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

INTERIM REPORT

2019

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Jiang Hao *(Chairman)*
(appointed on 17 July 2019)
Mr. Xu Jie *(appointed on 17 June 2019)*
Mr. Wang Jing
(appointed on 17 July 2019)
Mr. Wong Chi Ho
Mr. Zhang Tao *(retired on 30 May 2019)*
Mr. Tong Fu *(resigned on 17 June 2019)*
Mr. Cui Yijun *(resigned on 17 July 2019)*
Mr. Zheng Xuedong
(resigned on 5 August 2019)

Independent Non-executive Directors
Mr. Guo Dan
Dr. Lin Tat Pang
Ms. O Wai *(appointed on 15 March 2019)*

CHIEF EXECUTIVE OFFICER

Mr. Peng Zhi
(appointed on 5 August 2019)

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Lee Ka Man, ACS, ACIS

AUDIT COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Guo Dan
Ms. O Wai

REMUNERATION COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Guo Dan
Mr. Wang Jing

NOMINATION COMMITTEE

Mr. Guo Dan *(Chairman)*
Dr. Lin Tat Pang
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 AND PRINCIPAL PLACE OF BUSINESS

Units 4108-4110, 41st Floor
Manhattan Place, 23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (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

The board of directors (the "Board") of HNA Technology Investments Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with the comparative unaudited figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 30 June 2019	2018 (Note)
		$'000	*$'000*
Revenue	3	**78,430**	65,425
Cost of sales		**(35,860)**	(29,003)
Gross profit		**42,570**	36,422
Other income		**783**	229
Selling and distribution costs		**(8,033)**	(8,121)
Research and development expenses		**(17,788)**	(12,662)
Administrative expenses		**(19,999)**	(26,491)
Finance costs	4(a)	**(169)**	–
Loss before taxation	4	**(2,636)**	(10,623)
Income tax	5	**(1,074)**	28
Loss for the period attributable to the equity shareholders of the Company		**(3,710)**	(10,595)
Loss per share	6		
Basic		**(1.161 cents)**	(3.315 cents)
Diluted		**(1.161 cents)**	(3.315 cents)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 8 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Unaudited six months ended 30 June	
	2019	2018 (Note)
	$'000	*$'000*
Loss for the period	**(3,710)**	(10,595)
Other comprehensive income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**411**	1,919
Total comprehensive income for the period	**(3,299)**	(8,676)
Attributable to:		
Equity shareholders of the Company	**(3,299)**	(8,676)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

(Expressed in Hong Kong dollars)

	Note	**Unaudited 30 June 2019** *$'000*	Audited 31 December 2018 (Note) *$'000*
Non-current assets			
Property, plant and equipment	2, 7	**11,024**	5,472
Intangible assets		**36,800**	43,735
Deferred tax assets		**1,552**	2,406
		49,376	51,613
Current assets			
Inventories		**34,001**	36,191
Trade and other receivables	8	**28,321**	39,990
Other financial assets		**309**	874
Current tax recoverable		**1,746**	1,607
Cash and cash equivalents	9	**32,088**	27,937
		96,465	106,599
Current liabilities			
Trade and other payables	10	**15,254**	28,927
Lease liabilities	2(c)	**3,901**	–
Current tax payable		**–**	118
		19,155	29,045
Net current assets		**77,310**	77,554
Total assets less current liabilities		**126,686**	129,167
Non-current liabilities			
Lease liabilities	2(c)	**639**	–
Defined benefit obligations		**1,472**	1,293
		2,111	1,293
NET ASSETS		**124,575**	127,874
CAPITAL AND RESERVES			
Share capital	11(b)	**31,956**	31,956
Reserves		**92,619**	95,918
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**124,575**	127,874

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 8 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Share capital *$'000*	Share premium *$'000*	Merger reserve *$'000*	Surplus reserve *$'000*	Exchange reserve *$'000*	Retained profits *$'000*	Total equity *$'000*
Balance at 1 January 2018	31,956	53,383	4,496	1,853	51	61,032	152,771
Changes in equity for the six months ended 30 June 2018:							
Loss for the period	–	–	–	–	–	(10,595)	(10,595)
Other comprehensive income	–	–	–	–	1,919	–	1,919
Total comprehensive income	–	–	–	–	1,919	(10,595)	(8,676)
Appropriation to surplus reserve	–	–	–	11	–	(11)	-
Balance at 30 June 2018 and 1 July 2018	**31,956**	**53,383**	**4,496**	**1,864**	**1,970**	**50,426**	**144,095**
Changes in equity for the six months ended 31 December 2018:							
Loss for the period	–	–	–	–	–	(12,859)	(12,859)
Other comprehensive income	–	–	–	–	(3,523)	161	(3,362)
Total comprehensive income	–	–	–	–	(3,523)	(12,698)	(16,221)
Appropriation to surplus reserve	–	–	–	335	–	(335)	-
Balance at 31 December 2018 (Note)	**31,956**	**53,383**	**4,496**	**2,199**	**(1,553)**	**37,393**	**127,874**
Balance at 1 January 2019	**31,956**	**53,383**	**4,496**	**2,199**	**(1,553)**	**37,393**	**127,874**
Changes in equity for the six months ended 30 June 2019:							
Loss for the period	–	–	–	–	–	(3,710)	(3,710)
Other comprehensive income	–	–	–	–	411	–	411
Total comprehensive income	–	–	–	–	411	(3,710)	(3,299)
Appropriation to surplus reserve	–	–	–	125	–	(125)	-
Balance at 30 June 2019	**31,956**	**53,383**	**4,496**	**2,324**	**(1,142)**	**33,558**	**124,575**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 8 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 30 June 2019	2018 (Note)
		$'000	*$'000*
Operating activities			
Cash generated from/(used in) operations		**8,934**	(711)
Tax paid		**(432)**	(3)
Net cash generated from/(used in) operating activities		**8,502**	(714)
Investing activities			
Payment for the purchase of plant and equipment		**(2,681)**	(462)
Other cash flows arising from/(used in) investing activities		**555**	(4,751)
Net cash used in investing activities		**(2,126)**	(5,213)
Financing activities			
Capital element of lease rentals paid		**(1,862)**	–
Interest element of lease rentals paid		**(169)**	–
Net cash used in financing activities		**(2,031)**	–
Net increase/(decrease) in cash and cash equivalents		**4,345**	(5,927)
Cash and cash equivalents at 1 January		**27,937**	29,632
Effect of foreign exchange rate changes		**(194)**	333
Cash and cash equivalents at 30 June	9	**32,088**	24,038

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 8 to 23 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim financial report is unaudited but has been reviewed by the audit committee of the Company and it was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 7.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(b) Transitional impact *(continued)*

The following table reconciles the operating lease commitments as disclosed in note 13 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *$'000*
Operating lease commitments at 31 December 2018	9,104
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,356)
	6,748
Less: total future interest expenses	(346)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	6,402

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(b) Transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *$'000*	Capitalisation of operating lease contracts *$'000*	Carrying amount at 1 January 2019 *$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	5,472	6,402	11,874
Total non-current assets	51,613	6,402	58,015
Lease liabilities (current)	–	3,783	3,783
Current liabilities	29,045	3,783	32,828
Net current assets	77,554	(3,783)	73,771
Total assets less current liabilities	129,167	2,619	131,786
Lease liabilities (non-current)	–	2,619	2,619
Total non-current liabilities	1,293	2,619	3,912
Net assets	127,874	–	127,874

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 ***$'000***	At 1 January 2019 *$'000*
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**4,472**	6,402

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, Leases *(continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**3,901**	**4,067**	3,783	4,093
After 1 year but within 2 years	**639**	**650**	2,490	2,523
After 2 years but within 5 years	**–**	**–**	129	132
	639	**650**	2,619	2,655
	4,540	**4,717**	6,402	6,748
Less: total future interest expenses		**(177)**		(346)
Present value of lease liabilities		**4,540**		6,402

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 REVENUE AND 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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product or service lines		
– Sale of smart card products and provision of related services	**78,430**	65,425
Disaggregated by geographical location of customers		
– The People's Republic of China ("PRC"), including Hong Kong and Macau (country of domicile)	**8,573**	9,843
– United States	**9,823**	11,798
– Japan	**8,392**	3,950
– Republic of Fiji	**4,113**	4,467
– The Republic of the Philippines	**1,574**	1,366
– Other countries	**45,955**	34,001
	69,857	55,582
	78,430	65,425

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 period is set out below.

	Financial technology and smart living		Financial services and investment		Total	
For the six months ended	**2019**	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**78,430**	65,425	**–**	–	**78,430**	65,425
Reportable segment revenue	**78,430**	65,425	**–**	–	**78,430**	65,425
Reportable segment profit/(loss) from operations	**4,053**	2,046	**(795)**	(6,845)	**3,258**	(4,799)
As at 30 June/31 December						
Reportable segment assets	**137,223**	142,999	**8,157**	11,258	**145,380**	154,257
Reportable segment liabilities	**20,283**	27,988	**32,485**	26,218	**52,768**	54,206

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018 (Note)
	$'000	*$'000*
Reportable segment profit/(loss) from operations	**3,258**	(4,799)
Interest income	**86**	115
Unallocated head office and corporate expenses	**(5,980)**	(5,939)
Consolidated loss before taxation	**(2,636)**	(10,623)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	*$'000*
Interest on lease liabilities	**169**	–

(b) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	*$'000*
Amortisation of intangible assets	**7,034**	3,708
Depreciation		
– owned property, plant and equipment	**1,581**	1,367
– right-of-use assets	**1,930**	–
Provision for impairment losses on trade receivables	**1,360**	1,060
Write-down of inventories	**7**	521
Interest income	**(86)**	(115)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5 INCOME TAX

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	620
Current tax – Philippines Income Tax		
Provision for the year	**181**	29
Current tax – Other jurisdictions		
Provision for the year	**–**	2
Over-provision in respect of prior years	**(7)**	–
	(7)	2
Deferred taxation	**900**	(679)
Income tax expense/(credit)	**1,074**	(28)

5 INCOME TAX *(continued)*

Notes:

(i) For the six months ended 30 June 2019, no provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong. For the six months ended 30 June 2018, the provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.

(ii) The provision for Philippines Income Tax for the period is calculated at 30% (2018: 30%) of the estimated taxable income or 2% (2018: 2%) on gross income incurred, whichever is higher, in accordance with the National Internal Revenue Code of the Republic 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 was granted the "small and micro sized enterprise" status and enjoys the preferential corporate income tax rate of 10% from 2018 onwards.

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

ACS Shenzhen was granted the "high and new technology enterprise" status and enjoys the preferential corporate income tax rate of 15% for three years between 2018 and 2020.

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

6 LOSS PER SHARE

(a) Basic losses per share

The calculation of basic losses per share is based on loss attributable to ordinary equity shareholders of the Company of $3,710,000 (six months ended 30 June 2018: $10,595,000) and the weighted average of 319,565,000 (six months ended 30 June 2018: 319,565,000) ordinary shares in issue for the six months ended 30 June 2019.

(b) Diluted losses per share

Diluted losses per share for the six months ended 30 June 2019 and 2018 are the same as the basic losses per share as there are no dilutive potential ordinary shares.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, there were no additions to right-of-use assets as no relevant lease agreements were entered during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of plant and equipment with a cost of $2,681,000 (six months ended 30 June 2018: $462,000). Items of plant and machinery with a net book value of $19,000 (six months ended 30 June 2018: $11,000) were disposed of during the six months ended 30 June 2019, resulting in a loss on disposal of $19,000 (six months ended 30 June 2018: $11,000).

8 TRADE AND OTHER RECEIVABLES

	30 June 2019 *$'000*	31 December 2018 *$'000*
Trade receivables, net of loss allowance (Note)	**24,562**	34,725
Prepayments	**1,197**	2,365
Deposits paid	**1,894**	1,939
Other receivables	**229**	522
Amounts due from fellow subsidiaries	**439**	439
	28,321	39,990

Note: Included in trade receivables is an amount due from a fellow subsidiary with a gross balance (before loss allowance) of $12,000,000 (31 December 2018: $14,830,000). The Group recorded a provision of expected credit loss of $4,000,000 for the year ended 31 December 2018 and as at 30 June 2019, the net balance (net of loss allowance) was $8,000,000 (31 December 2018: 10,830,000). The amount is unsecured, interest-free and past due for more than 1 year.

8 TRADE AND OTHER RECEIVABLES *(continued)*

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

	30 June 2019	31 December 2018
	$'000	*$'000*
Within 1 month	**10,015**	9,906
1 to 2 months	**4,789**	3,920
2 to 3 months	**214**	4,163
3 to 12 months	**367**	181
Over 1 year	**9,177**	16,555
	24,562	34,725

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. For advisory services entered, invoices are due upon presentation.

9 CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
	$'000	*$'000*
Cash at bank and on hand	**19,580**	23,990
Bank deposits maturing within three months when placed	**12,508**	3,947
Cash and cash equivalents	**32,088**	27,937

10 TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	$'000	*$'000*
Trade payables	**6,830**	12,541
Accruals	**3,293**	8,832
Receipt in advance from customers	**4,851**	7,269
Amount due to immediate holding company	**280**	285
	15,254	28,927

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

	30 June 2019	31 December 2018
	$'000	*$'000*
Within 1 month	**3,824**	6,191
1 to 3 months	**2,963**	6,342
3 months to 1 year	**41**	6
Over 1 year	**2**	2
	6,830	12,541

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) The Company has not declared any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of nil cent per ordinary share (2018: Nil cent per ordinary share)	**–**	–

(b) Share capital

Authorised and issued share capital

	30 June 2019		31 December 2018	
	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 and 30 June/31 December	**319,565**	**31,956**	319,565	31,956

(c) 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 leverage 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.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, debt is defined as total debt, which includes lease liabilities.

11 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Capital management *(continued)*

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for certain leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's total debt and hence the Group's debt-to-capital ratio rose from 0% to 5.0% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	30 June 2019	1 January 2019 (Note)	31 December 2018 (Note)
	$'000	*$'000*	*$'000*
Current liabilities:			
Lease liabilities	**3,901**	3,783	–
Non-current liabilities:			
Lease liabilities	**639**	2,619	–
Total debt	**4,540**	6,402	–
Total equity	**124,575**	127,874	127,874
Debt-to-capital ratio	**3.6%**	5.0%	0%

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, comparative information is not restated. See note 2.

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement 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 30 June 2019, the fair value of the treasury bills listed outside Hong Kong held by the Group was $309,000 (31 December 2018: $869,000). The costs of these financial assets measured at amortised cost are not materially different from their fair values at 30 June 2019 and 31 December 2018. These instruments fall into level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2018: nil). 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.

The carrying amount of the Group's all other financial instruments carried at costs or amortised costs were not materially different from their fair values as at 30 June 2019 and 31 December 2018.

13 COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties *$'000*
Within 1 year	6,449
After 1 year but within 5 years	2,655
	9,104

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

14 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

(i)

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Rental expenses charged by immediate holding company	**778**	112

(ii) 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 appointed as a consultant to the fellow subsidiary in connection with the provision of certain consultancy and advisory services. The service fees of the advisory services were predetermined in the Mandate. Total service fee recorded for the six months ended 30 June 2019 and 2018 amounted to nil. As at 30 June 2019, the gross balance (before loss allowance) of $12,000,000 (31 December 2018: $14,830,000) remained unpaid and was included in trade and other receivables (note 8).

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Short-term employee benefits	**2,584**	6,415
Post-employment benefits	**27**	48
	2,611	6,463

15 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

The following discussion and analysis should be read alongside the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 (the "Interim Period").

FINANCIAL REVIEW

Revenue

Revenue increased by 20%, from HK$65.4 million for the corresponding period in 2018 to HK$78.4 million for the Interim Period, driven by a material improvement of financial technology and smart living business of the Group. The substantial contribution of revenue for the Interim Period was mainly attributable to the expansion of an automatic fare collection ("AFC") project for public transport in the Republic of Fiji ("Fiji"), as well as receiving a substantial order to provide identity card readers in Turkey, as the Turkey government spending on identity related projects was resumed in the first half of 2019.

For the financial services and investment business, as we decided to shrink this business since early 2018, the Group did not recognise any revenue, and incurred a loss for this segment for the Interim Period and for the corresponding period in 2018.

Gross Profit Margin

Gross profit increased by HK$6.2 million, from HK$36.4 million in the corresponding period of 2018 to HK$42.6 million for the Interim Period. Notwithstanding, gross profit margin (being the ratio of gross profit to revenue) decreased by 2% (2019: 54%, 2018: 56%) as a result of lower gross profit margin from certain large sales derived from customers due to bulk orders and market competition.

Operating Expenses

Total operating expenses slightly reduced by 3%, from HK$47.3 million for the corresponding period in 2018 to HK$45.8 million for the Interim Period.

For the financial technology and smart living business, there was an increase of 11% in total operating expenses, from HK$35.0 million for the corresponding period in 2018 to HK$39.0 million for the Interim Period. The operating expenses for the Interim Period included an impairment losses on trade receivables amounting to HK$1.4 million. During the Interim Period, management reviewed long-aged trade receivables and assessed certain amount to be non-recoverable and hence impairment losses were made accordingly. Moreover, there was an increase in amortisation of intangible assets of HK$3.3 million, which was mainly due to the change in timing to start amortisation of development costs at the end of 2018.

For the financial services and investment business, there was a decrease of 88% in total operating expenses, from HK$6.4 million for the corresponding period in 2018 to HK$0.8 million for the Interim Period. The decrease was the result of scale back strategy in this segment and therefore there was a decrease in headcount especially for those with salaries of higher band, leading to the reduction of relevant staff costs.

Head office and corporate expenses were HK$6.0 million for the Interim Period, which maintained a similar level compared to HK$5.9 million for the corresponding period in 2018.

FINANCIAL REVIEW *(continued)*

Loss for the Period

The Group recorded a loss for the period of HK$3.7 million for the Interim Period. The figure reduced significantly from a loss of HK$10.6 million for the corresponding period in 2018 as a consequence of the improvement of revenue and gross profit, as well as the overall decrease in operating expenses. Basic loss per share for the Interim Period was HK1.161 cents (2018: HK3.315 cents).

DIVIDEND

The Board did not declare an interim dividend in respect of the Interim Period. The declaration, payment, and amount of future dividends 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 conditions, and such other factors as the Board may consider important.

BUSINESS REVIEW

Financial Technology and Smart Living

The financial technology and smart living business recorded a profit during the Interim Period. Following the AFC project for public transport in Fiji, the project requested 700,000 cards so that the Fiji government can further improve the revenue and cash flow for bus operators in the first half of 2019.

Meanwhile, the AFC project in Fiji requested Advanced Card Systems Limited ("ACS"), a wholly owned subsidiary of the Group, to provide 10 units of ticket vending machines to better serve the whole population of the project.

During the Interim Period, the identity card reader business in Turkey increased significantly. Turkey government spending on identity related projects was resumed in the first half of 2019 and therefore the Group received a substantial order to provide identity card readers in Turkey.

In Malaysia, the latest bus validator (ACR330) has been well qualified. In 2018, 600 units of ACR330 were shipped and the local bus operator will install the devices on 600 buses in 2019. So far the performance of the new bus validators are well satisfied by the market.

Events

The Group remained active in industry events in the first half of 2019. ACS exhibited at Japan IT Week Spring 2019 in May 2019 at Tokyo Big Sight to showcase its latest product offerings. Addressing the growing popularity of and demand for contactless applications, ACS demonstrated the determination to deliver world-class services to customers and partners.

Moreover, ACS also exhibited in Securing Federal Identity 2019 in June 2019 at Hilton Crystal City at National Airport of Arlington, the United States of America. Securing Federal Identity 2019 featured federal government identity, security policy and issues and technology developments for today's federal agencies and federal market security leaders. The showcase allowed government attendees to visit and learn more about innovative identity products and services enabling secure federal identities today and in the future.

BUSINESS REVIEW *(continued)*

Financial Services and Investment

A team was built to develop the financial services and investment business since the second half of 2017 and completed certain transactions in 2017. However, having evaluated the macro environment and internal competence as well as risk-reward balance, the management decided to scale back its operation in financial services and investment business since early 2018 and adopted more stringent costs saving procedures to continue to run this segment with minimal costs. As a result, there was no revenue recorded for the Interim Period and in the corresponding period of 2018, and the total operating expenses reduced by 88%, from HK$6.4 million for the corresponding period in 2018 to HK$0.8 million for the Interim Period.

PROSPECTS

Overall, the Group is optimistic on the business performance in 2019. Positive customer response indicates the likelihood of sales growth in the second half of 2019. The positive outlook of 2019 also thanks to the Group's effort in enhanced promotion, the excellence of products and services, the development of innovative products as well as excellent customer relationship management and talent management in smart card related technology.

Financial Technology and Smart Living

The Group is optimistic about the EFTPOS (electronic funds transfer at point of sale) terminal market, which refers to the use of payment terminals to validate and facilitate credit or debit card transactions. According to The Nilson Report in 2017, the market size of the POS terminal has a double-digit growth rate every year. To seize the market opportunity, the Group has already developed ACR900 EFTPOS terminal that supports magnetic card and contact-based credit cards as well as contactless-based credit card, Apple Pay and Google Pay schemes. The latest bus validator ACR330 also supports 2D barcode payment scheme such as Alipay and WeChat Pay.

In addition, ACS will keep exploring opportunities of two AFC projects in South Africa and Fiji respectively in the second half of 2019.

Financial Services and Investment

The management is of the view that the several unfavorable macro-factors to the Group's financial services and investment business will remain in 2019, and no revenue was recognised in 2018 and 2019 up to now. The management decided to scale back its operations in financial services and investment business to save costs and will further reduce costs incurred in this segment in the future. After taking into account of the effective costs control procedures, the Group decided to retain the financial services and investment business at a minimal scale. However, the management is still actively evaluating the evolvement of market conditions and the strategic options of our financial services and investment business, and will keep an eye on the right opportunities in the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 30 June 2019, the Group's cash and cash equivalents amounted to HK$32.1 million (31 December 2018: HK$27.9 million). There is no balance of bank borrowings and other interest bearing borrowings as at 30 June 2019. The current ratio, being the ratio of current assets to current liabilities, as at 30 June 2019 was 5.0 (31 December 2018: 3.7). Net asset value as at 30 June 2019 was HK$124.6 million (31 December 2018: HK$127.9 million).

The Group's equity capital and the cash generated from operating activities have been applied to fund its working capital and other operational needs. During the Interim Period, the Group recorded net cash inflow in operating activities of HK$8.5 million (2018: net cash outflow of HK$0.7 million). Net cash inflow in operating activities was due to the improved financial performance of the Group and more cash receipts from customers were received for the Interim Period. The Group recorded net cash outflow in investing activities of HK$2.1 million (2018: HK$5.2 million) for the Interim Period, the amount mainly included payment for the purchase of plant and equipment for the Interim Period. The Group recorded net cash outflow in financing activities of HK$2.0 million (2018: Nil) for the Interim Period, which was due to the capital and interest elements of lease rentals paid as a result of adoption of the new accounting standard HKAS 16 Leases for the Interim Period.

DISPOSALS AND ACQUISITIONS

The Group did not have any material disposals or investments of subsidiaries and affiliated companies during the Interim Period.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 30 June 2019, the Group did not have any capital commitment related to acquisition of property, plant and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollars ("HKD"), Philippine Pesos, United States dollars ("USD") and Renminbi ("RMB"). As HKD is pegged to USD, exchange risk arising from USD does not have significant financial impact to the Group. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the Interim Period, no forward foreign exchange or hedging contracts had been entered by the Group.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 179 full time employees. Staff costs recognised in profit or loss for the Interim Period amounted to HK$26.0 million (2018: HK$27.4 million). Remuneration polices 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.

EVENT AFTER THE END OF THE INTERIM PERIOD

The Board was notified by HNA EcoTech Pioneer Acquisition, the controlling shareholder (as defined in the Listing Rules) of the Company (the "Controlling Shareholder"), that on 27 August 2019 (after trading hours), the Controlling Shareholder entered into a share charge agreement with Premium Financial Limited (the "New Chargee"), pursuant to which the Controlling Shareholder had agreed to pledge 238,889,669 ordinary shares in the issued share capital of the Company (the "Pledged Shares") in favour of the New Chargee, for the purpose of securing a loan granted by independent third parties of the Company to the Controlling Shareholder.

According to the announcement of the Company dated 21 August 2018 in relation to the Pledged Shares by the Controlling Shareholder in favour of China Construction Bank (Asia) Corporation Limited (the "Former Chargee"), the Board was further notified that the Controlling Shareholder and the Former Chargee released the Pledged Shares on 28 August 2019. After completion of the release, the Pledged Shares were pledged by the Controlling Shareholder in favour of the New Chargee on 28 August 2019.

As at the date of this interim report, the Pledged Shares represent approximately 74.75% of the total issued shares of the Company. To the best of the knowledge, information and belief of the directors of the Company, after having made all reasonable enquires, the New Chargee and its ultimate owner(s) are independent from and not connected with the Company and its connected persons (as defined in the Listing Rules).

The above pledge of Pledged Shares does not fall within the scope of Rule 13.17 of the Listing Rules.

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

As at 30 June 2019, the Company has not been notified of any interests and short positions of the directors and chief executives 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 Securities and Futures Ordinance (the "SFO")), 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules.

As at 30 June 2019, 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 recorded pursuant to section 352 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 Interim Period 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 30 June 2019, 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	**Notes**	**Capacity**	**Total number of shares held**	**Approximate percentage of the Company's issued share capital as at 30 June 2019**
HNA EcoTech Pioneer Acquisition	(i)	Beneficial owner	238,889,669	74.75%
HNA Technology Group (HK) Co., Limited (海航科技集團(香港)有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
HNA EcoTech Group Co., Ltd.* (海航生態科技集團有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
HNA Group Co., Ltd.* ("HNA Group") (海航集團有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Hainan Traffic Administration Holding Co., Ltd.* (海南交管控股有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Sheng Tang Development (Yangpu) Co., Ltd.* (盛唐發展(洋浦)有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Tang Dynasty Development Company Limited (盛唐發展有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Hainan Province Cihang Foundation* (海南省慈航公益基金會)	(i)	Interest in controlled corporation	238,889,669	74.75%
Cihang Sino-Western Cultural and Educational Exchange Foundation Limited (慈航東西方文教交流基金會有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Huatai Securities Co., Ltd.* (華泰證券股份有限公司)	(ii)	Interest in controlled corporation	238,889,669	74.75%
Surplus Gain Global Limited	(ii)	Interest in controlled corporation	238,889,669	74.75%
Mr. Lau Wang Chi Barry (劉宏智先生)	(ii)	Interest in controlled corporation	238,889,669	74.75%

* *For identification purposes only*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Notes:

(i) HNA EcoTech Pioneer Acquisition is held as to 100% by HNA Technology Group (HK) Co., Limited which in turn is held as to 100% by HNA EcoTech Group Co., Ltd.. HNA EcoTech Group Co., Ltd. is held as to more than one-third by HNA Group. HNA Group is held as to 70% by Hainan Traffic Administration Holding Co., Ltd.. Hainan Traffic Administration Holding Co., Ltd. is in turn held as to 50% by Sheng Tang Development (Yangpu) Co., Ltd.. Sheng Tang Development (Yangpu) Co., Ltd. is held as to 65% by Hainan Province Cihang Foundation and as to 35% by Tang Dynasty Development Co. Ltd. which is in turn 98% held by Pan-American Aviation Holding Company, which is wholly held by Cihang Sino-Western Cultural and Educational Exchange Foundation Limited. HNA Technology Group (HK) Co., Limited, HNA EcoTech Group Co., Ltd., HNA Group, Hainan Traffic Administration Holding Co. Ltd., Sheng Tang Development (Yangpu) Co., Ltd., Hainan Province Cihang Foundation and Cihang Sino-Western Cultural and Educational Exchange Foundation Limited are therefore deemed to be interested in shares held by HNA EcoTech Pioneer Acquisition under the SFO.

(ii) On 21 August 2018, HNA EcoTech Pioneer Acquisition, the Controlling Shareholder, entered into a share charge agreement with China Construction Bank (Asia) Corporation Limited, pursuant to which the Controlling Shareholder agreed to pledge the Pledged Shares in favour of both Huatai Principal Investment I Limited and Surplus Gain Global Limited for a term loan facility for an amount of up to HK$240 million to the Controlling Shareholder. Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Huatai Securities Co., Ltd., Surplus Gain Global Limited and Mr. Lau Wang Chi Barry were interested in 238,889,669 shares as security interest; and (ii) interest in 238,889,669 shares held by HNA EcoTech Pioneer Acquisition, HNA Technology Group (HK) Co., Limited, HNA EcoTech Group Co., Ltd., HNA Group, Hainan Traffic Administration Holding Co., Ltd., Sheng Tang Development (Yangpu) Co., Ltd., Tang Dynasty Development Company Limited, Hainan Province Cihang Foundation and Cihang Sino-Western Cultural and Educational Exchange Foundation Limited were provided as security to a person other than a qualified lender.

Save as disclosed above, as at 30 June 2019 and to the best knowledge of the directors and chief executives of the Company, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept under Section 336 of the SFO.

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

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

CORPORATE GOVERNANCE PRACTICES

During the Interim Period, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange. The directors of the Company are of the opinion that the Company has compiled with the code provisions set out in the CG Code during the Interim Period except for the deviation from the code provision E.l.2 disclosed below.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Mr. Cui Yijun, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 30 May 2019 (the "AGM") due to his other engagement. Mr. Zheng Xuedong, executive director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

On 31 December 2018, Ms. Kaung Cheng Xi Dawn resigned as an independent non-executive director, a member and the chairman of the remuneration committee of the Company and a member of each of the audit committee and the nomination committee of the Company. Dr. Lin Tat Pang has been appointed as a member and the chairman of the remuneration committee of the Company and a member of the nomination committee of the Company with effect from 31 December 2018.

Following the resignation of Ms. Kaung Cheng Xi Dawn, the Company was not in compliance with Rules 3.10(1) 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 from 31 December 2018 to 14 March 2019. Following the appointment of Ms. O Wai on 15 March 2019 as an independent non-executive director and a member of the audit committee of the Company, the Company has complied with Rules 3.10(1) 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 of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted dealings rules regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiries of all directors of the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the Interim Period regarding directors' securities transactions.

AUDIT COMMITTEE

The audit committee is primarily responsible for making recommendations to the Board on the appointment, reappointment, and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing the Company's financial controls, internal controls, and risk management systems; and reviewing the financial statements of the Company. The audit committee has reviewed the Group's unaudited consolidated results for the Interim Period and discussed the financial related matters with the management of the Group.

The audit committee currently comprises 3 members, namely Dr. Lin Tat Pang (being the chairman of the audit committee), Mr. Guo Dan and Ms. O Wai.

By order of the Board
HNA Technology Investments Holdings Limited
Jiang Hao
Chairman

Hong Kong, 27 August 2019