMB34.7 million.

The net cash from investing activities for the Period of approximately RMB1.0 million was mainly attributable to the proceeds from disposal of debt investment at fair value though profit or loss.

The net cash generated from financing activities for the Period of approximately RMB12.9 million was primarily attributable to the combined effect of (i) new bank and other borrowings of approximately RMB118.9 million; (ii) repayment of bank and other borrowings of approximately RMB103.2 million; (iii) proceeds from issue of shares of approximately RMB10.2 million; and (iv) repayments of promissory note payable of approximately RMB8.4 million.

Charge on assets

As at 30 June 2024, investment properties of approximately RMB59.6 million (31 December 2023: approximately RMB72.7 million) were pledged as security for interest-bearing bank and other borrowings of the Group.

Capital expenditures

The Group had capital expenditures of approximately RMB0.8 million for the Period (six months ended 30 June 2023: approximately RMB81.7 million) for additions to property, plant and equipment, investment properties and right-of-use assets.

Capital commitments

As at 30 June 2024, the Group had no significant capital commitment (31 December 2023: Nil).

CAPITAL STRUCTURE

As at 30 June 2024, the capital of the Company comprised ordinary shares only.

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.

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 (with aggregate nominal value of US\$592,000) at the subscription price of HK\$0.19 per Subscription Share. The closing price of the shares of the Company as quoted on the Stock Exchange on 7 November 2023, being the date of the Subscription Agreement, was HK\$0.21 per 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. The net issue price of each Subscription Share is HK\$0.18. 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.

INVESTMENT IN LISTED EQUITY INVESTMENTS

During the Period, the Group recorded fair value loss on equity investments at fair value through profit or loss of approximately RMB2.9 million (six months ended 30 June 2023: approximately RMB2.4 million), which was related to the fair value loss from the Group's investment in listed securities. As at 30 June 2024, the Group's equity investments at fair value through profit or loss consisted of 12 listed equity investments (31 December 2023: 12), all of them were shares listed on the Stock Exchange.

As at 30 June 2024, 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.

EMPLOYEES

As at 30 June 2024, the total number of employees of the Group was 320 (31 December 2023: 325). The breakdown of employees of the Group as at 30 June 2024 and 31 December 2023 is as follows:

	As at 30 June 2024	As at 31 December 2023
Manufacturing and technical engineering	128	125
Sales and marketing	57	62
General and administration	52	54
Research and development	83	84
	<hr/>	<hr/>
Total	320	325
	<hr/> <hr/>	<hr/> <hr/>

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

EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has no significant event taken place subsequent to 30 June 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The Company has adopted and complied with the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024 except for the following deviations:

Code provision C.2.1 of Part 2 of the CG Code states that the roles of chairman and chief executive officer ("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.

Code provision C.6.7 of Part 2 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 of the Directors were not able to attend the annual general meeting held on 31 May 2024 due to their respective business engagements. Other Board members who attend the general meetings were of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meeting.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control procedures of the Company. As at 30 June 2024 and up to the date of this announcement, the Audit Committee consists of three independent non-executive Directors, being Mr. David Tsoi, Mr. Hon Ming Sang and Mr. Yuen Shiu Wai. Mr. David Tsoi currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Listing Rules and the CG Code. During the six months ended 30 June 2024 under review, the Audit Committee convened one meeting.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed about the auditing, risk management, internal controls, and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding the Directors’ securities transactions during the six months ended 30 June 2024.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

REVIEW OF INTERIM CONSOLIDATED RESULTS

The interim consolidated results of the Group for the six months ended 30 June 2024 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company’s issued shares as required under the Listing Rules during the six months ended 30 June 2024.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2024 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, 30 August 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 and Ms. Wang Fang, the non-executive Director is Mr. Wong Tsu Wai, Derek and the independent non-executive Directors are Mr. David Tsoi, Mr. Hon Ming Sang and Mr. Yuen Shiu Wai.