HNA TECH INV
海航科技投資

HNA TECHNOLOGY INVESTMENTS HOLDINGS LIMITED
海航科技投資控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code: 2086

2017
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Tong Fu *(Chairman)*
(appointed on 7 July 2017)
Mr. Wang Hao *(Vice Chairman)*
(appointed on 31 March 2017)
Mr. Peng Fang *(Chief Executive Officer)*
(appointed on 31 March 2017)
Mr. Zhang Tao *(appointed on 7 July 2017)*
Mr. Wong Chi Ho
Mr. Cui Yijun *(appointed on 31 March 2017 and resigned on 7 July 2017)*
Ms. Tsui Kam Ling *(resigned on 31 March 2017)*
Mr. Wong Chi Kit *(resigned on 31 March 2017)*

Independent Non-executive Directors
Mr. Guo Dan *(appointed on 27 June 2017)*
Ms. Kaung Cheng Xi Dawn
Dr. Lin Tat Pang *(appointed on 22 December 2017)*
Mr. Lo Kar Chun, SBS, JP *(resigned on 1 April 2017)*
Mr. Yim Kai Pung *(resigned on 30 September 2017)*

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ho
Ms. Lee Ka Man, ACS, ACIS

COMPANY SECRETARY

Ms. Lee Ka Man, ACS, ACIS

COMPLIANCE OFFICER

Mr. Wong Chi Ho

AUDIT COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Guo Dan
Ms. Kaung Cheng Xi Dawn

REMUNERATION COMMITTEE

Ms. Kaung Cheng Xi Dawn *(Chairman)*
Mr. Guo Dan
Mr. Peng Fang

NOMINATION COMMITTEE

Mr. Guo Dan *(Chaiman)*
Ms. Kaung Cheng Xi Dawn
Mr. Wong Chi Ho

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Units 505–507, Level 5
Two Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

Citibank, N.A.
DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
(formerly known as "Royal Bank of Canada Trust Company (Cayman) Limited")
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.hnatechinv.com

STOCK CODE

2086

CHAIRMAN'S STATEMENT

On behalf of HNA Technology Investments Holdings Limited (formerly known as "Advanced Card Systems Holdings Limited) (the "Company", together with its subsidiaries, the "Group"), I hereby present the Group's annual results for the year ended 31 December 2017.

During the year, industry competition remained fierce; however, benefitting from the improvement in both sales turnover and gross profit of smart card business, as well as income contribution from the new advisory services business, the Group achieved a profit turnaround. Revenue for the year was approximately HK$182 million; gross profit was approximately HK$104 million, as gross profit margin stood at 57%. Profit attributable to the owners of the Company amounted to approximately HK$6 million.

Founded in 1995, the Group is one of the world's leading smart card reader suppliers and has been devoted to the research and development of smart card operating system and reader. The Group constantly offers a wide range of new products and promotes the application of smart cards in different areas. Its professionalism and dedication earned the Group "The APAC Insider Hong Kong Business Awards 2017". In January 2017, the Company introduced HNA Group Co., Ltd.* (海航集團有限公司) ("HNA Group"), which was among the Fortune Global 500 in three consecutive years and ranked no. 170 in 2017, as strategic controlling shareholder. HNA Group is a mega-size conglomerate encompasses a diverse scope of business operations around the world, including technology, aviation, hotel, tourism, real estate, retail, finance, logistics, shipbuilding among others, with total assets exceeding a trillion renminbi.

Upon the reorganisation of shareholding structure, the Group continued to explore new markets, improved business performance and reinforced leadership in smart solutions market. Meanwhile, the Company has been graced with more investment opportunities and has managed to enhance its competitive edge, by leveraging the abundant resources from HNA Group and its tech arm HNA Technology Group Co. Ltd.* (海航科技集團有限公司) ("HNA Tech Group"), in terms of wide range of application scenarios, professional expertise and experiences, as well as broad market channels.

From left: Mr. Peng Fang, Mr. Tong Fu, Mr. Wang Hao, Mr. Wong Chi Ho

* *For identification only*

I, myself, as a member of the board of directors of HNA Group and the chairman of board of directors of HNA Tech Group, will endeavour to draw a stronger synergistic business cooperation between the Company and its shareholder, bring along more international business opportunities in different aspects and steer the Company towards the high tech ecology built around "talent, logistics, liquidity and information".

Looking ahead, with a clearer and more coherent business structure, the Company will devote more efforts on the development of tech-related investment and asset management operations, and obtain the necessary qualifications for the potential operations. Riding on the successful profit turnaround, the Company will effectively utilize the wealth of business resources from the shareholder and capitalize on its solid foundation of and experience in smart solutions segment, thus fostering a long and successful development in new businesses and areas, and more importantly, developing the Company into the listed tech flagship of the HNA Group in Hong Kong.

Last but not least, I would like to take this opportunity to extend my utmost gratitude to our valuable shareholders, customers and business partners for their continued trust to the Group. I look forward to working with our dedicated management and staff to achieve brilliant results in the future.

TONG Fu
Chairman

8 March 2018

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group's revenue increased by 20% to HK$182 million (2016: HK$152 million) and recorded a net profit for the year of HK$6 million (2016: net loss for the year of HK$19 million). The Group successfully turned around from loss to profit due to significant improvements in sales and gross profit of its financial technology and smart living business. During 2017, the Group started its financial services and investment business by first providing advisory services to related parties by leveraging its understanding of Hong Kong capital market and the local talent pool. This new operating segment also made positive contribution to the Group's financial results. The provision of advisory services prepared the Group for further expansion into investment in technology related business, asset management and related operations. The basic earnings per share for the year was HK1.780 cents (2016: losses of HK6.268 cents).

Revenue

The Group's revenue for the year ended 31 December 2017 significantly increased by 20% compared to the previous year, which was contributed by both business lines of the Group. Revenue from smart card related products and services under financial technology and smart living business increased by 9% from HK$152 million in 2016 to HK$166 million in 2017 due to market recovery. During 2017, the Group launched an automatic fare collection ("AFC") project for public transport in the Republic of Fiji ("Fiji") by providing an integrated solution with both software and hardware. This project is the largest single project for 2017 with a revenue contribution of around HK$24 million to the Group. Details of the project are set out in the business review section.

During 2017, the Group started its financial services and investment business by providing advisory services to HNA Tech Group, a subsidiary of HNA Group, the controlling shareholder of the Company. For the year ended 31 December 2017, the Group completed the two projects specified in the mandate dated 2 November 2017 entered into between HNA Tech Group and a subsidiary of the Group, and recorded a service income of HK$16 million. Details of the transaction are set out in the business review section.

Improving Margin

The Group improved its gross profit margin from 49% in 2016 to 57% in 2017, which was mainly due to the high gross profit margin of financial services and investment business (95%). Supported by the change in sales mix, gross profit margin of smart card and related products for 2017 also increased to 53%. In the past, the Group relied on several system integrators to market its hardware overseas, such hardware only sales usually resulted in lower margins and hindered the Group's effort in improving its margins. During 2017, the Group completed its integrated solution project in Fiji, which accounting for a considerable portion of the total revenue of the Group, and with a higher margin for the software component. As a result, the Group's gross profit margin increased.

FINANCIAL REVIEW *(continued)*

Expenses and Impairment

Total expenses for 2017 increased by 5% compared to the previous year (2017: HK$98 million; 2016: HK$93 million). Such increase was mainly contributed by the new financial services and investment business and head office and corporate expenses.

For the financial technology and smart living business, total expenses decreased by 14% (2017: HK$76 million; 2016: HK$88 million) as a result of cost saving. In 2016, its operation was restructured to consolidate certain research and development functions to enhance operations and improve efficiency. Such restructuring was completed during 2016 and successfully lowered staff cost and office overheads in 2017. The decrease in expenses also contributed by a decrease in amortisation of development costs. Certain products had already been fully amortised in previous year while several significant new products were still under development and had not yet commenced amortisation.

Impairment losses on trade and other receivables and goodwill amounting to HK$5 million and HK$1 million respectively were recognised for the year ended 31 December 2017. The trade receivables for which impairment was provided for relate to a project suffering from delay that management assessed the collectability of the whole amount to be doubtful. During 2017, management confirmed its business plan over the smart card and related products business in the People's Republic of China (the "PRC") market to focus on hardware sales in future. Accordingly, goodwill arisen from acquisition of business assets in relation to AFC solutions and other applications in the PRC market in prior year was impaired.

Total expenses for financial services and investment business of approximately HK$10 million comprised mainly of staff costs, consultancy fee and office overhead.

Head office and corporate expense increased by HK$7 million compared to the previous year (2017: HK$12 million; 2016: HK$5 million). Increment was contributed by increases in director remuneration and legal fees. During 2017, significant, non-recurring legal and professional fees were incurred by the Company for the preparation of a composite document relating to the unconditional mandatory cash offer and circulars for the change of company name and continuing connected transaction.

Statement of Financial Position

Plant and equipment maintained at around HK$5 million in both years, because addition during 2017 was offset by depreciation. Intangible assets increased from HK$45 million to HK$47 million as at 31 December 2017, as mentioned previously, several significant new products were still under development as at 31 December 2017 that significant development costs had been capitalised under these products.

The inventories increased from HK$30 million as at 31 December 2016 to HK$38 million as at 31 December 2017. As at 31 December 2016, management intentionally controlled inventory balances due to the decrease in large orders in 2016. With satisfactory recovery of sales performance in 2017, certain parts and finished goods were stocked up towards the end of 2017 to prepare for the upcoming orders in early 2018.

FINANCIAL REVIEW *(continued)*

Statement of Financial Position *(continued)*

There were no significant changes in trade and other receivables. As at 31 December 2017, trade receivables arising from financial services and investment business of HK$16 million (2016: Nil) represented the unsettled advisory service fee from HNA Tech Group. Trade receivables arising from financial technology and smart living decreased significantly from HK$48 million as at 31 December 2016 to HK$32 million as at 31 December 2017, which was in line with the decrease in sales in the last quarter of 2017 when compared to the same period in 2016. During 2016, overall sales performance was underwhelming but the market started to recover in the second half of the year. The significant pick-up in sales in the last quarter of 2016 resulted in the higher trade receivables balance as at 31 December 2016. The impairment losses on trade receivables of HK$3 million recognised for the year ended 31 December 2017 also contributed to the decrease in trade receivable balances as at 31 December 2017.

Trade and other payables increased from HK$19 million as at 31 December 2016 to HK$24 million as at 31 December 2017. This was mainly attributable to the increase in accrued staff bonus and deposit received for upcoming orders in early 2018.

Bank loans outstanding at 31 December 2016 were already wholly repaid. Due to the change in controlling shareholder in January 2017, several banking facilities were terminated by respective bankers. As a result, the Group repaid respective bank loans.

DIVIDEND

The board of directors of the Company (the "Board") did not recommend payment of the final dividend (2016: Nil), for the year ended 31 December 2017.

The declaration, payment, and amount of future dividend will be decided by the Board and will depend upon, among other things, the Group's results of operations, capital requirements, cash flows, general financial condition and such other factors as the Board may consider important.

BUSINESS REVIEW

In 2017, shareholding structure of the Group changed that HNA EcoTech Pioneer Acquisition, a subsidiary of HNA Group, became the controlling shareholder of the Company on 13 January 2017 with a 75% shareholding as at 31 December 2017. After the change in controlling shareholder, the Group has continued with its existing businesses and developed a new operation during 2017, the financial services and investment business.

Both operations recorded a profit in 2017, the Group successfully achieved a profit turnaround in 2017 with a net profit of HK$6 million. The Group has no intention to dispose of any existing business and will keep exploring other business opportunities such as acquisitions of or investments in assets and/or business divestment and fund-raising, with a view to enhancing its overall growth and future development.

BUSINESS REVIEW *(continued)*

Financial Technology and Smart Living

Focus on end-to-end solutions

During 2017, financial technology and smart living segment mainly included smart card and related products business and the Group made strides with its AFC business. In 2017, the technologies of Advanced Card Systems Limited and TaptoPay Limited ("TaptoPay"), wholly owned subsidiaries of the Group, were well selected for various AFC projects in the United States, Fiji and the Philippines among others. In the United States, our bus validator was selected for integration into AFC projects in major cities included San Francisco and New York.

During the year, TaptoPay was contracted with by Vodafone Fiji Limited to be the solution provider for a new AFC project in Fiji. Under this project, TaptoPay implemented a transportation fare card used in Fiji for buses, the major public mode of transportation of the country. Fiji has a population of around a million and over 1,700 buses. TaptoPay is responsible for delivering the end-to-end solutions. The Fiji government expects this AFC systems can improve the revenue collection and cash flows for the bus operators and the government. At the same time, it can provide greater transparency and control over targeting, coverage and distribution of the transport assistance/subsidy to the students, the pensioners, the senior citizens and the disabled citizens/residents. Therefore, after the launching of the project in August 2017, it is possible that the application will further extend to other modes of transportation.

In 2018, TaptoPay aims to further its services in Fiji, and expand its reach to other Pacific Islands, such as Independent State of Papua New Guinea.

In the Philippines, TaptoPay is slated to provide an end-to-end AFC system for the upcoming Jeepney modernisation program. The Jeepney is a prevalent form of mass transportation in the country. However citing environmental, traffic, and efficiency concerns, the government decided to modernise this form of public transport. The Group has also provided an end-to-end AFC system for an emerging economic hub in the southern area of the same archipelago.

Moving forward, the Group will be allotting more focus towards providing end-to-end solutions, instead of providing hardware for integration into third-party solutions. Such solutions are expected to be beyond AFC – encompassing payment, ticketing systems, fleet management systems, passenger information display systems, on-bus security systems and other applications.

BUSINESS REVIEW *(continued)*

Financial Technology and Smart Living *(continued)*

Products launched

During the year, the Group released two main products. These two products fall under the mobile card reader and smart card product lines.

Mobile card readers – ACR3901T-W1 Secure Bluetooth Contact Card Reader

The ACR3901T-W1 Secure Bluetooth® SIM-Sized Contact Card Reader uses a Bluetooth® Smart interface to wirelessly facilitate transactions using SIM-sized contact cards.

ACR3901T-W1 supports ISO 7816 smart cards, microprocessor cards with T=0 and T=1 protocol, and common memory cards. It has a read/write speed of up to 600 Kbps. In addition to its Bluetooth® Smart interface (also known as Bluetooth 4.0), the reader has a USB full speed interface. It is compatible with both computers or mobile devices. Because of its wide-range support and firmware upgradeability, it is very cost-efficient.

Smart cards – ACOSJ-P PBOC 3.0 DC/EC Card

ACOSJ-P PBOC 3.0 DC/EC card is a Java-powered cryptographic smart card solution compliant with the GlobalPlatform Basic Financial Configuration.

It comes preloaded with a PBOC 3.0-certified applet, making it especially suited for e-banking and e-payment. PBOC 3.0 certification guarantees that ACOSJ-P supports international cryptographic algorithms and complies with the UnionPay standard. It is also QPBOC-compliant, guaranteeing that it further speed up contactless transactions.

ACOSJ-P is suitable for debit or credit applications, and low-value electronic cash (EC) transfer, among others. Its range of certifications makes it conducive to open-loop systems, which expand partnership opportunities for acquirers, and simplify payment processes for end users. ACOSJ-P has contact, contactless, and dual interface options. It can house multiple applications, and has powerful cryptographic capabilities to ensure that it fully protects such applications.

BUSINESS REVIEW *(continued)*

Financial Technology and Smart Living *(continued)*

Events and awards

The Group remains active in industry activities. In 2017, it participated in several key industry events such as Securing Federal Identity 2017 in Washington D.C., the United States. This event highly focused on the future of the federal government of the United States policies and technology developments for securing federal identity and access control of facilities and network systems. Experts from the federal government and the security industry filled the conference agenda and exhibition area to present the future direction of the government's efforts to manage identities and control access across all federal agencies. Our showcase were held to allow government attendees to visit and learn more about our innovative identity products and services enabling secure federal identities today and in the future.

In addition, Advanced Card Systems Limited was recognised in the recently concluded APAC Insider Awards. It received the Award for Excellence in Card and Reader Technologies & Best Environmentally Friendly Electronics and IT Firm. The awards program was organised by APAC Insider Magazine, which covers businesses all over Asia-Pacific. APAC Insider Awards is an annual program that aims to recognise businesses which have "achieved incredible results and helped rewrite their industry's rulebook." Winners are evaluated by a panel of judges who look at a nominated company's performance over the past twelve months. The judging process also takes into account voting among industry peers, as well as research undertaken by APAC Insider Magazine about the nominees.

Financial Services and Investment

On 1 August 2017, the Company announced its plan to develop and engage in the business of investment in and asset management of technology-related business, the financial services and investment business. The Company believes that this operation will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. The Group started this operation during the year by recruiting qualified and experienced staff. At the initial stage of the development of this operation, the Group only provides consultancy and advisory services as part of this new operation.

During the year, the Group provided advisory services to HNA Tech Group as a continuing connected transaction and recognised income of HK$16 million. The directors of the Company (the "Directors") believes that the Group can leverage the know-how and expertise of HNA Tech Group in the technology-related business to expand its financial services and investment business and the provision of advisory service to technology companies, allowing the Group to optimise the utilisation of its human resources, build up its customer portfolio and keep abreast with the market trend for technology related business. The Group is also looking for opportunities to provide similar advisory services to independent third parties. Due to this advisory income, a segment profit was recognised and improved profitability of the Group as a whole, notwithstanding that the new operation is at an infant stage.

PROSPECTS

Financial Services and Investment

Apart from consultancy and advisory services, the Group also plans to expand and focus on asset management for which the Group intends to manage funds, and to offer funds to the professional investors, details will be finalised at a later stage.

The Group has begun to draw its strategic layout in the business of asset management, and is currently applying for relevant licenses of regulated activities with the Securities and Futures Commission ("SFC") to perform future operations. According to the SFC, total managed assets in Hong Kong increased by 5.2% from the end of 2015 to HK$18,293 billion as of 31 December 2016. Obtaining the license for asset management constitutes a pivotal part of the Group's strategic positioning to expand this business. We intend to capitalise on the expertise and enriched experience in the technology industry of the Group and its controlling shareholder, coupled with the strengths in the forms of talent pool and capital liquidity of Hong Kong capital market, to develop our financial services and investment business for tech-related assets, thus creating a rapid-developing business growth engine with better margins which brings synergistic effect to the existing smart card operation.

According to the SFC, overseas investors continue to be a major capital source for asset management segment in Hong Kong. In 2016, capital fund from overseas investors accounted for 66.3% of the total managed assets in Hong Kong. The predominant background of HNA Group in terms of internationalisation will bolster the Group's asset management business. The Group and its controlling shareholder have extended footprints, investments and experience in various tech asset fields, including cloud operation, IT outsource and service, IT product distribution, artificial intelligence, quantum computing, online living, and other new technologies.

We are devoted to forge a combination of the two aforementioned strengths, with a view to fostering a stable and rapid development of the technology-related financial services and investment business.

Financial Technology and Smart Living

For future, the Group is looking forward to explore and develop different business related to financial technology (Fintech). The Group expects to launch two core Fintech products to facilitate this direction. These 2 new products include:

AMR220-C1 Secure Bluetooth® mPOS Reader

AMR220-C1mPOS is an ultra-portable device designed to work with mobile devices (smartphone or tablet) running on Android™, iOS, Windows®, Linux®, and MAC OS®. AMR220 mPOS Reader can be easily integrated with any mPOS systems available in the market. Eventually, any smartphone or tablet can be transformed into a Point of Sales terminal. mPOS system has low infrastructure cost mPOS solutions also provide the merchant with flexibility, payment security and safe transaction processes.

PROSPECTS *(continued)*

Financial Technology and Smart Living *(continued)*

ACR330 bus validator

ACR330 is a EMV certified bus validator supporting credit and debit cards, including EMV standard, closed-loop payment networks, contactless or NFC technologies, e-wallets, Applepay and QR code (Wechat and Alipay) payment.

The Group believes that the above products can facilitate the Group to expand its business to mobile payment, internet finance and other related business in the future.

Except for financial technology, the Group will also expend its smart living business. Started from 2017, more focus was put on bus fleet management systems and integrated on-bus security systems. Except the current bus payment system, most of our current customers are looking for a turnkey solution to increase the efficiency and productivity of the bus operation as well as to enhance the security level to prevent theft and violence inside the public bus. It is believed that there is a strong synergy if TaptoPay is able to provide a total solution with fleet management and surveillance system together with its existing well-proven bus payment systems as a one-stop shop to fulfil all of the requirements from the bus operators.

One Belt and One Road Initiative ("BRI")

In the next 3 years, the focus of financial technology and smart living business will follow the BRI proposed by the PRC government. The BRI is covering more than 68 countries and is expected to bridge the 'infrastructure gap' and thus accelerates economic growth across the Asia Pacific area and Central and Eastern Europe.

World Pensions Council experts estimate that Asia excluding the PRC will need up to US$900 billion of infrastructure investments per year during the next 10 years, mostly in debt instruments. They conclude that current infrastructure spending on the continent is insufficient by 50%. Hence we believe the demand of financial technology and smart living related products are increasing in these 68 countries.

RISK FACTORS

The Group's results of operations, financial condition and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's results of operations, financial condition and growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

RISK FACTORS *(continued)*

Operation Risk

Reliance on a limited number of large customers

Sales to the largest customer and top five customers accounted for 13% and 37% of the Group's turnover for the year ended 31 December 2017 (2016: 9% and 31%). One customer was being the top five customers for both 2016 and 2017. There is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, results of operations of the Group may be adversely affected.

Reliance on certain independent manufacturers for manufacturing smart card related products

The Group does not own any production facilities. It subcontracts substantially all of its production activities to external manufacturers in the PRC. During the year ended 31 December 2017, the Group has engaged three manufacturers for smart card and two manufacturers for smart card readers, all these manufacturers were engaged by the Group for at least over 5 years. Financial or other difficulties faced by these manufacturers or any change in the Group's relationship with these manufacturers could affect the Group's ability to meet scheduled product deliveries to its customers and may in turn adversely affect the Group's business operations.

Reliance on ability to attract and retain skilled engineers

The performance of the Group depends, to a significant extent, on the continued services and performance of its research, development and deployment teams. As at 31 December 2017, 53% (2016: 53%) of full time employees of the Group are engineers for research, development and deployment and 37% (2016: 39%) of them served the Group for over 5 years. Competition for employees with the requisite skills, qualifications and experience in the industry is intense. If the Group is unable to attract, retain and motivate skilled engineers in the future, the operations of the Group may be adversely affected.

Business Risk

Rapid changes in technology

The Group operates in a market which is characterised by rapid changes in technology, industry standards, customer preferences and frequent introductions and enhancements of products and services. Accordingly, the performance of the Group will depend on overall market demand on smart card technology and related products and its ability to improve the functions and reliability of its products and services and adapt to new industry standards and customer preferences. In the event that the Group fails to adapt successfully to such changes, the results of operations and growth prospects of the Group may be adversely affected.

RISK FACTORS *(continued)*

Business Risk *(continued)*

Substantial capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require substantial capital expenditure. During the year ended 31 December 2017, the Group recorded an addition of HK$11 million (2016: HK$12 million) on development costs of new products and services and as at 31 December 2017, balance of development costs of new products and services amounted to HK$46 million (2016: HK$43 million). It was estimated that approximately at least HK$8 million further costs, which mainly referred to staff cost and certificate cost, will be incurred to complete most of the existing projects of new products and services. The substantial capital expenditure may have an adverse impact on the financial resources of the Group. In the event the new products and services do not achieve market acceptance or there is substantial delay in the process, the results of operations and growth prospects of the Group may be adversely affected.

Financial Risk

The Group is exposed to a variety of key financial risks including mainly credit risk, details of the aforesaid key risk and risk mitigation measures are elaborated in note 26 "Financial risk management and fair values of financial instruments" to the financial statements of this annual report.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 31 December 2017, the Group's cash and cash equivalents amounted to HK$30 million (31 December 2016: HK$41 million). During the year, the Group repaid all outstanding bank borrowings, resulting in nil balance of bank borrowings as at 31 December 2017. While as at 31 December 2016, balance of bank borrowings was HK$14 million and the gearing ratio, being the total interest bearing debts over the total equity, was 0.10. Net asset value as at 31 December 2017 was HK$154 million (31 December 2016: HK$147 million).

The Group's equity capital and the cash generated from operating activities, has been applied to fund its working capital and other operational needs. During the year, the Group recorded net cash inflow in operating activities of HK$17 million (2016: HK$11 million), the amount increased as a result of increase in operating profit. The Group maintained a positive cashflow from operating activities as its profit from operations before interest, tax, depreciation, amortisation and impairment loss on intangible assets (EBITDA) of the Group for 2017 amounted to HK$20 million (2016: loss of HK$1 million). The Group recorded net cash outflow in investing activities of HK$13 million (2016: HK$14 million) during 2017. Net cash outflow was stable since capital expenditure on development projects maintained at similar level in both 2016 and 2017. The Group recorded net cash outflow in financing activities of HK$14 million in 2017 (2016: inflow of HK$14 million), and inflow was recorded in 2016 as a net proceeds of HK$39 million from shares issued under rights issue was received. In 2017, the Group settled all outstanding bank loans which amounted to around HK$14 million.

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2017, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in HK$, Philippine Pesos, US$ and Renminbi. As HK$ is pegged to US$, exchange risk arising from US$ does not have significant financial impact to the Group. The Group also enters into foreign exchange hedging transactions from time to time to manage its currency risk exposure, as at 31 December 2017, no related hedge was made by the Group (31 December 2016: Nil).

Under foreign exchange hedging policy of the Group, the Group only hedges its foreign exchange exposures in sales and purchases by entering into forward contracts. Under no circumstances would the Group enter into foreign exchange hedging transactions exceeding the aggregate amount of all trade receivables and purchase orders received from customers in the relevant foreign currency nor for speculative purposes.

PLEDGE OF ASSETS

As at 31 December 2017, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As at 31 December 2017, the Company had no outstanding corporate guarantee (31 December 2016: HK$80 million, plus accrued interest thereon, to banks in respect of banking facilities granted to its major subsidiaries). As at 31 December 2017, the Group had no banking facilities. Save as disclosed herein, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 205 full time employees. Staff costs recognised in profit or loss amounted to HK$50 million (2016: HK$49 million). Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience, and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

EXECUTIVE DIRECTORS

Mr. TONG Fu | Chairman

Mr. Tong Fu, aged 35, is an executive Director and the Chairman of the Board, all of which were appointed on 7 July 2017. Mr. Tong has served various key roles across serval functions in HNA Group since joining HNA Group, such as director of the general administration office and general manager of corporate social responsibility, and chief innovation officer and the general manager of information technology development. These managerial experiences have given him a deep understanding in corporate strategy, innovation management and logistics operations. Mr. Tong has been a director of HNA Group, a controlling shareholder of the Company, since January 2017 and he is committed to boost HNA Group's presence in the global logistics and technology industry. He is an experienced strategist and travels across the globe to prospect new ventures. He has led a number of important investments on behalf of HNA Group.

Mr. Tong also serves as the chairman of board of directors of HNA Tech Group and Pactera Technology International Ltd. He is a director of Hainan eKing Technology Co., Ltd. since December 2014. He is also the chairman of the board of directors of TianJinTianhai Investment Company Limited, since March 2017 (a Shanghai A-share and B-share listed company with stock code: 600751 and 900938 respectively). Mr. Tong obtained a Bachelor of Science degree from Peking University in June 2004 and a Master of Business Administration from Peking University in January 2015.

Mr. WANG Hao | Vice Chairman

Mr. Wang Hao, aged 40, was appointed as an executive Director on 31 March 2017. He is also the Vice Chairman of the Company, Mr. Wang has over 16 years of working experience in financial and corporate management, and has extensive related knowledge and experience. Mr. Wang has also served various positions in the group of HNA Group since 1999, including chief financial officer of Hainan Airlines Company Limited (a Shanghai A-share listed company with stock code: 600221), the general manager of plan finance department of HNA Group, the chief financial officer of HNA Airlines Holdings Co., Ltd.* (海航航空控股有限公司), the vice chief executive officer of SeaCo Ltd, the financial controller of HNA Capital Group Co., Ltd.* (海航資本集團有限公司), the vice-chairman and chief executive officer of HNA Group (International) Company Limited and the investment president of HNA Tech & Logistics Group. He was also the chairman of the board of directors of Bohai Capital Holding Co., Ltd* (渤海金控投資股份有限公司) (a Shenzhen A-share listed company with stock code: 000415) from December 2012 to May 2015. Mr. Wang was appointed as an executive director of the board of directors of CWT International Limited (formerly known as: HNA Holding Group Co. Limited), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 521, in June 2015. He stepped down and was re-designated as a non-executive director of CWT International Limited in February 2016 and subsequently resigned as non-executive director in December 2017.

Mr. Wang also serves as director of HNA Tech Group and Pactera Technology International Ltd. He is also director of TianJin Tianhai Investment Company Limited, since March 2017. Mr. Wang obtained a master degree in Business Administration from City University of Seattle in 2007.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. PENG Fang | Chief Executive Officer

Mr. Peng Fang, aged 33, was appointed as an executive Director and the Chairman of the Board on 31 March 2017 and he stepped down as the Chairman of the Board and was further appointed as the Chief Executive Officer of the Group on 7 July 2017. He is also a member of the remuneration committee of the Company and a director of several subsidiaries of the Group. Mr. Peng joined HNA Cloud Technology Co., Ltd. and served as a chief investment officer from November 2015 to March 2016. He then served various positions in HNA EcoTech Group Co., Ltd.* (海航生態科技集團有限公司) including investment vice president from March 2016 to November 2016, investment president from November 2016 to December 2016 and chief operating officer since December 2016. He is currently a director of HNA EcoTech Pioneer Acquisition, the controlling shareholder of the Company. Mr. Peng obtained a master degree in Economics from Peking University in July 2008.

Mr. ZHANG Tao

Mr. Zhang Tao, aged 35, was appointed as an executive Director on 7 July 2017. Mr. Zhang started his career with HNA Group in 2004 and served various management positions in HNA Group's subsidiaries since then including manager of financial internal control center of HNA Tourism Holding (Group) Co., Ltd., general manager of plan finance department of Deer Jet Co., Ltd. and Beijing Capital Airlines Co., Ltd. respectively, financial controller of HNA Xinhua Culture Holding Group Co., Ltd., chairman of Beijing Shareco Technologies Co., Ltd., vice president of HNA Culture Holding Group Co., Ltd., chairman and chief executive officer of HNA USOLV Co. Ltd and the financial controller of HNA Tech Group.

Mr. Zhang has been the vice-president of innovation of HNA Tech Group since January 2018. Currently, he is also a director of each of Pactera Technology International Ltd, HNA Cloud Culture Media (Beijing) Co., Ltd. and Beijing Shareco Technologies Co., Ltd. Mr. Zhang obtained a Bachelor of Diplomacy and Economics degree from Peking University in June 2004 and a Master of Business Administration from Peking University in July 2015.

Mr. WONG Chi Ho

Mr. Wong Chi Ho, aged 39, is an executive Director and a member of the nomination committee, all of which were appointed on 24 March 2015. He is also a director and the legal representative of several subsidiaries of the Group. He joined the Group in July 2013. He is involved in the development of the Group's smart card and smart card reader technologies. Mr. Wong Chi Ho has over eight years of engineering work experience in Silicon Valley, California, U.S.A., where he worked for Qualcomm Technologies, Inc., Nvidia Corporation and Sun Microsystems Inc.. Mr. Wong Chi Ho obtained a Master of Science in Management, Science and Engineering degree from Stanford University in California, U.S.A. in January 2005 as well as Bachelor of Science in Engineering in Electrical Engineering (Summa Cum Laude) and Master of Science in Engineering in Electrical Engineering degrees from The University of Michigan at Ann Arbor in Michigan, U.S.A. in April 2001 and April 2002, respectively. Mr. Wong Chi Ho passed Level 3 of the CFA Study and Examination Program of the CFA Institute.

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GUO Dan

Mr. Guo Dan, aged 43, is an independent non-executive Director and a member of the audit committee, all of which were appointed on 27 June 2017. Mr. Guo was appointed as the chairman of the nomination committee and a member of remuneration committee with effect from 30 September 2017. Mr. Guo joined Baidu Online Network Technology (Beijing) Co., Ltd., a wholly owned subsidiary of Baidu, Inc. (NASDAQ: BIDU) in January 2000. He was a member of the engineering team of Baidu Online upon its incorporation and has been with Baidu Online for 11 years, during which he served various positions, including senior engineer, senior engineering manager, engineering director and senior engineering director, responsible for research and development of Baidu technology, including search engine and advertisement system. Mr. Guo is one of the founders of Dingfu Data Technology (Beijing) Company Limited (Dingfu Data) in the PRC in 2015. Currently he is the legal representative and the chief executive officer of Dingfu Data. Mr. Guo obtained a Master of Science in Management from The Leland Stanford Junior University in June 2012 and a doctor's degree in communication and information systems from Beijing Jiaotong University in April 2012.

Ms. KAUNG Cheng Xi Dawn

Ms. Kaung Cheng Xi Dawn, aged 37, was appointed as an independent non-executive Director on 24 March 2015. She is also a member of the audit committee and the nomination committee of the Company. Ms. Kaung was appointed as the chairman of the remuneration committee with effect from 1 April 2017. Ms. Kaung was a Sales Director at Avery Dennison Hong Kong B.V. from September 2014 to February 2016. Prior to joining Avery Dennison Hong Kong B.V. as Senior Manager of Global Supply Chain in February 2013, Ms. Kaung worked as an Associate with McKinsey & Company from November 2010 to January 2013. Previously, Ms. Kaung worked at Dell Inc. group of companies in U.S.A. and Singapore from July 2003 to August 2008. Ms. Kaung obtained her Master in Business Administration degree from Harvard University in Massachusetts, U.S.A. in May 2010. She also received her Master of Science in Management Science and Engineering degree from Stanford University in California, U.S.A. in June 2003 and her Bachelor of Science in Engineering in Industrial and Operations Engineering (Summa Cum Laude) degree from The University of Michigan at Ann Arbor in Michigan, U.S.A. in April 2002.

Dr. LIN Tat Pang

Dr. Lin Tat Pang, aged 61, is an independent non-executive Director and the chairman of the audit committee, all of which were appointed on 22 December 2017. Dr. Lin is also an independent non-executive director of China Aluminum Cans Holdings Limited (Main Board listed company with stock code: 06898) since June 2013. Dr. Lin has over 30 years of experience in accounting, finance and public offerings. Dr. Lin served as assistant accountant, accounting manager and chief accountant in Sun Hung Kai Securities Limited during 1980 to 1988. He joined Sun Hung Kai Investment Services Limited and Sun Hung Kai Forex & Bullion Co. Limited as executive director in December 1989. He was also appointed as company secretary of Sun Hung Kai & Co. Limited (Main Board listed company with stock code: 00086) in November 1990. Subsequently, he worked for Hong Kong Exchanges and Clearing Limited and the Stock Exchange between December 1992 and March 2013, and his last position was senior consultant to the Listing, Listing & Regulatory Affairs Division of Hong Kong Exchanges and Clearing Limited.

Dr. Lin obtained his Doctor of Law, Master of Law and Bachelor of Law from Peking University in 2009, 1998 and 1992 respectively. He also completed his Postgraduate Certificate in Hong Kong Law in City University of Hong Kong (previously known as City Polytechnic of Hong Kong) in 1993. Dr. Lin is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants, United Kingdom. He is also a member of the Chartered Institute of Arbitrators, United Kingdom.

SENIOR MANAGEMENT

Mr. ZHENG Xuedong | Vice President

Mr. Zheng Xuedong, aged 38, is a Vice President of the Group and a director of several subsidiaries of the Group. He joined the Group in July 2017 and has over 14 years of experience in the financial industry. Prior to join the Group, Mr. Zheng was an investment director of Intermediate Capital Asia Pacific Limited, the Asia Pacific arm of London-listed alternative asset manager Intermediate Capital Group, from 2014 to 2016, where he was responsible for alternative investment in Asia Pacific, with a focus on the Greater China Region, leading domestic and cross-border transactions with complicated deal structuring and execution. He worked in Hony Capital during 2013 to 2014 as a vice president in the private equity management department, managing domestic and cross-board investment transactions from investment execution to portfolio management and to investment exit, and closed multiple transactions which required in-depth business and industry due diligence. He also served as the vice president of Morgan Stanley investment banking division in China from 2008 to 2013, and closed a significant number of multi-billion capital market and cross-border acquisition transactions. Mr. Zheng also worked for Interfax News Agency and BOCI Securities Limited in his earlier years of career, accumulating technology industry knowledge and finance expertise.

Mr. Zheng obtained a master of business administration degree from the University of California, Los Angeles and a double bachelor degree of Economics and English from Peking University in the PRC. Before joining the Group, Mr. Zheng had acted as a licensed person registered with the SFC and was a responsible officer who was licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (the "SFO").

Mr. BAI Jing | Vice President

Mr. Bai Jing, aged 43, joined the Group as Vice President in August 2017. Mr. Bai has approximately 4 years of experience in auditing and over 15 years of experience in the financial industry and in project investment. Prior to joining our Group, Mr. Bai has been the deputy managing director of Zhongji Investment Co., Ltd. (中冀投資股份有限公司) since November 2016, where he was responsible for funds on-shore and off-shore investment projects. He was the managing director of USUM Investment Group Co., Ltd. (渝商投資集團股份有限公司) from July 2015 to June 2016 where he was involved in various investment projects. He was the executive director of Standard Charter Corporate Advisory (Beijing) Ltd, the investment banking arm of Standard Chartered Bank in the PRC, from June 2011 to June 2015 where he was responsible for managing a client portfolio formed by more than 30 state-owned enterprises, handling relations with the regulatory authorities and execution of various financing and merger and acquisition deals. He was the executive director of UBS Investment Bank (瑞銀投資銀行) from October 2007 to June 2011 and was responsible for, among other things, liaising with the regulatory authorities in projects execution, acting as sponsors and underwriters of initial public offering and bond offering, and advising on cross-border merger and acquisition projects. Prior to joining UBS Investment Bank, he worked for DBS Asia Capital Limited (星展亞洲融資) and CITIC CLSA (里昂證券).

Mr. Bai obtained double degrees in English language and literature and diplomacy from China Foreign Affairs University in the PRC. Mr. Bai has been a non-practicing member of the Chinese Institute of Certified Public Accountants since 2003. He was a licensed person registered with the SFC and was a responsible officer who was licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO from May 2006 to July 2007. He obtained the Securities Qualification Certificate (證券從業資格證書) issued by the Securities Association of China (中國證券業協會) in 2007.

Mr. PENG Zhi | Financial Director

Mr. Peng Zhi, aged 38, is the Financial Director of the Group since August 2017. He is also a director of Sudhana Capital Limited, a subsidiary of the Group. Mr. Peng has over 16 years of experience in financial management and has substantial financial management knowledge and experience. He joined the financial department of Hainan Airlines Co., Ltd. (海南航空股份有限公司) in July 2001. He joined Hong Kong Airlines Limited in May 2011 and has successively served as Deputy General Manager, General Manager and Finance Director of its Finance Department until August 2017.

Mr. Peng graduated from Xi'an Jiaotong University in July 2001 with a Bachelor degree of Finance. He is currently studying an EMBA course at City University of Hong Kong.

During the year, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Directors are of the opinion that the Company has compiled with the code provisions set out in the CG Code for the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

For the year, the Company has adopted dealings rules on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2017 regarding Directors' securities transactions.

BOARD OF DIRECTORS

The Board comprises currently 5 executive directors, namely Mr. Tong Fu (being the Chairman of the Board), Mr. Wang Hao (being the Vice Chairman of the Board), Mr. Peng Fang (being Chief Executive Officer), Mr. Zhang Tao and Mr. Wong Chi Ho; and 3 independent non-executive directors namely, Mr. Guo Dan, Ms. Kaung Cheng Xi Dawn and Dr. Lin Tat Pang. Details of each director are disclosed on page 16 of this Annual Report.

On 31 March 2017, Mr. Lo Kar Chun, SBS, JP tendered his resignation as an independent non-executive Director, a member and the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee with effect from 1 April 2017. On 27 June 2017, Mr. Guo Dan was appointed as an independent non-executive Director and a member of the audit committee. On 1 September 2017, Mr. Yim Kai Pung tendered his resignation as an independent non-executive Director, a member and the chairman of each of the audit committee and the nomination committee and a member of the remuneration committee with effect from 30 September 2017. As a result of the above, the Company is not in compliance with Rule 3.10 and 3.10A of the Listing Rules with regard to the composition of the Board and with Rule 3.21 of the Listing Rules with regard to the composition of the audit committee during the period from 1 April 2017 to 26 June 2017 and from 30 September 2017 to 21 December 2017. Following the appointment of Dr. Lin Tat Pang on 22 December 2017 as an independent non-executive Director and a member and the chairman of the audit committee, the Company has complied with Rules 3.10 and 3.10A of the Listing Rules in relation to the composition of the Board and Rule 3.21 of the Listing Rules with regard to the composition of the audit committee.

The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of the senior management; and assuming responsibility for corporate governance. The management is responsible for implementing the strategies and plans established by the Board; and submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

BOARD OF DIRECTORS *(continued)*

While the Board retains at all times full responsibility for guiding and monitoring the Company, certain responsibilities of the Board are delegated as follows:

(a) Various committees, including audit committee, finance and investment committee, remuneration committee, and nomination committee, have been established by the Board to administer certain specified functions of the Company's affairs. The composition and duties of the committees are set out in their terms of reference, which are posted on the websites of the Stock Exchange and the Company.

(b) The day-to-day management, administration, and operation of the Group are delegated to the management.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Board held six meetings during the year ended 31 December 2017. Agenda of Board meetings are presented to the Directors for comments and approval. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. Details of individual attendance of Directors are set out below:

Name of Directors	Attended/Eligible to attend
Executive Directors	
Mr. Tong Fu (appointed on 7 July 2017)	1/2
Mr. Wang Hao (appointed on 31 March 2017)	3/4
Mr. Peng Fang (appointed on 31 March 2017)	4/4
Mr. Zhang Tao (appointed on 7 July 2017)	1/2
Mr. Wong Chi Ho	6/6
Mr. Cui Yijun (appointed on 31 March 2017 and resigned on 7 July 2017)	0/0
Ms. Tsui Kam Ling (resigned on 31 March 2017)	3/3
Mr. Wong Chi Kit (resigned on 31 March 2017)	3/3
Independent Non-executive Directors	
Mr. Guo Dan (appointed on 27 June 2017)	3/3
Ms. Kaung Cheng Xi Dawn	6/6
Dr. Lin Tat Pang (appointed on 22 December 2017)	0/0
Mr. Lo Kar Chun, SBS, JP (resigned on 1 April 2017)	2/3
Mr. Yim Kai Pung (resigned on 30 September 2017)	5/5

BOARD OF DIRECTORS *(continued)*

Save as disclosed above, during the year ended 31 December 2017, the Board at all times exceeded the minimum requirements of the Listing Rule relating to the appointment of at least three independent non-executive directors, and complied with the requirement that these should include one such director with appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Director. The Company considers that all of its independent non-executive Directors are independent.

Ms. Tsui Kam Ling was the mother of Mr. Wong Chi Ho and Mr. Wong Chi Kit. Save as disclosed herein, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to directors will be arranged whenever necessary.

All Directors have complied with the CG Code during the year ended 31 December 2017 through participating in continuous professional development in the following manner:

Name of Directors	Reading materials/ attending seminars in relation to corporate governance and regulatory requirements	Attending seminars/ courses/conferences to develop professional skills and knowledge
Executive Directors		
Mr. Tong Fu	✓	–
Mr. Wang Hao	✓	–
Mr. Peng Fang	✓	–
Mr. Zhang Tao	✓	–
Mr. Wong Chi Ho	✓	–
Independent Non-executive Directors		
Mr. Guo Dan	✓	–
Ms. Kaung Cheng Xi Dawn	✓	–
Dr. Lin Tat Pang	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms. Tsui Kam Ling was appointed as the Chairman of the Board on 24 March 2015 up to 31 March 2017. On 31 March 2017, Ms. Tsui Kam Ling resigned as executive Director and the Chairman of the Board due to the change in control of the Company. On 31 March 2017, Mr. Peng Fang was appointed as executive Director and the Chairman of the Board. On 7 July 2017, Mr. Peng Fang stepped down from the position of the Chairman of the Board and was re-designated as the Chief Executive Officer of the Group. On 7 July 2017, Mr. Tong Fu was appointed as executive Director and the Chairman of the Board. Chairman of the Board is mainly responsible for providing leadership and directions to the Board.

Mr. Wong Chi Ho and Mr. Wong Chi Kit were appointed as Co-Chief Executive Officers of the Group on 24 March 2015. On 7 July 2017, Mr. Wong Chi Ho and Mr. Wong Chi Kit resigned as Co-Chief Executive Officers of the Group and Mr. Peng Fang was re-designated as the Chief Executive Officer of the Group. Chief Executive Officer of the Group is responsible for overseeing the management of the Group's business with assistance of the Group's senior management team. The roles of chairman and chief executive officer were separated.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Dan was appointed as a new independent non-executive Director on 27 June 2017 for a term of two years commencing from 27 June 2017 to 26 June 2019.

Dr. Lin Tat Pang was appointed as a new independent non-executive Director on 22 December 2017 for a term of two years commencing from 22 December 2017 to 21 December 2019.

The term of appointment of Ms. Kaung Cheng Xi Dawn as an independent non-executive Director is two years commencing from 24 March 2015 to 23 March 2017. The Company has renewed the appointment letter with Ms. Kaung with a term of two years commencing from 24 March 2017 to 23 March 2019.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge, and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The nomination committee will review the Policy from time to time to ensure its continued effectiveness.

BOARD COMMITTEES

(i) Audit Committee

The Company has adopted revised written terms of reference in compliance with the Listing Rules on 29 September 2015. The audit committee is primarily responsible for making recommendations to the Board on the appointment, reappointment, and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review the Company's financial controls, internal controls, and risk management systems; and to review the financial statements of the Company. Other duties of the audit committee are set out in its terms of reference, which are posted on the websites of the Stock Exchange and the Company.

The audit committee currently comprises 3 members, namely Dr. Lin Tat Pang (being the chairman of the audit committee), Mr. Guo Dan and Ms. Kaung Cheng Xi Dawn. As disclosed under "Board of Directors", during the year, the Company is not in compliance with Rule 3.21 of the Listing Rules.

The audit committee held three meetings during the year. Out of these three meetings, the audit committee met twice with the external auditor. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Dr. Lin Tat Pang *(Chairman)* (appointed on 22 December 2017)	1/1
Mr. Guo Dan (appointed on 27 June 2017)	2/2
Ms. Kaung Cheng Xi Dawn	3/3
Mr. Lo Kar Chun, SBS, JP (resigned on 1 April 2017)	1/1
Mr. Yim Kai Pung (resigned on 30 September 2017)	2/2

Set out below is the summary of work performed by the audit committee during the year ended 31 December 2017:

(1) to approve the remuneration and terms of engagement of the external auditor;

(2) to monitor integrity of the Company's financial statements, annual report and interim report, and to review significant financial reporting judgments contained in them;

(3) to review the Company's financial controls, internal controls, and risk management systems; and

(4) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective risk management and internal control system.

The audit committee met with the external auditor to review the Group's audited results for the year ended 31 December 2017.

BOARD COMMITTEES *(continued)*

(ii) Remuneration Committee

The remuneration committee makes recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration of directors is determined according to their expertise, knowledge, and contributions to the Group with reference to the Group's profitability and the prevailing market conditions. Details of the remuneration payable to the Directors during the year are set out in note 8 to the financial statements. The remuneration payable to the three members of the senior management during the year falls within the following bands:

Nil to HK$1,000,000	3

The remuneration committee currently comprises 3 members, namely Ms. Kaung Cheng Xi Dawn (being the chairman of the remuneration committee), Mr. Guo Dan and Mr. Peng Fang.

The remuneration committee held six meeting during the year to determine the specific remuneration packages of all executive directors and senior management and made recommendation on the director's fee of independent non-executive directors. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Ms. Kaung Cheng Xi Dawn *(Chairman) (appointed on 1 April 2017)*	4/4
Ms. Guo Dan *(appointed on 30 September 2017)*	1/1
Mr. Lo Kar Chun, SBS, JP *(resigned on 1 April 2017)*	2/2
Mr. Yim Kai Pung *(resigned on 30 September 2017)*	5/5
Executive Directors	
Mr. Peng Fang *(appointed on 22 December 2017)*	0/0
Mr. Wong Chi Ho *(appointed on 31 March 2017 and resigned on 22 December 2017)*	4/4
Mr. Wong Chi Kit *(resigned on 31 March 2017)*	2/2

BOARD COMMITTEES *(continued)*

(iii) Nomination Committee

The nomination committee reviews the structure, size, board diversity, and composition of the Board, and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifies individuals suitably qualified to become board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships; assesses the independence of independent non-executive directors; and makes recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The nomination committee currently comprises 3 members, namely Mr. Guo Dan (being the chairman of the nomination committee), Ms. Kaung Cheng Xi Dawn and Mr. Wong Chi Ho.

During the year, the nomination committee held four meeting to review the structure, size, board diversity, and composition of the Board, make recommendations to the Board on the appointment of new directors and assess the independence of independent non-executive director. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Guo Dan *(Chairman) (appointed on 30 September 2017)*	1/1
Ms. Kaung Cheng Xi Dawn	4/4
Mr. Lo Kar Chun, SBS, JP *(resigned on 1 April 2017)*	1/1
Mr. Yim Kai Pung *(resigned on 30 September 2017)*	3/3
Executive Directors	
Mr. Wong Chi Ho	4/4
Ms. Tsui Kam Ling *(resigned on 31 March 2017)*	1/1

(iv) Finance and Investment Committee

The finance and investment committee provide executive inputs, supervision, technical/legal oversight, and regulatory compliance of the investment functions of the Company; to assist the Board in evaluating investment, acquisition, joint venture, and divestiture transaction in which the Company is engaged as part of its business strategy from time to time; and to perform such duties and responsibilities as are enumerated in and consistent with this charter or as delegated by the Board.

The finance and investment committee comprises 5 members, namely Mr. Wang Hao (being the chairman of the finance and investment committee), Mr. Peng Fang, Mr. Zheng Xuedong, Mr. Bai Jing and Mr. Peng Zhi.

During the year ended 31 December 2017, no meeting held by the finance and investment committee.

BOARD COMMITTEES *(continued)*

(v) Corporate Governance Function

No corporate governance committee has been established. The Board is responsible for performing the corporate governance duties which include developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing, and monitoring the code of conduct applicable to employees and directors; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has reviewed the Company's policies and practices on corporate governance to make sure that the Company has complied with the CG Code for the year ended 31 December 2017 and to explain any deviation from the CG Code in this Corporate Governance Report. The Board has also reviewed and monitored the training and continuous professional development of directors and senior management.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the fee payable to KPMG in respect of audit services amounted to HK$1,000,000 and the fee payable in respect of non-audit services amounted to HK$190,000. The fee payable for non-audit services was mainly related to the profit estimate enclosed in the composite document of the Company during the year ended 31 December 2017.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged that it is their responsibility for preparing the financial statements. A statement by the auditor about their reporting responsibilities is set out on pages 49 to 55 of this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the systems of risk management and internal control of the Group and for reviewing its effectiveness. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. A sound and effective internal control system is designed for (i) safeguarding the interests of shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with the relevant laws, regulations, and internal policies. Such system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

In order to comply with the CG Code, the Company has set up its own internal audit department to perform an internal audit function in March 2016. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the audit committee and the Board.

A bottom-up approach is utilised to ensure a holistic risk management process, all departments involved to identify and prioritise risks and reported to risk management working group, which included members from management and major departments. Risk management working group regularly assesses if risks are comprehensively identified, prioritised, and properly addressed to accomplish the Group's objectives. The management team is monitoring emerging risks for continuous risk assessment purpose and for building the risk-management based internal audit plan and periodically assess the adequacy and effectiveness of risk management and internal controls for ongoing risk assurance purposes. This enhances the effectiveness of the Group's risk and control framework.

The Company has adopted corporate disclosure policy for disclosure of price sensitive information as formulated in the Securities and Future (Amendment) Bill 2011, to ensure application with obligations under applicable rules, regulations and laws. A disclosure working group was set up under such policy to oversee disclosure obligation of the Company regularly.

During the year, the Board, through the audit committee, has assessed the effectiveness of the risk management and internal control systems of the Group including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting and financial reporting function on annual basis. The Board is satisfied that, the present systems of risk management and internal control are effective.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial service and has appointed Ms. Lee Ka Man as its Company Secretary. Ms. Lee is an associate member of both The Institute of Chartered Secretaries & Administration in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Lee has confirmed that for the year under review, she has taken no less than 15 hours of relevant professional training. Ms. Lee is not an employee of the Group and Ms. Suen Yu May, Sammi, our Financial Controller, is the person whom Ms. Lee can contact for the purpose of code provision F.1.1 of the CG Code.

SHAREHOLDERS' RIGHTS

Pursuant to Article 12.3 of the Articles of Association of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognized clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

However, there is no provision under the Companies Law (2012 Revision) of the Cayman Islands allowing shareholders to propose new resolutions at the general meetings.

Enquiries may be put to the Board by sending written enquiries to the Company's principal place of business in Hong Kong or the designated email addresses of the Company.

Detailed procedures for shareholders to propose a person for election as director are available on the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, interim report, various notices, announcements, and circulars.

The terms of reference of the audit committee, the remuneration committee, and the nomination committee are available on the websites of the Stock Exchange and the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(continued)*

At the 2017 annual general meeting, a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors and voted by way of poll. During 2017, two extraordinary general meetings were held, separate resolution was proposed in respect of proposed change of company name and continuing connected transaction. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The chairman of the Board, audit committee, remuneration committee and nomination committee or their duly appointed delegate attended the 2017 general meetings to answer questions of shareholders. Details of individual attendance of Directors at the 2017 general meetings is set out below:

Name of Directors	Attended/Eligible to attend	
	Annual General Meeting	Extraordinary General Meeting
Executive Directors		
Mr. Tong Fu *(appointed on 7 July 2017)*	0/0	2/2
Mr. Wang Hao *(appointed on 31 March 2017)*	0/1	2/2
Mr. Peng Fang *(appointed on 31 March 2017)*	1/1	2/2
Mr. Zhang Tao *(appointed on 7 July 2017)*	0/0	1/2
Mr. Wong Chi Ho	1/1	2/2
Mr. Cui Yijun *(appointed on 31 March 2017 and resigned on 7 July 2017)*	1/1	0/0
Ms. Tsui Kam Ling *(resigned on 31 March 2017)*	0/0	0/0
Mr. Wong Chi Kit *(resigned on 31 March 2017)*	0/0	0/0
Independent Non-executive Directors		
Mr. Guo Dan *(appointed on 27 June 2017)*	0/0	2/2
Ms. Kaung Cheng Xi Dawn	1/1	2/2
Dr. Lin Tat Pang *(appointed on 22 December 2017)*	0/0	0/0
Mr. Lo Kar Chun, SBS, JP *(resigned on 1 April 2017)*	0/0	0/0
Mr. Yim Kai Pung *(resigned on 30 September 2017)*	1/1	1/1

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, there is no change in the constitutional documents of the Company.

It is the responsibility of the Board to assess the environmental, social and governance risks, formulate the environmental, social and governance strategy, ensure the establishment and maintenance of an effective internal control system on environmental, social and governance aspects as well as perform regular analysis and independent assessment on the adequacy and effectiveness of the said system through the internal audit function.

Major offices of the Group located in Hong Kong, the PRC and the Philippines, hence the Environmental, Social and Governance Report contain information and data from these offices.

This Report is prepared pursuant to the revised "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules issued by the Stock Exchange.

OUR STAKEHOLDERS

The support and trust of our stakeholders over the years are essential for our leading position in the industry. Our stakeholders mainly include customers, suppliers, business partners, employees, shareholders, government and the community. We communicate with our stakeholders on a regular basis through a wide range of official and unofficial communication channels, including conference, interview, general meeting and client visits. We strive to understand more about their views on our approach in sustainable development, such as their priorities, expectations and opinions, based on which we can better shape our business strategy in response to their needs, so as to drive business growth and community development.

ENVIRONMENTAL

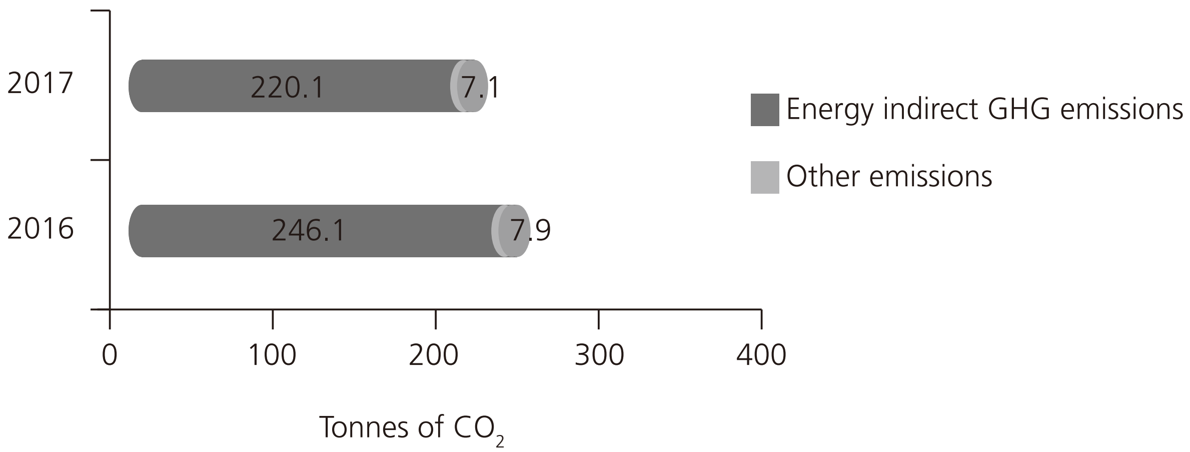
The Group is committed to create a business that contributes to global efforts in environmental care and sustainability. The Group's technology offerings also promote environmental sustainability by reducing the waste associated with a wide-range of business activities. The Group's smart card technologies and cloud – based enterprise collaboration solutions help improve business operations, reducing unneeded paper-based communications and processes. Furthermore, cashless transactions facilitated by the Group's electronic payment solutions and in particular its Automatic Fare Collection system solutions are also contributing to global efforts to reduce waste and paper consumption.

Use of Resources

The Group is principally engaged in development, sales and distribution of smart card products, both hardware and software, and provision of smart card related services. Resources such as energy, water and raw materials are essential inputs to our business. The Group is committed to use resources wisely and efficiently and reduce waste generation within our operations. Throughout all of our operations, we have been progressively implementing different resource-saving measures, ranging from power-saving program, recycling paper and materials, to the behavioral change of our people. Compared with 2016, the Group successfully reduced its usage of all different major resources by 1% to 11% in 2017.

Emission, Environment and Natural Resources

Operations of the Group do not result in significant air and gas emissions, discharges into water and lands and impact on the environment and natural resources. Excluding indirect emissions from use of resource in daily operation, other direct and indirect emissions of the Group was less than 10 tonnes of CO2 per year in both 2016 and 2017. Total emissions of the Group decreased by 10% in 2017 compared with 2016.



SOCIAL

Supply Chain Management

For almost a decade, all devices developed by the Group have been compliant with the requirements laid down in the directive restricting the use of certain hazardous substances in electrical and electronic products, commonly referred to as the Restriction of Hazardous Substances ("RoHS") Directive. This directive restricts the use of six hazardous materials in manufacturing various types of electronic and electrical products. It covers all domestically made and imported products in the European Union, with a few exemptions given on certain occasions. As such, supply chain management is always one of the key links in the Group's quality control system. The Group exercises a high level of scrutiny over the selection of suppliers. Major suppliers and subcontractors must prove their compliance with RoHS for them to be included into our supplier list. The Group also carries out long-term quality monitoring and regular review over major suppliers and subcontractors. They are subject to assessment and on-sit audits on product quality as well as suitability and quality consistency tests made by our quality department. In case of a significant change in their qualification or serious quality issue, the Group may suspend them from our supplier list.

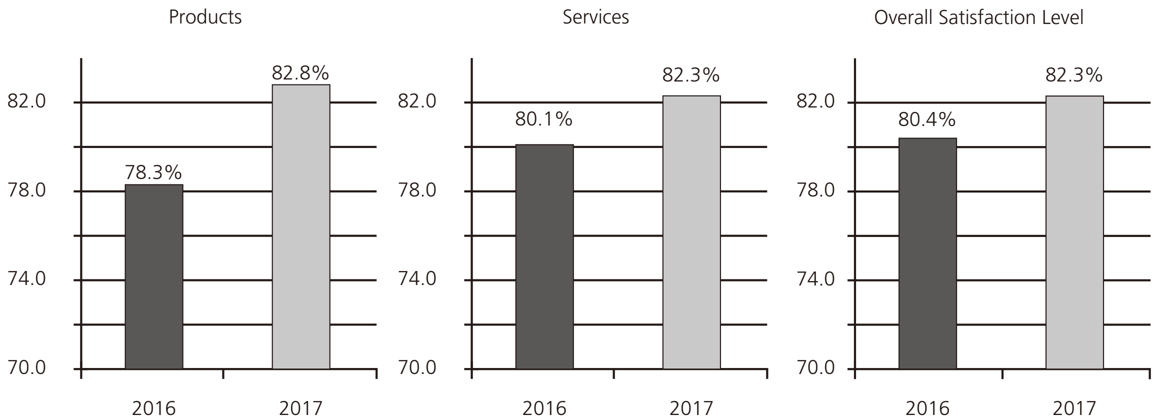
Product Responsibility

The Group is in the business of providing products that promise utmost security and convenience to our clients and their end customers. As such, the nature of our business requires the highest degree of accuracy, precision and quality in developing our products. To bolster our efforts in quality assurance, we undergo stringent certification programs from unbiased organisations that enforce international, national and industry standards. This is our way of ensuring we deliver only qualified products to the market, and maintaining our outstanding track record in the smart card industry.

Case Sharing

In consideration of raising safety concerns with Lithium batteries, all of our lithium polymer rechargeable batteries used in our products have to obtain the Material Safety Data Sheet (MSDS) and UN38.3 test report from third-party laboratory. MSDS which lists the stability, chemical composition, handling and storage of the battery can ensure battery safety under normal operation. UN38.3 shows that the battery has passed test items of UNITED NATIONS "Recommendations on the TRANSPORT OF DANGEROUS GOODS" Manual of Tests and Criteria Section 38.3 that proves the safety of our battery.

A wholly owned subsidiary of the Group got its first ISO certification in 2007, having proven successful in following the requirements set by ISO 9001 standard. Two wholly owned major subsidiaries of the Group comply with ISO 9001 and their certificates are renewed in November 2017 and January 2018 respectively. The Group further improves the level of satisfaction it delivers to customers by carrying out business operations based on the Quality Policy and Quality Procedure Manual. Started from 2007, the Group surveys its high-volume clients annually which included questions in relation to product quality. Customers rated overall satisfaction level with the products of the Group as "good", which has been consistent since 2007. It shows that the Group has built up a reliable global network with its trusted customers by providing high quality products and services continuously.



In 2017, the overall satisfaction level maintains to be high, slightly increased to 82.3% from 80.4% in 2016. Particularly, in the aspect of "Products" and "Services", the satisfaction levels are both over 82% which is a little higher than that in 2016 as well.

Employment and Labour Standards

As of 31 December 2017, the Group has 205 full-time employees in offices located in Hong Kong, Shenzhen, Zhuhai, Manila and Tokyo. The Group strictly complies with the requirements of the Labour Law or Regulations under local jurisdiction:

1. The Group prohibits the employment of child, forced or compulsory labour in any of our operations;

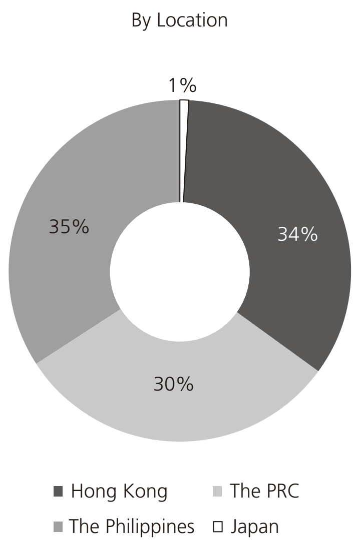
2. Wages, overtime payments and related benefits are made in accordance with minimum wage or above (if any);

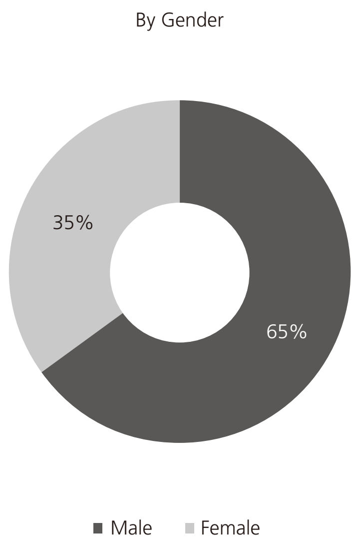
3. Holidays and statutory paid leaves are compliant respective Labour Law or Regulations; and

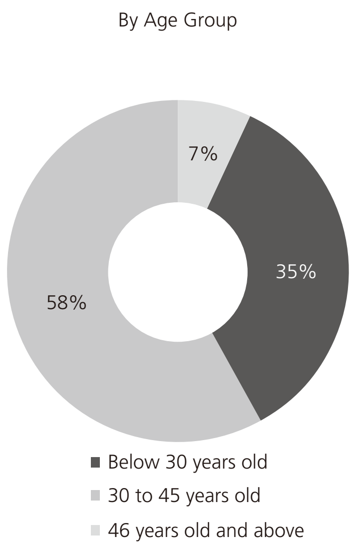
4. The Group treats all its employees equally that their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

Employee Distribution

As at 31 December 2017







Health, Development and Training

The Group ample resources to staff training and development with the aim of sustaining a competent and professional staff force that will contribute to the success of the Group. There are three major categories of training, namely orientation training, internal training and external training offered to our employees. During the year, we arranged training programmes such as production process, knowledge and regulations of the POS industry and project management. In order to boost training effectiveness, we carry out assessment in the forms of satisfaction survey for internal training and reports on external training. Our employees are required to record the details of their training in the personal training record, which forms the basis for performance evaluation, personnel changes and promotion. In addition, we have developed a performance management system based on the principles of fairness, impartiality and openness, under which employees of different grades undergo evaluation on half-yearly basis, where their performance and achievements are assessed comprehensively thus motivating them to improve their individual capability and boosting general corporate efficiency, thereby facilitating our overall strategic goal. The appraisal results will be used as a reference for salary adjustment, promotion and placement.

In 2017, more than 200 training sessions were completed by our employees on different aspects such as technology, industry information, internal system and workflows, products, soft skills, safety and staff induction. As at 31 December 2017, over 92% employees were trained during the year.

2018 HNA I-Run Global Race Hong Kong

Manila Office 2017 Team Building

Hong Kong Office 2017 Annual Dinner

Moreover, a number of staff activities were organised in various offices, including annual dinner, Christmas party, sports competition, birthday party and so on, to show appreciation to employees for their contribution and to enhance their sense of belonging.

Anti-corruption

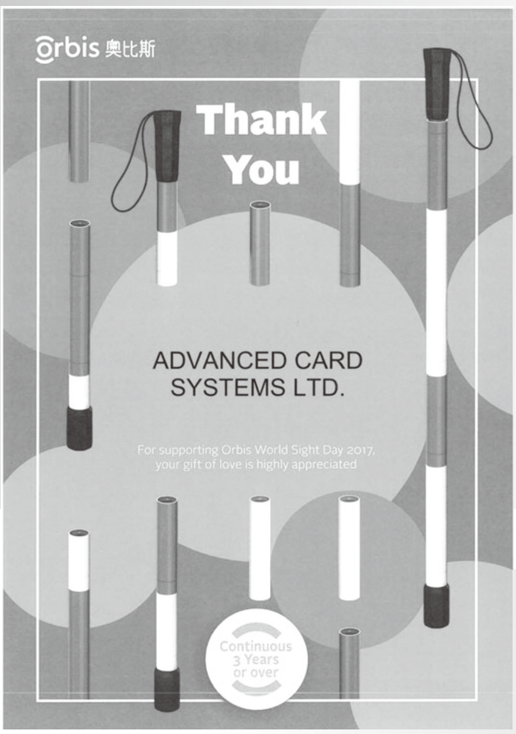
The Code of Conduct included in our Human Resources Manual allows our people to understand explicitly on several areas, which include the provisions of anti-bribery and corruption. The Group definitely has zero tolerance on bribery and corruption behavior.

Community Investment

Charity and Social Responsibility

The Group is also devoted to charity work. In 2017, the Group called for donations from employees in Hong Kong for the Orbis World Sight Day Campaign to help support the new third generation Flying Eye Hospital of Orbis. In addition, employees in Manila organized an outreach program to extend help to the Aeta community of Zambales, the Philippines. They collected cash donations and items based on the list of needs and distributed the needed supplies and food to the kids.

The outreach program as well as charity donations raise concerns of employees on people in needs around the world and allow them to share their blessings towards others.



Orbis World Sight Day 2017

Manila Office Outreach Program 2017

Achievements in innovation

We focus on research, development and innovation, we have approximately 108 engineers, which account for over 52% of the total number of employees. Leveraging our outstanding research and development capabilities, we are able to keep expanding and diversifying our solution products, develop new payment products and strategically introduce new elements to traditional products. For details, please refer to "Business Review" and "Prospects" in the annual report.

Case Sharing

eTransport is expected to deliver benefits to Fijians of all ages. Apart from nearly 210,000 students and 50,000 senior citizens in the country, pensioners and disabled residents also rely on public transport. Through e-Transport, distribution of transport assistance to these groups becomes more transparent and easier to manage.

The project has also helped improve revenue collection for bus operators, due to less feasibility for fraudulent transactions. Drivers no longer need to handle cash and distribute change, making for speedier, safer transactions.

The system's report-generating capabilities also provide greater information to bus operators and government ministries. Richer data is expected to enable better decision-making on how transport services can be improved. For example, authorities are able to assess the number of passengers that drivers let on a bus at a given time. This enables better planning of the number of buses that should ply a given route, or better monitoring of whether bus drivers are overboarding buses, to the detriment of passenger safety.

The Directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

HNA Technology Investments Holdings Limited (formerly known as Advanced Card Systems Holdings Limited) is a company incorporated and domiciled in Cayman Islands and has its registered office at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business at Units 505-507, 5th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

The segment analysis of locations of the operations of the Company and its subsidiaries during the year are set out in note 4 to the financial statements.

BUSINESS REVIEW

Business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including an analysis using financial key performance indicators, a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and relationships with its key stakeholders, can be found in the Management Discussion and Analysis set out on pages 5 to 15 of this Annual Report. In addition, discussion on the Group's environmental policies can be found on page 32 of this Annual Report. The compliance with relevant laws and regulations which have a significant impact on the Group can be found on page 21 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	13%	–
Five largest customers in aggregate	37%	–
The largest supplier	–	18%
Five largest suppliers in aggregate	–	46%

During the year, HNA Tech Group, a subsidiary of HNA Group, the controlling shareholder of the Company, is one of the five largest customers of the Group. Three Directors who held office at 31 December 2017 also held office or took management position in HNA Tech Group.

Apart from the foregoing, at no time during the year have the Directors, their associates or any shareholder of the Company which to the knowledge to the Directors owns more than 5% of the Company's share capital, had any interest in these major customers and suppliers.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$nil (2016: HK$nil).

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 56 to 135.

The Directors have not recommended the payment of final dividend (2016: HK$nil) for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 27 April 2018 to Friday, 4 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 26 April 2018.

RESERVES

Profit for the year of HK$5,689,000 (2016: loss of HK$18,503,000) has been transferred to reserves. Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 59 and note 25(a) to the financial statements.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25(c) to the financial statements.

DIRECTORS

The Directors who held the office during the year and up to the date of this report were:

Executive Directors
Mr. Tong Fu *(Chairman) (appointed on 7 July 2017)*
Mr. Wang Hao *(Vice Chairman) (appointed on 31 March 2017)*
Mr. Peng Fang *(Chief Executive Officer) (appointed on 31 March 2017)*
Mr. Zhang Tao *(appointed on 7 July 2017)*
Mr. Wong Chi Ho
Mr. Cui Yijun *(appointed on 31 March 2017 and resigned on 7 July 2017)*
Ms. Tsui Kam Ling *(resigned on 31 March 2017)*
Mr. Wong Chi Kit *(resigned on 31 March 2017)*

Independent Non-executive Directors
Mr. Guo Dan *(appointed on 27 June 2017)*
Ms. Kaung Cheng Xi Dawn
Dr. Lin Tat Pang *(appointed on 22 December 2017)*
Mr. Lo Kar Chun, SBS, JP *(resigned on 1 April 2017)*
Mr. Yim Kai Pung *(resigned on 30 September 2017)*

In accordance with Article 16.2 of the Company's Articles of Association, Mr. Tong Fu, Mr. Zhang Tao and Dr. Lin Tat Pang, will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 16.18 of the Company's Articles of Association, Mr. Wong Chi Ho and Ms. Kaung Cheng Xi Dawn, will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive Director, Mr. Wong Chi Ho, has entered into service agreement with the Company which was renewed for further two years from 24 March 2017 to 23 March 2019. Mr. Peng Fang, Mr. Cui Yijun and Mr. Wang Hao were appointed by the Board as executive Directors and have entered into service agreements with the Company for two years commencing from 31 March 2017 to 30 March 2019. Mr. Tong Fu and Mr. Zhang Tao were appointed by the Board as executive Directors and have entered into service agreements with the Company for two years commencing from 7 July 2017 to 6 July 2019. Under the agreements, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice.

The independent non-executive Director, Ms. Kaung Cheng Xi Dawn, has entered into service agreement with the Company which was renewed for further two years from 24 March 2017 to 23 March 2019. Mr. Guo Dan was appointed by the Board as independent non-executive director and has entered into service agreements with the Company for two years commencing from 27 June 2017 to 26 June 2019. Dr. Lin Tat Pang was appointed by the Board as independent non-executive director and has entered into service agreements with the Company for two years commencing from 22 December 2017 to 21 December 2019.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in associated corporation

Name of Director	Name of associated corporation	Capacity/Native	Percentage of interest
Mr. Tong Fu	上海柔鋒投資管理中心（有限合夥）	Beneficial owner	1.01%

Subsequent to 31 December 2017, the records in the register to be kept under Section 336 of the SFO was updated that Mr. Tong Fu no longer have any interests in 上海柔鋒投資管理中心（有限合夥）.

Save as disclosed above, at 31 December 2017, to the best knowledge of the directors of the Company, none of the directors or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code or as otherwise notified to the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors or chief executive of the Company, the following shareholders (excluding directors and chief executive of the Company) had interests and short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

		Long position in ordinary shares of HK$0.10 each	
Name of shareholder	Capacity	Total number of shares held	Percentage of the Company's issued share capital as at 31 December 2017
HNA EcoTech Pioneer Acquisition	Beneficial owner	239,673,669	75.00%
HNA Ecotech (HK) Co., Limited	Interest in controlled corporation	239,673,669	75.00%
HNA EcoTech Group Co., Ltd.* (海航生態科技集團有限公司)	Interest in controlled corporation	239,673,669	75.00%
HNA Group Co., Ltd.* (海航集團有限公司)	Interest in controlled corporation	239,673,669	75.00%
Hainan Traffic Administration Holding Co., Ltd.* (海南交管控股有限公司)	Interest in controlled corporation	239,673,669	75.00%
Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司)	Interest in controlled corporation	239,673,669	75.00%
Hainan Province Cihang Foundation* (海南省慈航公益基金會)	Interest in controlled corporation	239,673,669	75.00%

* *For identification purposes only*

Note: HNA EcoTech Pioneer Acquisition is held as to 100% by HNA Ecotech (HK) Co. Limited (presently known as HNA Technology Group (HK) Co., Limited) which in turn is held as to 100% by 海航生態科技集團有限公司 (HNA EcoTech Group Co., Ltd.*). HNA EcoTech Group Co., Ltd. is held as to more than one-third by HNA Group, which in turn is owned as to 70% by 海南交管控股有限公司 (Hainan Traffic Administration Holding Co. Ltd.*). Hainan Traffic Administration Holding Co. Ltd. is held as to 50% by 盛唐發展(洋浦)有限公司 (Sheng Tang Development (Yangpu) Co., Ltd.*) which in turn is held as to 65% by 海南省慈航公益基金會 (Hainan Province Cihang Foundation*). HNA Ecotech (HK) Co. Limited, HNA EcoTech Group Co., Ltd., HNA Group, Hainan Traffic Administration Holding Co. Ltd., Sheng Tang Development (Yangpu) Co., Ltd. and Hainan Province Cihang Foundation are therefore deemed to be interested in Shares held by HNA EcoTech Pioneer Acquisition under the SFO.

Subsequent to 31 December 2017, the records in the register to be kept under section 336 of the SFO was updated that HNA Group is held as to 30% by 洋浦建運投資有限公司 (Yangpu Jianyun Investment Co., Ltd.*) and 70% by Hainan Traffic Administration Holding Co., Ltd.. Hainan Traffic Administration Holding Co., Ltd. was in turn held as to 50% by Sheng Tang Development (Yangpu) Co., Ltd.. Sheng Tang Development (Yangpu) Co., Ltd. was held as to 65% by Hainan Province Cihang Foundation, Sheng Tang Development (Yangpu) Co., Ltd was held as to 35% by 盛唐發展有限公司 (Tang Dynasty Development Co. Ltd.*) which was in turn 98% held by Pan-American Aviation Holding Company, which is wholly held by Hainan Cihang Charity Foundation Inc..

Save as disclosed above, as at 31 December 2017 and to the best knowledge of the Directors and chief executive of the Company, there was no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section "Connected Transactions" and material related party transactions disclosed in the note 28(a) to the financial statements, there was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its parent companies was a party and in which a director of the Company on his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Based on the information available to the Company and within the knowledge and belief of the directors of the Company, none of the directors of the Company have any interests in a business which competes or may compete with the business of the Group during the year.

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

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that every director shall be indemnified out of the assets of the Company against all losses or liability incurred or substained by him as a director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Throughout the year and up to the date of this report, the Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

BANK LOANS

There is no outstanding balance of bank loans as at 31 December 2017.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 136 of this Annual Report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

On 2 November 2017, a wholly owned subsidiary of the Company (the "subsidiary") entered into a mandate (the "Mandate") with HNA Tech Group pursuant to which the subsidiary was conditionally appointed as a consultant to the HNA Tech Group in connection with the provision of advisory services (the "Continuing Connected Transaction"). The service fees of the advisory services were pre-determined in the Mandate. Total service fee recorded for the year ended 31 December 2017 amounted to $16,000,000 (2016: Nil). The Continuing Connected Transaction was approved by shareholders and subject to annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the other material related part transactions entered into by the Company during the year ended 31 December 2017 as disclosed in note 28 to the financial statements did not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing rules.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above Continuing Connected Transactions and are if the opinion that the Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Mandate on terms that are fair and reasonable and in the interests of the shareholder of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the auditor's findings and conclusion in respect of the above Continuing Connected Transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REMUNERATION POLICIES

Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge. The remuneration of directors is determined according to their expertise, knowledge, and contributions to the Group with reference to the Group's profitability and the prevailing market conditions.

EMPLOYEE RETIREMENT PLANS

Particulars of employee retirement plans of the Group are set out in note 23 to the financial statements.

PUBLIC FLOAT

Based on the information publicly available and to the best information and knowledge of the Directors, saved as disclosed below, during the year ended 31 December 2017, the Company had maintained the minimum public float as required under the Listing Rules.

References are made to the announcement dated 31 March 2017, 19 April 2017 and 21 April 2017 issued by the Company in relation to the public float of the Company.

As stated in the mentioned announcements, immediately after the close of the mandatory unconditional cash offer, the Company could not satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules. An application was made to the Stock Exchange for a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of three months from 22 March 2017 to 21 June 2017. On 31 March 2017, the Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from 22 March 2017 to 21 June 2017.

On 21 April 2017, the Company has been informed by the controlling shareholder, that in order to assist the Company to restore its public float in compliance with Rule 8.08(1)(a) of the Listing Rules, the controlling shareholder has disposed of 53,193,488 shares (representing approximately 16.65% of the total issued share capital of the Company), to independent third parties through AMC Wanhai Securities Limited (the "Disposal"). Completion of the Disposal took place on 21 April 2017.

To the best of the knowledge of the Directors having made all reasonable enquiries, immediately upon completion of the Disposal, 79,891,223 shares, representing 25% of the total issued share capital of the Company, were held by the public. Accordingly, the minimum public float of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules has been restored.

ENVIRONMENTAL POLICY

The Group is committed to create a business that contributes to global efforts in environmental care and sustainability. A further discussion of the environmental policies of the Group can be found in the section headed "Environmental, Social and Governance Report" of this annual report, the discussion of which forms part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

TONG Fu
Chairman

Hong Kong, 8 March 2018

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of
HNA Technology Investments Holdings Limited
(Formerly known as Advanced Card Systems Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HNA Technology Investments Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 56 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation and amortisation of development costs

Refer to note 13 to the consolidated financial statements and the accounting policies note 2(i).

The Key Audit Matter	How the matter was addressed in our audit
The Group capitalises costs incurred in the development of its smart card products if they meet the criteria for capitalisation as set out in the prevailing accounting standards. This involves significant management judgement in both determining when the criteria for capitalisation are met and in identifying the relevant costs to be capitalised. As at 31 December 2017, the carrying value of capitalised development costs totalled HK$46 million. Amortisation of development costs commences once the developed technology is available for commercial use. Management applies judgement in identifying the point at which the technology is available for commercial use and in determining the estimated useful economic life of the technology by considering technological developments and future possible market conditions. We identified the capitalisation and amortisation of development costs as a key audit matter because of the significant level of management judgement involved in determining when the criteria for capitalisation of development costs are met and in assessing the estimated useful lives of the developed technology.	Our audit procedures to assess the capitalisation and amortisation of development costs included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to the capitalisation of development costs and the estimations of the useful lives of the developed technology; • challenging, on a sample basis, management's assessment of the fulfilment of the criteria for capitalisation of development costs as set out in the prevailing accounting standards by discussing with the Group's engineers the commercial application of the technology and inspecting the corresponding feasibility reports prepared by the Group's engineers; • comparing a sample of items capitalised during the year with relevant underlying documentation, including timesheet data; • comparing the point at which the developed technology became available for commercial use with the corresponding project completion report prepared by the Group's engineers and confirmed sales orders for all projects completed during the current year; • challenging management's assessment of the estimated economic useful lives for all technology newly developed in the current year by comparing the estimates of economic useful lives with past performance for similar projects taking into account recent developments in the technology; and • assessing the estimated economic useful lives of technology developed in prior years by making enquiries of management and engineers and inspecting, on a sample basis, the trend of sales data for the individual technologies.

Valuation of development costs capitalised as intangible assets

Refer to note 13 to the consolidated financial statements and the accounting policies note 2(k).

The Key Audit Matter

The costs incurred in the development of the Group's smart card products are capitalised as intangible assets when certain criteria are met. The carrying value of the Group's development costs capitalised as intangible assets totalled HK$46 million as at 31 December 2017.

Management performs an annual impairment assessment of its capitalised development costs on a project-by-project basis by identifying if there are any projects with indicators of potential impairment, which include a shortfall of revenue generated from the project as compared to management's forecasts, delays in project completion and changes in technology which may render the products obsolete or result in reduced sales opportunities.

For those projects for which an indicator of impairment was identified, management compared the carrying value of individual development costs against the respective discounted cashflow forecast to determine the amount of impairment which should be recognised, if any.

Management is required to exercise significant judgement in estimating the individual products' future revenue, future margins and the related costs to be incurred in bringing the technology into commercial use. The technology industry is dynamic and the reception of the market to the Group's products involves inherent uncertainty.

We have identified the valuation of development costs capitalised as intangible assets as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement in forecasting future cash flows and estimating the recoverable amounts of the development costs, both of which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of development costs capitalised as intangible assets included the following:

- assessing and challenging the impairment assessment model, which included evaluating the impairment indicators identified by management and assessing whether the impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards;
- challenging the key assumptions and critical judgements adopted by management in the discounted cashflow forecasts by comparing the significant inputs, which included future revenue and future margins with the historical performance of comparable products and the financial budgets of the individual projects approved by management;
- assessing the appropriateness of the discount rate used in the discounted cashflow forecasts by benchmarking against those of other similar companies in the same industry;
- enquiring of the Group's internal engineers and management about any expected changes in market demand and technological advances which may reduce the expected cashflows to be generated by the developed technology; and
- performing a sensitivity analysis of both the discount rates and future revenue and considering the resulting impact on the impairment assessment and whether there were any indicators of management bias.

Recoverability of trade receivables

Refer to note 18 to the consolidated financial statements and the accounting policies note 2(m).

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's trade receivables as at 31 December 2017 totalled HK$48 million, which included allowances for doubtful debts of HK$3 million. The Group's allowances for doubtful debts are based on management's estimate of the recoverability of individual trade receivables with reference to ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and the fulfilment of repayment arrangements agreed with specific debtors. Management is required to exercise significant judgement in assessing the allowances for doubtful debts for individual trade receivables with reference to the assessment of the ability of the debtors to repay the Group. Such assessment depends on customer specific and market conditions which involves inherent uncertainty. We identified the recoverability of trade receivables as a key audit matter because of the inherent uncertainty in assessing the ability of debtors to pay the amounts due and because the assessment of the allowances for doubtful debts requires the exercise of significant management judgement.	Our audit procedures to assess the recoverability of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control and debt collection; • assessing whether items were properly categorised in the trade receivables ageing report by comparing a sample of individual items with underlying sales invoices; • obtaining an understanding of the basis of management's judgements about the recoverability of overdue balances and evaluating the allowances for doubtful debts made by management for these individual balances by examining the information used by management to form such judgments, including the debtors' financial information, the ageing of overdue balances, historical and post year-end payment records, repayment arrangements agreed with specific debtors and by inspecting correspondence with individual debtors to identify potential disputes or claims; • assessing the historical accuracy of management's assessment of the allowances for doubtful debts by comparing the allowances for doubtful debts as at 31 December 2016 with the actual new allowances made, write-offs and recoveries in respect of trade receivables as at 31 December 2016 during the current year; and • comparing cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2017 with bank statements and relevant underlying documentation on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Tai Cheong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

8 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017	2016
		$'000	*$'000*
Revenue	4	**182,272**	152,284
Cost of sales and services		**(78,498)**	(78,095)
Gross profit		**103,774**	74,189
Other income	5	**1,420**	1,123
Selling and distribution costs		**(17,911)**	(16,705)
Research and development expenses		**(26,921)**	(36,509)
Administrative expenses		**(53,535)**	(39,926)
Profit/(loss) from operations		**6,827**	(17,828)
Finance costs	6(a)	**(165)**	(1,056)
Share of results of a joint venture		**(209)**	(1,639)
Profit/(loss) before taxation	6	**6,453**	(20,523)
Income tax	7(a)	**(764)**	2,020
Profit/(loss) for the year attributable to the equity shareholders of the Company		**5,689**	(18,503)
Earnings/(loss) per share	11		
Basic		**1.780 cents**	(6.268 cents)
Diluted		**1.780 cents**	(6.268 cents)

The notes on pages 61 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017**	2016
		$'000	*$'000*
Profit/(loss) for the year		**5,689**	(18,503)
Other comprehensive income for the year (after tax)	10		
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(172)**	(32)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**1,155**	(1,423)
Total comprehensive income for the year attributable to equity shareholders of the Company		**6,672**	(19,958)

The notes on pages 61 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Plant and equipment	12	**5,270**	5,371
Intangible assets	13	**47,000**	45,263
Goodwill	14	**–**	1,172
Interest in a joint venture	16	**–**	209
Prepayment for available-for-sale securities		**–**	377
Deferred tax assets	24(b)	**2,709**	755
		54,979	53,147
Current assets			
Inventories	17	**37,974**	29,998
Trade and other receivables	18	**57,744**	56,644
Held-to-maturity financial assets	19	**858**	861
Current tax recoverable	24(a)	**556**	593
Cash and cash equivalents	20(a)	**29,632**	40,551
		126,764	128,647
Current liabilities			
Trade and other payables	21	**23,948**	19,496
Bank loans	22	**–**	14,222
Current tax payable	24(a)	**2,211**	31
		26,159	33,749
Net current assets		**100,605**	94,898
Total assets less current liabilities		**155,584**	148,045
Non-current liabilities			
Defined benefit obligations	23	**1,373**	864
Deferred tax liabilities	24(b)	**510**	152
		1,883	1,016
NET ASSETS		**153,701**	147,029
CAPITAL AND RESERVES			
Share capital	25(c)	**31,956**	31,956
Reserves		**121,745**	115,073
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**153,701**	147,029

Approved and authorised for issue by the Board of Directors on 8 March 2018.

Peng Fang
Director

Wong Chi Ho
Director

The notes on pages 61 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	Share capital *$'000* (Note 25(c))	Share premium *$'000* (Note 25(d)(i))	Merger reserve *$'000* (Note 25(d)(ii))	Surplus reserve *$'000* (Note 25(d)(iii))	Exchange reserve *$'000* (Note 25(d)(iv))	Retained profits *$'000*	Total equity *$'000*
Balance at 1 January 2016		28,406	17,955	4,,496	1,082	319	78,592	130,850
Changes in equity for the year:								
Loss for the year		–	–	–	–	–	(18,503)	(18,503)
Other comprehensive income	10	–	–	–	–	(1,423)	(32)	(1,455)
Total comprehensive income		–	–	–	–	(1,423)	(18,535)	(19,958)
Shares issued under rights issue	25(c)	3,550	36,928	–	–	–	–	40,478
Transaction costs attributable to issue of shares under rights issue	25(c)	–	(1,500)	–	–	–	–	(1,500)
Appropriation to surplus reserve		–	–	–	249	–	(249)	–
Final dividend approved in respect of the previous year	25(b)	–	–	–	–	–	(2,841)	(2,841)
Balance at 31 December 2016		31,956	53,383	4,496	1,331	(1,104)	56,967	147,029
Balance at 1 January 2017		**31,956**	**53,383**	**4,496**	**1,331**	**(1,104)**	**56,967**	**147,029**
Changes in equity for the year:								
Profit for the year		–	–	–	–	–	**5,689**	**5,689**
Other comprehensive income	10	–	–	–	–	**1,155**	**(172)**	**983**
Total comprehensive income		–	–	–	–	**1,155**	**5,517**	**6,672**
Appropriation to surplus reserve		–	–	–	**522**	–	**(522)**	–
Balance at 31 December 2017		**31,956**	**53,383**	**4,496**	**1,853**	**51**	**61,962**	**153,701**

The notes on pages 61 to 135 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Operating activities			
Cash generated from operations	20(b)	**17,208**	9,720
Tax paid:			
– Hong Kong Profits Tax refund		**29**	2,508
– Tax paid outside Hong Kong		**(101)**	(1,654)
Net cash generated from operating activities		**17,136**	10,574
Investing activities			
Payment for the purchase of plant and equipment		**(2,815)**	(2,495)
Payment for purchases of held-to-maturity financial assets		**(889)**	(914)
Proceeds from maturity of held-to-maturity financial assets		**809**	730
Proceeds from sale of plant and equipment		**2**	139
Expenditure on development projects capitalised		**(10,739)**	(11,200)
Interest received		**157**	101
Net cash used in investing activities		**(13,475)**	(13,639)
Financing activities			
Proceeds from new bank loans		**–**	10,500
Repayment of bank loans	20(c)	**(14,222)**	(30,733)
Proceeds from shares issued under rights issue		**–**	40,478
Payment of issuing expenses under rights issue		**–**	(1,500)
Interest paid	20(c)	**(192)**	(1,519)
Dividends paid to equity shareholders of the Company	25(b)	**–**	(2,841)
Net cash (used in)/generated from financing activities		**(14,414)**	14,385
Net (decrease)/increase in cash and cash equivalents		**(10,753)**	11,320
Cash and cash equivalents at 1 January		**40,551**	29,805
Effect of foreign exchange rate changes		**(166)**	(574)
Cash and cash equivalents at 31 December	20(a)	**29,632**	40,551

The notes on pages 61 to 135 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

HNA Technology Investments Holdings Limited (formerly known as Advanced Card Systems Holdings Limited) (the "Company") was incorporated in the Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business was at Units 2010-2013, 20th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong up to 20 August 2017 and has changed to Units 505–507, Level 5, Two Exchange Square, 8 Connaught Place, Central, Hong Kong effective from 21 August 2017.

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements have been presented in Hong Kong dollars ("HKD"), being the functional and presentation currency of the Company. All financial information presented in HKD has been rounded to the nearest thousands, unless otherwise stated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt securities

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(k)(i)).

Interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note 2(t)(iii).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Plant and equipment

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Plant and equipment *(continued)*

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	Over the remaining of the leases
– Furniture and fixtures	4 years
– Computer and office equipment	4 years
– Mould	4 years
– Motor vehicles	4 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 2(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Development costs	4 years
– Customer relationships	7 years
– Technical know-how	4 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investment in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in a joint venture accounted for under equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other receivables carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– intangible assets;

– goodwill;

– interest in a joint venture; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of a defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit and loss and allocated by function as part of "selling and distribution costs", "research and development expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit and loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from the sales of goods (including smart card products, software and hardware) is recognised when the goods are delivered and the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Service fees

Service fees are recognised when the related services are provided. Service fees exclude value added tax or other sales taxes.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government subsidies

Government subsidies are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that subsidiary outside Hong Kong is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing cost as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 14 and 23 contain information about the assumptions and their risk factors relating to goodwill impairment assessment and defined benefit retirement obligations. Other key sources of estimation uncertainty are as follows:

(a) Impairment of plant and equipment and intangible assets

If circumstances indicate that the carrying values of plant and equipment and intangible assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of assets*. Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount. However, actual sales volumes, selling prices and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected. Details of the nature and carrying amounts of plant and equipment and intangible assets are disclosed in notes 12 and 13, respectively.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Depreciation and amortisation

Plant and equipment and intangible assets (see notes 12 and 13) are depreciated and amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets at least annually in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods is adjusted if there are significant changes from previous estimates.

(c) Impairment loss for doubtful debts

The Group maintains an allowance for doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group's allowances for doubtful debts are based on management's estimate of the recoverability of individual trade receivables with reference to ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and the fulfilment of repayment arrangements agreed with specific debtors. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(d) Write down of inventories

The Group performs regular reviews of the carrying amounts of inventories as disclosed in note 17 with reference to historical consumption, expected future consumption and management judgement. Based on these reviews, write down of inventories will be made when the estimated net realisable value of inventories decline below the carrying amount. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax benefits can be utilised, management's judgements is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. Details of the nature and carrying amounts of deferred tax assets are disclosed in note 24(b).

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the development, sales and distribution of smart card products, software and hardware, provision of smart card related services and provision of advisory services.

Revenue mainly represents the invoiced value of products sold and services provided to customers, net of value added tax, returns and trade discounts. The amount of each significant category of revenue is as follows:

	2017	2016
	$'000	*$'000*
Sale of smart card products and provision of related services	**166,272**	152,284
Advisory services	**16,000**	–
	182,272	152,284

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During 2017 and 2016, revenue derived from these customers, including sales to entities which are known to the Group to be under common control, are as follows:

	2017	2016
	$'000	*$'000*
Customer A	**23,677**	–
Customer B *	**N/A#**	14,288
Customer C *	**N/A#**	3,804

* Customers B and C are known to the Group to be under common control.

\# The corresponding revenue did not contribute over 10% of the Group's revenue.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– The financial technology and smart living business mainly represents the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services; and

– The financial services and investment business mainly represents the provision of advisory services including financial due diligence and business operation consultancy services;

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, interest in joint venture, deferred tax assets and current assets with the exception of cash and cash equivalents and other corporate assets. Segment liabilities include trade and other payable, defined benefit obligations, current tax payable, deferred tax liabilities with the exception of bank loans and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint venture.

The measure used for reporting segment profit is "profit/(loss) from operations". To arrive at "profit/(loss) from operations", the Group's profit is further adjusted for items not specifically attributed to individual segments, such as directors' remuneration, interest income, finance costs and other head office and corporate expenses.

In addition to receiving segment information concerning profit/(loss) from operations, management is provided with segment information concerning revenue, depreciation and amortisation and impairment loss and additions to non-current segment assets used by the segments in their operations.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

	Financial technology and smart living		Financial services and investment		Total	
	2017	2016	2017	2016	2017	2016
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Reportable segment revenue	166,272	152,284	16,000	–	182,272	152,284
Reportable segment profit/ (loss) from operations	12,251	(14,123)	5,664	–	17,915	(14,123)
Depreciation and amortisation for the year	(11,671)	(14,361)	(9)	–	(11,680)	(14,361)
Impairment of						
– trade and other receivables	(4,756)	(3,391)	–	–	(4,756)	(3,391)
– intangible assets	(281)	(1,961)	–	–	(281)	(1,961)
– goodwill	(1,172)	(800)	–	–	(1,172)	(800)
Reportable segment assets	134,129	141,243	30,649	–	164,778	141,243
Reportable segment liabilities	38,490	20,543	2,219	–	40,709	20,543
Additions to non-current segment assets during the year	2,699	2,495	116	–	2,815	2,495

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2017	2016
	$'000	*$'000*
Revenue		
Reportable segment revenue	**182,272**	152,284
Consolidated revenue	**182,272**	152,284

	2017	2016
	$'000	*$'000*
Profit or loss		
Reportable segment profit/(loss) from operations	**17,915**	(14,123)
Interest income	**157**	101
Finance costs	**(165)**	(1,056)
Unallocated head office and corporate expenses	**(11,454)**	(5,445)
Consolidated profit/(loss) before taxation	**6,453**	(20,523)

	2017	2016
	$'000	*$'000*
Assets		
Reportable segment assets	**164,778**	141,243
Elimination of inter-segment receivables	**(12,667)**	–
	152,111	141,243
Unallocated head office and corporate assets	**29,632**	40,551
Consolidated total assets	**181,743**	181,794

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (continued)

	2017	2016
	$'000	*$'000*
Liabilities		
Reportable segment liabilities	**40,709**	20,543
Elimination of inter-segment payables	**(12,667)**	–
	28,042	20,543
Unallocated head office and corporate liabilities	**–**	14,222
Consolidated total liabilities	**28,042**	34,765

(iii) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's plant and equipment, intangible assets, goodwill, interest in a joint venture and non-current prepayment ("specified non-current assets"). The geographic location of customers is based on the location at which the services were provided or the goods are delivered. The geographic location of the specified non-current assets is based on the physical location of the asset, in the case of plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of the operations, in the case of interest in a joint venture and non-current prepayment.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographic information *(continued)*

	Revenue from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*
The People's Republic of China ("PRC"), including Hong Kong and Macau (country of domicile)	**38,639**	27,104	**51,243**	50,811
United States	**24,986**	15,533	**–**	–
Republic of Fiji	**23,677**	–	**–**	–
Japan	**14,108**	11,463	**–**	–
Republic of the Philippines ("Philippines")	**6,354**	11,416	**1,027**	1,578
Other countries	**74,508**	86,768	**–**	3
	143,633	125,180	**1,027**	1,581
	182,272	152,284	**52,270**	52,392

5 OTHER INCOME

	2017	2016
	$'000	*$'000*
Government subsidies*	**1,186**	884
Interest income	**157**	101
Sundry income	**77**	138
	1,420	1,123

* During the year ended 31 December 2017, the Group successfully applied for research and development subsidy and high-end innovative enterprise subsidy from the PRC Government of $1,186,000 (2016: $884,000). The purpose of the subsidies is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss)before taxation is arrived at after charging/(crediting):

	2017	2016
	$'000	*$'000*
(a) *Finance costs:*		
Interest on bank loans and other borrowings	192	1,519
Less: Interest expense capitalised into development costs*	(27)	(463)
	165	1,056

* The borrowing costs have been capitalised at a rate of 3% per annum (2016: 3% to 4%).

	2017	2016
	$'000	*$'000*
(b) *Staff costs:*		
Contributions to defined contribution retirement plans	2,007	2,672
Net expenses recognised in respect of a defined benefit retirement plan (note 23)	287	224
Total retirement costs	2,294	2,896
Salaries, wages and other benefits	55,050	54,700
	57,344	57,596
Less: Amount capitalised into development costs	(7,616)	(9,064)
	49,728	48,532

6 PROFIT/(LOSS) BEFORE TAXATION *(continued)*

Profit/(loss)before taxation is arrived at after charging/(crediting): *(continued)*

	2017	2016
	$'000	*$'000*
(c) Other items:		
Amortisation of intangible assets (note 13)	**8,748**	11,687
Depreciation (note 12)	**2,932**	2,674
Provision for impairment losses		
– trade and other receivables	**4,756**	3,391
– intangible assets	**281**	1,961
– goodwill	**1,172**	800
Auditors' remuneration		
– audit services	**1,056**	996
– other services*	**190**	288
Operating lease charges: minimum lease payments	**6,953**	5,740
Net loss on disposal of plant and equipment	**12**	487
Net foreign exchange loss	**500**	747
Cost of inventories (note 17(b))	**76,634**	77,049

* Of the auditors' remuneration for other services of $288,000 recognised during the year ended 31 December 2016, $280,000 was rendered for the rights issue and was deducted against share premium (note 25(c)).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017	2016
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	2,212	–
Over-provision in respect of prior years	(19)	(436)
	2,193	(436)
Current tax – Philippines Income Tax		
Provision for the year	23	100
Current tax – Other jurisdictions		
Provision for the year	71	107
Under-provision in respect of prior years	–	165
	71	272
Deferred tax		
Origination and reversal of temporary differences (note 24(b))	(1,523)	(1,956)
	764	(2,020)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

Notes:

(i) The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

(ii) The provision for Philippines Income Tax for 2017 is calculated at 30% (2016: 30%) of the estimated taxable income or 2% (2016: 2%) on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Philippines.

(iii) In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, the statutory income tax rate applicable to the Company's subsidiaries in the PRC is 25%, except for the following companies:

(a) Logyi Limited ("Logyi")

Logyi is granted a tax holiday of two-year tax exemption followed by three – year 50% tax deduction starting from 2013. As a result, Logyi was exempted from corporate income tax for 2013 and 2014, and is subject to corporate income tax at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

(b) ACS Technologies (Shenzhen) Limited ("ACS Shenzhen")

ACS Shenzhen was granted the "high-technology enterprise" status and enjoys the preferential corporate income tax rate of 15% for three years between 2015 and 2017.

(iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

	2017	2016
	$'000	*$'000*
Profit/(loss) before taxation	**6,453**	(20,523)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**224**	(3,409)
Tax effect of non-deductible expenses	**1,635**	1,440
Tax effect of non-taxable income	**(112)**	(30)
Tax effect of unused tax losses not recognised	**54**	894
Tax effect of utilisation of tax losses previously not recognised	**(359)**	–
Tax effect of temporary differences not recognised	**55**	(67)
Tax effect of tax exemption/deduction from tax authority	**(780)**	(652)
Over-provision in respect of prior years	**(19)**	(271)
Others	**66**	75
Actual tax expense/(credit)	**764**	(2,020)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors					
Mr. Wong Chi Ho	–	1,167	100	18	1,285
Mr. Peng Fang (appointed on 31 March 2017)	–	1,260	84	8	1,352
Mr. Wang Hao (appointed on 31 March 2017)	–	841	262	6	1,109
Mr. Tong Fu (appointed on 7 July 2017)	–	943	–	6	949
Ms. Tsui Kam Ling (retired on 31 March 2017)	–	270	–	4	274
Mr. Wong Chi Kit (retired on 31 March 2017)	–	267	–	5	272
Independent non-executive directors					
Ms. Kaung Cheung Xi Dawn	120	–	–	–	120
Mr. Guo Dan (appointed on 27 June 2017)	123	–	–	–	123
Dr. Lin Tat Pang (appointed on 22 December 2017)	6	–	–	–	6
Mr. Lo Kar Chun, *SBS, JP* (retired on 1 April 2017)	30	–	–	–	30
Mr. Yim Kai Pung (retired on 30 September 2017)	90	–	–	–	90
	369	4,748	446	47	5,610

8 DIRECTORS' EMOLUMENTS *(continued)*

	2016				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors					
Ms. Tsui Kam Ling	–	1,080	–	18	1,098
Mr. Wong Chi Ho	–	1,068	–	18	1,086
Mr. Wong Chi Kit	–	1,068	–	18	1,086
Mr. Tan Keng Boon (retired on 20 May 2016)	–	391	–	8	399
Independent non-executive directors					
Ms. Kaung Cheung Xi Dawn	120	–	–	–	120
Mr. Lo Kar Chun, *SBS, JP*	120	–	–	–	120
Mr. Yim Kai Pung	120	–	–	–	120
	360	3,607	–	62	4,029

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two individuals (2016: two individuals) are as follows:

	2017	2016
	$'000	*$'000*
Salaries and other emoluments	**1,956**	1,812
Retirement scheme contributions	**32**	36
Discretionary bonuses	**214**	45
	2,202	1,893

The emoluments of the two individuals (2016: two individuals) with the highest emoluments are within the following bands:

	2017	2016
	Number of individuals	*Number of individuals*
$1,000,001 to $1,500,000	**2**	1
$Nil to $1,000,000	**–**	1

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2017			2016		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements of foreign operations	1,155	–	1,155	(1,423)	–	(1,423)
Remeasurement of defined benefit obligations	(246)	74	(172)	(47)	15	(32)
	909	74	983	(1,470)	15	(1,455)

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $5,689,000 (2016: loss attributable to ordinary equity shareholders of the Company of $18,503,000) and the weighted average of 319,565,000 ordinary shares (2016: 295,202,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017 '000	2016 '000
Issued ordinary shares at 1 January	319,565	284,058
Effect of rights issue	–	11,144
Weighted average number of ordinary shares at 31 December	319,565	295,202

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the year ended 31 December 2017 and 2016 are the same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares.

12 PLANT AND EQUIPMENT

	Leasehold improvements $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Mould $'000	Motor vehicles $'000	Total $'000
Cost:						
At 1 January 2016	3,246	1,661	17,508	10,822	941	34,178
Exchange adjustments	(107)	(54)	(297)	–	(15)	(473)
Additions	45	–	1,217	1,233	–	2,495
Disposals	(974)	(327)	(3,271)	–	(478)	(5,050)
At 31 December 2016	2,210	1,280	15,157	12,055	448	31,150
Accumulated depreciation:						
At 1 January 2016	2,754	1,360	14,650	8,791	328	27,883
Exchange adjustments	(72)	(47)	(230)	–	(5)	(354)
Charge for the year	333	44	1,091	1,041	165	2,674
Written back on disposals	(961)	(194)	(2,960)	–	(309)	(4,424)
At 31 December 2016	2,054	1,163	12,551	9,832	179	25,779
Net book value:						
At 31 December 2016	156	117	2,606	2,223	269	5,371
Cost:						
At 1 January 2017	2,210	1,280	15,157	12,055	448	31,150
Exchange adjustments	36	7	90	–	–	133
Additions	719	315	1,259	522	–	2,815
Disposals	(874)	(388)	(922)	–	–	(2,184)
At 31 December 2017	2,091	1,214	15,584	12,577	448	31,914
Accumulated depreciation:						
At 1 January 2017	2,054	1,163	12,551	9,832	179	25,779
Exchange adjustments	32	6	65	–	–	103
Charge for the year	250	88	1,415	1,027	152	2,932
Written back on disposals	(874)	(387)	(909)	–	–	(2,170)
At 31 December 2017	1,462	870	13,122	10,859	331	26,644
Net book value:						
At 31 December 2017	629	344	2,462	1,718	117	5,270

13 INTANGIBLE ASSETS

	Development costs *$'000*	Customer relationships *$'000*	Technical know-how *$'000*	Total *$'000*
Cost:				
At 1 January 2016	99,477	2,503	1,950	103,930
Capitalised during the year	11,663	–	–	11,663
At 31 December 2016	111,140	2,503	1,950	115,593
Accumulated amortisation:				
At 1 January 2016	55,415	536	731	56,682
Charge for the year	10,842	358	487	11,687
Impairment loss	1,961	–	–	1,961
At 31 December 2016	68,218	894	1,218	70,330
Net book value:				
At 31 December 2016	42,922	1,609	732	45,263
Cost:				
At 1 January 2017	111,140	2,503	1,950	115,593
Capitalised during the year	10,766	–	–	10,766
At 31 December 2017	121,906	2,503	1,950	126,359
Accumulated amortisation:				
At 1 January 2017	68,218	894	1,218	70,330
Charge for the year	7,903	358	487	8,748
Impairment loss	281	–	–	281
At 31 December 2017	76,402	1,252	1,705	79,359
Net book value:				
At 31 December 2017	45,504	1,251	245	47,000

13 INTANGIBLE ASSETS *(continued)*

The amortisation charges of $7,903,000 (2016: $10,842,000) and $845,000 (2016: $845,000) for the year are included in "research and development expenses" and "administrative expenses" respectively in the consolidated statement of profit or loss.

During the year, the directors assessed the recoverable amounts of projects under development. Based on their review, the net book value of certain projects under development amounting to $281,000 (2016: $1,961,000) was fully written down as it is estimated that no future economic benefits will be generated from these projects due to change in market demand.

14 GOODWILL

	$'000
Cost:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,972
Accumulated impairment loss:	
At 1 January 2016	–
Impairment loss	800
At 31 December 2016 and 1 January 2017	800
Impairment loss	1,172
At 31 December 2017	1,972
Carrying amount:	
At 31 December 2017	–
At 31 December 2016	1,172

Impairment test for cash-generating unit containing goodwill

Goodwill arisen from the acquisition of certain assets and liabilities from independent third parties in the PRC in prior year. Therefore it is allocated to the Group's individual cash-generating unit ("CGU") of TaptoPay (Shenzhen) Limited that is expected to benefit from the business combination.

The recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 GOODWILL *(continued)*

Key assumptions used for the value-in-use calculation:

	2017	2016
Growth rate	0%	0%
Pre-tax discount rate	18%	18%

The growth rate is determined by management based on past performance. The discount rate used is pre-tax and reflects specific risks relating to the segment.

As the CGU has been reduced to its recoverable amount of $nil, any adverse change in the key assumptions on which the recoverable amount is based would not result in further impairment losses.

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid upcapital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Advanced Card Systems Limited	Hong Kong	18,000,000 shares	100	100	–	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in Hong Kong
Advanced Card Systems Japan Limited	Japan	100 shares of JPY1,000 each	100	–	100	Sales and distribution of smart card products, software and hardware and the provision of smart card related services in Japan

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid upcapital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
ACS Technologies Limited	Hong Kong	1 share	100	100	–	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the Philippines
ACS Shenzhen	PRC	Registered capital of HK$14,000,000	100	–	100	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the PRC
HNA Technology Investments Limited	Hong Kong	1 share	100	100	–	Provision of financial services and investment
Logyi	PRC	Registered capital of HK$3,500,000	100	–	100	Development of smart card products, software and hardware and the provision of smart card related services in the PRC
TaptoPay Limited	Hong Kong	1 share	100	–	100	Development and provision of products and solutions for automatic revenue collection in Hong Kong
Sudhana Capital Limited	Hong Kong	800,000 shares	100	–	100	Provision of financial services in Hong Kong

16 INTEREST IN A JOINT VENTURE

	2017	2016
	$'000	$'000
Share of net assets	–	–
Non-current receivables from a joint venture	–	209
	–	209

The non-current receivables from a joint venture are unsecured, interest-free and expected to be recovered after 1 year.

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activity
Goldpac ACS Technologies Inc. ("GATI")	Incorporated	Philippines	350,000 shares of 100 Pesos each	45	–	45	Card personalisation (Note)

Note: GATI was established by the Group with two other secure payment product suppliers to expand its smart card business in the Philippines.

GATI, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

GATI does not have a significant financial impact on the Group's results of operations and financial position.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017	2016
	$'000	*$'000*
Raw materials	**19,675**	15,253
Work in progress	**1,505**	709
Finished goods	**16,794**	14,036
	37,974	29,998

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017	2016
	$'000	*$'000*
Carrying amounts of inventories sold	**72,456**	75,723
Write down of inventories	**4,178**	1,326
	76,634	77,049

18 TRADE AND OTHER RECEIVABLES

	2017	2016
	$'000	*$'000*
Trade receivables	**50,925**	48,335
Less: Allowance for doubtful debts (note 18(b))	**(3,120)**	(327)
	47,805	48,008
Other receivables Less:	**1,982**	862
Allowance for doubtful debts (note 18(b))	**–**	–
	1,982	862
Amount due from a joint venture (note 18(d))	**2,740**	2,862
Less: Impairment loss (note 18(d))	**(1,075)**	–
	1,665	2,862
Amount due from immediate holding company (note 18(d))	**475**	–
Amounts due from fellow subsidiaries (note 18(d))	**215**	–
Prepayments	**2,054**	3,268
Deposits paid	**3,548**	1,644
	57,744	56,644

Included in trade receivables is an amount due from a fellow subsidiary of $16,000,000 (2016: $nil). The amount is unsecured, interest-free and recoverable under normal trade terms.

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $1,135,000 (2016: $301,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

18 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017	2016
	$'000	*$'000*
Within 1 month	**29,494**	17,650
1 to 2 months	**3,553**	5,647
2 to 3 months	**646**	2,695
3 to 12 months	**1,514**	1,090
Over 1 year	**12,598**	20,926
	47,805	48,008

Trade receivables are generally due within 7 days to 3 months from the date of billing. Trade receivables in relation to sales of software and sales under solution business are due according to respective payment terms, which may exceed 3 months. Further details on the Group's credit policy are set out in note 26(a).

18 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(k)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	Trade receivables		Other receivables	
	2017	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*
At 1 January	**327**	630	**–**	61
Provision for impairment losses	**3,638**	2,953	**43**	438
Uncollectable amounts written off	**(845)**	(3,256)	**(43)**	(499)
At 31 December	**3,120**	327	**–**	–

At 31 December 2017, the Group's trade receivables of $8,039,000 (2016: $327,000) and other receivables of $nil (2016: $nil) were individually determined to be impaired. The individually impaired receivables are related to customers and other debtors that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $3,120,000 (2016: $327,000) were recognised.

18 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	$'000	*$'000*
Neither past due nor impaired	12,680	23,459
Less than 1 month past due	19,986	3,664
1 to 3 months past due	638	794
More than 3 months but less than 12 months past due	1,383	9,367
More than 1 year past due	8,199	10,724
	30,206	24,549
	42,886	48,008

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Amounts due from immediate holding company, fellow subsidiaries and a joint venture

The amounts due from immediate holding company, fellow subsidiaries and a joint venture are unsecured, interest-free and recoverable on demand.

At 31 December 2017, the directors assessed the recoverable amount of amount due from a joint venture of $2,740,000 (2016: $2,862,000). Based on the assessment, an impairment loss of $1,075,000 (2016: $nil) was recognised during the year.

19 HELD-TO-MATURITY FINANCIAL ASSETS

	2017	2016
	$'000	*$'000*
Treasury bills, at amortised cost	**858**	861

Treasury bills are listed outside Hong Kong and have a fixed yield of 2.55% (2016: 1.525%) per annum and will mature on 28 February 2018 (2016: 8 March 2017). The market value of these held-to-maturity financial assets is $886,000 (2016: $810,000).

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017	2016
	$'000	*$'000*
Cash at bank and on hand	**22,442**	30,772
Bank deposits maturing within three months when placed	**7,190**	9,779
Cash and cash equivalents	**29,632**	40,551

As at 31 December 2017, cash at bank and deposits of $4,936,000 (2016: $4,963,000) were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

20 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of profit/(loss)before taxation to cash generated from operations:

	Note	2017	2016
		$'000	*$'000*
Profit/(loss)before taxation		**6,453**	(20,523)
Adjustments for:			
Depreciation	6(c)	**2,932**	2,674
Amortisation of intangible assets	6(c)	**8,748**	11,687
Provision of impairment losses on trade and other receivables	6(c)	**4,756**	3,391
Impairment losses on intangible assets	13	**281**	1,961
Impairment losses on goodwill	14	**1,172**	800
Finance costs	6(a)	**165**	1,056
Interest income	5	**(157)**	(101)
Net loss on disposal of plant and equipment	6(c)	**12**	487
Share of results of a joint venture		**209**	1,639
Effect of foreign exchange loss		**101**	141
Changes in working capital:			
(Increase)/decrease in inventories		**(7,806)**	4,126
(Increase)/decrease in trade and other receivables		**(4,257)**	15,253
Increase/(decrease) in trade and other payables		**4,333**	(12,927)
Increase in employee retirement benefit obligations		**266**	56
Cash generated from operations		**17,208**	9,720

20 CASH AND CASH EQUIVALENTS *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans (Note 22) *$'000*
At 1 January 2017	14,222
Changes from financing cash flows:	
Repayment of bank loans	(14,222)
Interest paid	(192)
Total changes from financing cash flows	(14,414)
Other changes:	
Interest expenses (note 6(a))	165
Capitalised borrowing costs (note 6(a))	27
Total other changes	192
At 31 December 2017	–

21 TRADE AND OTHER PAYABLES

	2017	2016
	$'000	*$'000*
Trade payables	**10,856**	12,083
Accruals	**9,101**	5,623
Deposits received	**3,991**	1,790
	23,948	19,496

All of the trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing of trade payables, based on the invoice date, is as follows:

	2017	2016
	$'000	*$'000*
Within 1 month	**4,365**	6,400
1 to 3 months	**5,649**	4,958
3 months to 1 year	**80**	309
Over 1 year	**762**	416
	10,856	12,083

22 BANK LOANS

At 31 December 2017, the bank loans of the Group were as follows:

	2017	2016
	$'000	*$'000*
Bank loans		
– secured	–	14,222

The bank loans at 31 December 2016 were secured by a corporate guarantee from the Company.

The bank loans were repayable as follows:

	2017	2016
	$'000	*$'000*
Within 1 year or on demand	–	8,500
Non-current portion of bank loans repayable on demand	–	5,722
	–	14,222

At 31 December 2016, certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2016 none of the covenants relating to drawn down facilities had been breached.

23 EMPLOYEE RETIREMENT BENEFITS

The Group operates and participates in a number of defined contribution and defined benefit retirement plans in and outside Hong Kong.

(a) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the MPF scheme vest immediately.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, employees of the subsidiaries in the PRC are members of the central pension scheme operated by the PRC municipal government authorities. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated required contribution under the central pension scheme. Contributions to the plan vest immediately.

(b) Defined benefit retirement plan

The Group makes contributions to a separate defined benefit retirement plan for qualifying employees in the Philippines. Contributions are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Employees are not required to contribute to the plan. The defined benefit plan is administrated by a trustee that is legally separated from the Group. The trustee shall be responsible for the general administration of the plan and the management of the fund and is required by the law to act in the best interest of the plan participants and responsible for the investment policy with regard to the assets of the fund. The benefits are based on the qualifying employees' latest monthly salary and the number of years of services.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuation. The latest actuarial valuation of the plan was at 31 December 2017 and was prepared by independent professionally qualified actuaries at E.M. Zalamea Actuarial Services, Inc. (who is a Member of the International Actuarial Association, Fellow of the Actuarial Society of the Philippines and Member of the International Association of consulting Actuaries), using the projected unit credit method. The actuarial valuation indicates that the Group's obligation under this defined benefit retirement plan is 23% (2016: 37%) covered by the plan assets held by the trustee.

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2017 *$'000*	2016 *$'000*
Present value of wholly funded obligations	1,775	1,375
Fair value of plan assets	(402)	(511)
	1,373	864

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $155,000 in contributions to defined benefit retirement plan in 2018 (2016: $156,000).

(ii) The major categories of the plan assets at the end of the reporting period are as follows:

	2017 *$'000*	2016 *$'000*
Unit investment trust funds	402	511

The plan assets are valued by the fund manager of the pension fund at fair value using the mark-to-market valuation.

(iii) Movements in the present value of the defined benefit obligation

	2017 *$'000*	2016 *$'000*
At 1 January	1,375	1,343
Remeasurement:		
– Actuarial loss arising from changes in financial assumptions	233	*25*
Benefits paid by the plan	(140)	(156)
Current service cost	237	186
Interest cost	74	64
Exchange difference	(4)	(87)
At 31 December	1,775	1,375

The weighted average duration of the defined benefit obligation is 14.8 years (2016: 13.1 years).

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

(iv) Movements in plan assets

	2017	2016
	$'000	*$'000*
At 1 January	**511**	529
Contributions paid to the plan	**22**	168
Benefits paid by the plan	**(140)**	(156)
Return on plan assets, excluding interest income	**(13)**	(22)
Interest income	**24**	26
Exchange difference	**(2)**	(34)
At 31 December	**402**	511

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017	2016
	$'000	*$'000*
Current service cost	**237**	186
Net interest on net defined benefit liability	**50**	38
Total amounts recognised in profit or loss	**287**	224
Actuarial losses	**233**	25
Return on plan assets, excluding interest income	**13**	22
Total amounts recognised in other comprehensive income	**246**	47
Total defined benefit costs	**533**	271

The current service cost and the net interest on net defined benefit liability are recognised in the administrative expenses in the consolidated statement of profit or loss.

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2017	2016
Discount rate	**5.70%**	5.38%
Future salary increases	**5% per annum**	5% per annum

The below analysis shows how the defined benefit obligation as at 31 December 2017 would have (decreased)/increased as a result of 1% change in the significant actuarial assumptions:

	2017		2016	
	Increase in 1%	**Decrease in 1%**	Increase in 1%	Decrease in 1%
	$'000	***$'000***	*$'000*	*$'000*
Discount rate	**(234)**	**291**	(166)	193
Future salary increases	**272**	**(224)**	178	(157)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 *$'000*	2016 *$'000*
Current tax recoverable	**556**	593
Current tax payable	**(2,211)**	(31)
	(1,655)	562

(b) Deferred tax (liabilities)/assets recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation *$'000*	Employee retirement benefits *$'000*	Application solutions *$'000*	Customer relationship *$'000*	Technical know-how *$'000*	Tax losses *$'000*	Provisions *$'000*	Others *$'000*	Total *$'000*
Deferred tax arising from:									
At 1 January 2016	(503)	286	(923)	(492)	(305)	399	–	203	(1,335)
Exchange adjustments	(10)	(17)	–	–	–	–	–	(6)	(33)
Credited to profit or loss	241	12	415	89	122	934	–	143	1,956
Credited to reserves	–	15	–	–	–	–	–	–	15
At 31 December 2016	(272)	296	(508)	(403)	(183)	1,333	–	340	603
At 1 January 2017	(272)	296	(508)	(403)	(183)	1,333	–	340	603
Exchange adjustments	–	(1)	–	–	–	–	–	–	(1)
Credited/(charged) to profit or loss	49	75	415	89	122	(935)	936	772	1,523
Credited to reserves	–	74	–	–	–	–	–	–	74
At 31 December 2017	(223)	444	(93)	(314)	(61)	398	936	1,112	2,199

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax (liabilities)/assets recognised: *(continued)*

Reconciliation to the consolidated statement of financial position

	2017	2016
	$'000	*$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**2,709**	755
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(510)**	(152)
	2,199	603

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of $8,899,000 (2016: $11,242,000) as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities.

Included in unrecognised tax losses and other temporary differences is an amount of $2,262,000 (2016: $2,206,000) which can be carried forward up to five years from the year in which the loss originated. The remaining balance of $6,637,000 (2016: $9,036,000) does not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2017, temporary differences relating to undistributed profits of subsidiaries amounted to $19,200,000 (2016: $14,587,000). Deferred tax liabilities of $960,000 (2016: $768,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital *$'000*	Share premium *$'000*	Retained profits *$'000*	Total equity *$'000*
Balance at 1 January 2016		28,406	17,955	14,645	61,006
Changes in equity for the year:					
Final dividend approved in respect of the previous year	25(b)(ii)	–	–	(2,841)	(2,841)
Shares issued under rights issue	25(c)	3,550	36,928	–	40,478
Transaction costs attributable to issue of shares under rights issue	25(c)	–	(1,500)	–	(1,500)
Total comprehensive income for the year		–	–	(1,776)	(1,776)
Balance at 31 December 2016		31,956	53,383	10,028	95,367
Balance at 1 January 2017		31,956	53,383	10,028	95,367
Changes in equity for the year:					
Total comprehensive income for the year		–	–	(5,139)	(5,139)
Balance at 31 December 2017		31,956	53,383	4,889	90,228

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2017	2016
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of Nil cent per ordinary share (2016: Nil cent per ordinary share)	**–**	–

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017	2016
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of nil cent per ordinary share (2016: 1.0 cent per ordinary share)	**–**	2,841

The final dividend approved and paid during 2016 is based on the total number of issued shares at the date of Annual General Meeting.

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

Authorised and issued share capital

	2017		2016	
	Number of shares	Amount	Number of shares	Amount
	'000	*$'000*	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.1 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**319,565**	**31,956**	284,058	28,406
Issue of shares under rights issue	**–**	**–**	35,507	3,550
At 31 December	**319,565**	**31,956**	319,565	31,956

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 14 November 2016, the Company issued and allotted 35,507,000 ordinary shares of $0.01 each to qualifying shareholders pursuant to the rights issue on the basis of one rights share for every eight existing shares held by the qualifying shareholders on 20 October 2016 at the subscription price of $1.14 per rights share for a total gross cash consideration of $40,478,000. Among the related issue expenses of $1,900,000, $1,500,000 that were directly attributable to the issue of new shares were deducted against share premium and the remaining $400,000 were included under "administrative expenses" in the consolidated statement of profit or loss.

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (2009 Revision) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, distribution shall be payable out of profits or other reserves, including the share premium account of the Company.

Included in the reserves of the Company available for the distribution is share premium arising from the issuance of Series A preference shares which were redeemed on 7 November 2003.

(ii) Merger reserve

Merger reserve of the Group represents reserve of a subsidiary that have been capitalised as a result of a share-for-share exchange in prior year.

(iii) Surplus reserve

Pursuant to the applicable PRC regulations, PRC entity is required to appropriate 10% of its profit-after-tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that the balance after such issue is not less than 50% of its registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(e) Distributability of reserves

At 31 December 2017, the aggregate amount of reserve available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 25(d)(i), was $58,272,000 (2016: $63,411,000).

25 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an on-going basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables in relation to sales of smart card products and hardware are generally due within seven days to three months from the date of billing. For sales of software and sales under solution business, specific payment term such as payment by instalment or credit term of more than three months may be granted, which depends on the trading history of customers and nature of the project. Normally, the Group does not obtain collateral from customers.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, 4% (2016: 20%) and 24% (2016: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group's cash at bank and bank deposits are placed with financial institutions with sound credit ratings, and the management consider the Group's exposure to credit risk on cash at bank and bank deposits is low.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management for daily operation, including placing short term bank deposits and raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Cash surplus over operating needs are closely monitored and managed by the Group's central cash and treasury management system. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group's exposures to the liquidity risk and its policies for managing such risk were unchanged from the year ended 31 December 2016.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2017 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables (excluding receipt in advance)	19,957	–	–	19,957	19,957

	2016 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying Amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables (excluding receipt in advance)	17,706	–	–	17,706	17,706
Bank loans subject to repayment on demand clauses: scheduled repayments	8,832	4,728	1,121	14,681	14,222
	26,538	4,728	1,121	32,387	31,928

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group does not use derivative financial instruments to hedge its fixed and floating rate debt obligations. All of the interest-bearing borrowings of the Group as of 31 December 2016 were variable rate instruments. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the end of the reporting period:

	2017		2016	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	***$'000***	%	*$'000*
Variable rate borrowings:				
Bank loans	**–**	**–**	3.26%–3.84%	14,222

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased the Group's retained profits by approximately $59,000.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD") and Renminbi ("RMB").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HKD)			
	2017		2016	
	USD	**RMB**	USD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Cash and cash equivalents	**7,152**	**329**	23,319	1,434
Amounts due from group companies	**28,637**	**1,914**	21,242	6,064
Trade and other receivables	**20,034**	**105**	27,094	195
Trade and other payables	**(2,151)**	**(6,391)**	(3,186)	(4,673)
	53,672	**(4,043)**	68,469	3,020

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit/loss after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained profits**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and increase/ (decrease) in retained profits
		$'000		*$'000*
RMB	**5%**	**(169)**	5%	126
	(5)%	**169**	(5)%	(126)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as 2016.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement

HKFRS 13, *Fair value measurement* categories fair value measurements into a three – level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2017, the fair value of the held-to-maturity treasury bills listed outside Hong Kong held by the Group was $886,000 (2016: $810,000) (see note 19). These instruments fall into level 1 of the fair value hierarchy described above.

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial assets and liabilities of the Group are carried at costs or amortised costs are not materially different from their fair values as at 31 December 2017 and 2016.

27 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	$'000	*$'000*
Contracted for	–	786

In June 2014, the Group entered into an agreement with an independent third party to acquire 10% equity interests of Zigong Yandou Smart Card Information Technology Company Limited for a consideration of RMB1,000,000. As at 31 December 2017, the agreement was lapsed and therefore the Group is no longer committed to the acquisition.

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	$'000	*$'000*
Within 1 year	5,184	2,233
After 1 year but within 5 years	5,084	–
	10,268	2,233

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are renegotiated.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with related parties

On 2 November 2017, a wholly owned subsidiary of the Group (the "subsidiary") entered into a mandate (the "Mandate") with a fellow subsidiary pursuant to which the subsidiary was conditionally appointed as a consultant to the fellow subsidiary in connection with the provision of advisory services. The service fees of the advisory services were pre-determined in the Mandate. Total service fee receivable from the fellow subsidiary for the year ended 31 December 2017 amounted to $16,000,000 (2016: Nil). As at 31 December 2017, an amount of $16,000,000 (2016: Nil) remained unpaid and was included in trade and other receivables.

The related party transaction above constitute a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Report of the Directors.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 8 is as follows:

	2017	2016
	$'000	*$'000*
Short-term employee benefits	**6,569**	6,252
Post-employment benefits	**51**	116
	6,647	6,368

Total remuneration is included in "staff costs" (see note 6(b)).

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 $'000	2016 $'000
Non-current assets			
Interests in subsidiaries		**14,004**	14,004
Amount due from subsidiaries		**76,780**	81,245
		90,784	95,249
Current assets			
Other receivables		**182**	494
Amount due from immediate holding company		**298**	–
Cash and cash equivalents		**237**	493
		717	987
Current liabilities			
Other payables		**841**	869
Amount due to a fellow subsidiary		**432**	–
		1,273	869
Net current (liabilities)/assets		**(556)**	118
NET ASSETS		**90,228**	95,367
CAPITAL AND RESERVES			
Share capital	25(c)	**31,956**	31,956
Reserves		**58,272**	63,411
TOTAL EQUITY		**90,228**	95,367

Approved and authorised for issue by the Board of Directors on 8 March 2018.

Peng Fang
Director

Wong Chi Ho
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be HNA EcoTech Pioneer Acquisition, which is incorporated in Cayman Islands and Hainan Province Cihang Foundation, which is established in PRC respectively.

These entities do not produce financial statements available for public use.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance Consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial report.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"):

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses. Based on the assessment so far, the directors of the Group anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. Based on the assessment completed up to date, the Group has identified the following area which may be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(t). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognise revenue.

HKFRS 16, *Leases*

As disclosed in note 2(j), currently the Group classifies leases into operating leases.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 27(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $10,268,000 for properties, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 16, *Leases (continued)*

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. So far, the Group expects that the practical expedient regarding the lease definition will not be relevant to the Group's contracts.

FINANCIAL SUMMARY

31 December 2017

	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**182,272**	152,284	234,526	246,323	194,360
Cost of sales and services	**78,498**	78,095	118,287	124,466	81,340
Gross profit	**103,774**	74,189	116,239	121,857	113,020
Gross profit margin	**57%**	49%	50%	49%	58%
Profit/(loss) for the year	**5,689**	(18,503)	20,304	23,724	23,203
Net profit margin	**3%**	(12%)	9%	10%	12%
ASSETS AND LIABILITIES					
Total assets	**181,743**	181,794	213,605	187,387	164,654
Total liabilities	**28,042**	34,765	82,755	70,300	64,707
Total equity	**153,701**	147,029	130,850	117,087	99,947