

2020

INTERIM REPORT

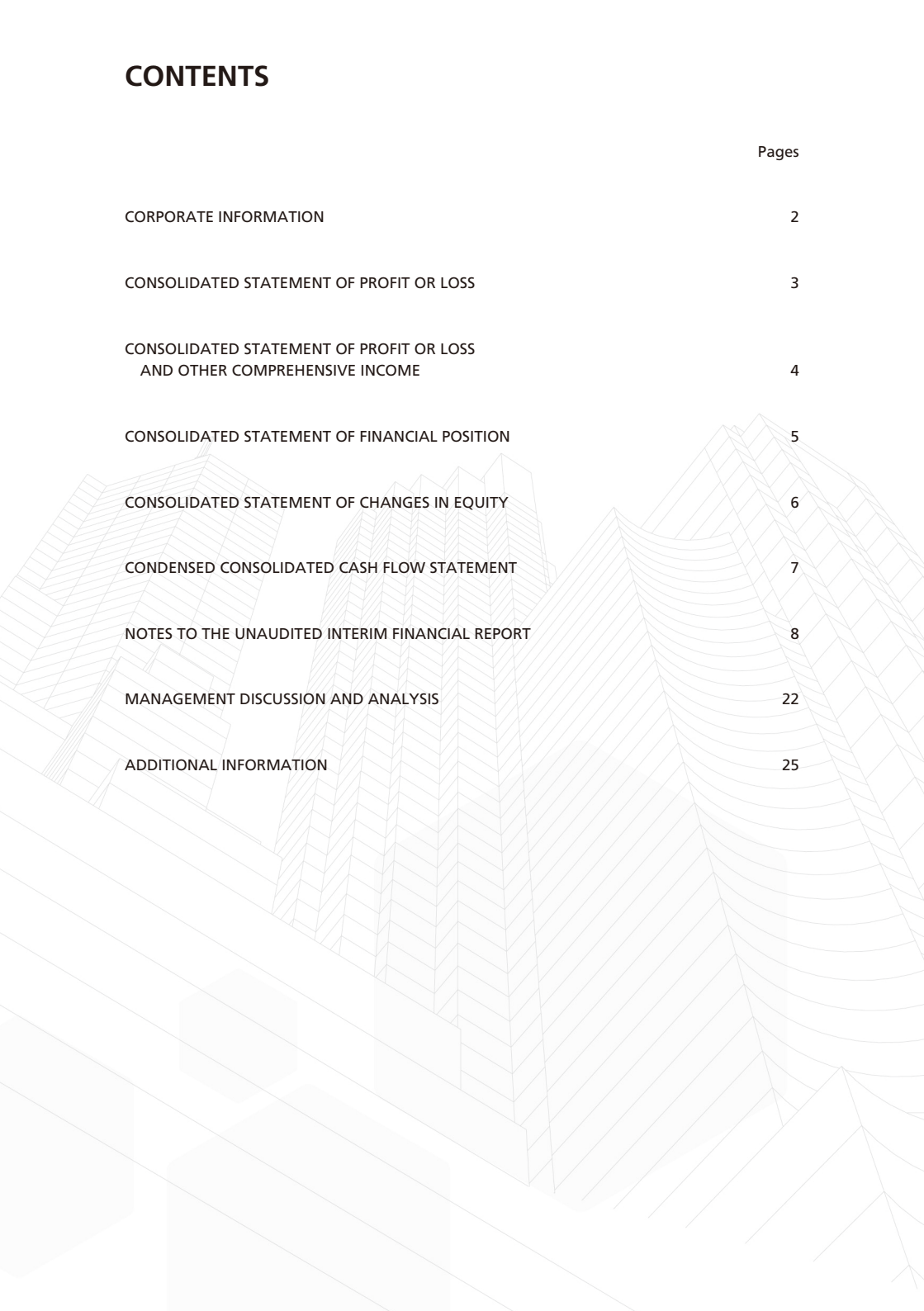


HNA TECH INV
海航科技投資

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

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The background of the page features a light gray, wireframe-style illustration of several skyscrapers of varying heights and widths, creating a sense of depth and architectural structure. In the lower-left corner, there are several overlapping, semi-transparent geometric shapes, including a hexagon and a square, which add a modern, abstract design element to the layout.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Jiang Hao (*Chairman*)
Mr. Peng Zhi (*Chief Executive Officer*)
Mr. Xu Jie
Mr. Wang Jing
Mr. Wong Chi Ho

Non-executive Director

Mr. Kwan Kin Man Keith

Independent Non-executive Directors

Mr. Guo Dan
Dr. Lin Tat Pang
Ms. O Wai

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
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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
George Town, 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, Wanchai
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 2020 together with the comparative unaudited figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	Unaudited	
		2020	2019
		\$'000	\$'000
Continuing operations			
Revenue	3	60,771	78,430
Cost of sales		(26,544)	(35,860)
Gross profit		34,227	42,570
Other income		645	783
Selling and distribution costs		(5,356)	(8,033)
Research and development expenses		(13,657)	(17,788)
Administrative expenses		(16,381)	(19,204)
Finance costs	4(a)	(98)	(169)
Loss before taxation	4	(620)	(1,841)
Income tax	5	(324)	(1,074)
Loss from continuing operations		(944)	(2,915)
Discontinued operation			
Loss from discontinued operation	6	(28)	(795)
Loss for the period attributable to the equity shareholders of the Company		(972)	(3,710)
Loss per share			
<i>From continuing and discontinued operations</i>			
Basic		(0.304 cents)	(1.161 cents)
Diluted		(0.304 cents)	(1.161 cents)
<i>From continuing operations</i>			
Basic		(0.295 cents)	(0.912 cents)
Diluted		(0.295 cents)	(0.912 cents)

The notes on pages 8 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended 30 June	
	2020	2019
	\$'000	\$'000
Loss for the period	(972)	(3,710)
Other comprehensive income for the period (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(710)	411
Total comprehensive income for the period	(1,682)	(3,299)
Attributable to:		
Equity shareholders of the Company	(1,682)	(3,299)

The notes on pages 8 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	Unaudited 30 June 2020 \$'000	Audited 31 December 2019 \$'000
Non-current assets			
Property, plant and equipment	8	7,189	10,400
Intangible assets		26,898	30,527
Deferred tax assets		1,755	1,940
		35,842	42,867
Current assets			
Inventories		35,459	30,760
Trade and other receivables	9	20,439	24,811
Other financial assets		311	316
Current tax recoverable		1,764	1,663
Cash and cash equivalents	10	44,902	45,449
		102,875	102,999
Current liabilities			
Trade and other payables	11	17,608	20,724
Lease liabilities		1,098	3,045
Current tax payable		91	118
		18,797	23,887
Net current assets		84,078	79,112
Total assets less current liabilities		119,920	121,979
Non-current liabilities			
Defined benefit obligations		1,942	2,026
Lease liabilities		877	1,170
		2,819	3,196
NET ASSETS		117,101	118,783
CAPITAL AND RESERVES			
Share capital	12(b)	31,956	31,956
Reserves		85,145	86,827
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		117,101	118,783

The notes on pages 8 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

(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 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 and 1 July 2019	31,956	53,383	4,496	2,324	(1,142)	33,558	124,575
Changes in equity for the six months ended 31 December 2019:							
Loss for the period	-	-	-	-	-	(4,549)	(4,549)
Other comprehensive income	-	-	-	-	(648)	(595)	(1,243)
Total comprehensive income	-	-	-	-	(648)	(5,144)	(5,792)
Appropriation to surplus reserve	-	-	-	166	-	(166)	-
Balance at 31 December 2019 and 1 January 2020	31,956	53,383	4,496	2,490	(1,790)	28,248	118,783
Changes in equity for the six months ended 30 June 2020:							
Loss for the period	-	-	-	-	-	(972)	(972)
Other comprehensive income	-	-	-	-	(710)	-	(710)
Total comprehensive income	-	-	-	-	(710)	(972)	(1,682)
Appropriation to surplus reserve	-	-	-	87	-	(87)	-
Balance at 30 June 2020	31,956	53,383	4,496	2,577	(2,500)	27,189	117,101

The notes on pages 8 to 21 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Unaudited	
		six months ended 30 June	
		2020	2019
		\$'000	\$'000
Operating activities			
Cash generated from operations		4,591	8,934
Tax paid		(297)	(432)
Net cash generated from operating activities		4,294	8,502
Investing activities			
Payment for the purchase of property, plant and equipment		(700)	(2,681)
Expenditure on development projects capitalised		(2,018)	(99)
Other cash flows arising from investing activities		205	654
Net cash used in investing activities		(2,513)	(2,126)
Financing activities			
Capital element of lease rentals paid		(2,240)	(1,862)
Interest element of lease rentals paid		(98)	(169)
Net cash used in financing activities		(2,338)	(2,031)
Net (decrease)/increase in cash and cash equivalents		(557)	4,345
Cash and cash equivalents at 1 January		45,449	27,937
Effect of foreign exchange rate changes		10	(194)
Cash and cash equivalents at 30 June	10	44,902	32,088

The notes on pages 8 to 21 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

At 31 March 2020, the Group discontinued the segment of financial services and investment. All of the assets, liabilities and items in the consolidated statement of profit or loss attributable to this segment were transferred to the remaining parts of the Group at 31 March 2020, and financial technology and smart living is the only one reportable segment for the Group thereafter. Further details on the discontinued operations are disclosed in note 6.

(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	
	2020	2019
	\$'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	60,771	78,430
Disaggregated by geographical location of customers		
– Mainland China, Hong Kong, Macau and Taiwan	9,355	9,452
– United States of America ("U.S.")	11,766	9,823
– Japan	8,585	8,392
– Turkey	3,837	9,266
– Spain	3,528	1,220
– Italy	3,394	2,797
– Other countries	20,306	37,480
	51,416	68,978
	60,771	78,430

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
For the six months ended	2020	2019
	\$'000	\$'000
Disaggregated by timing of revenue recognition		
Point in time	60,768	78,430
Over time	3	-
Reportable segment revenue	60,771	78,430
Reportable segment profit from operations	2,073	4,053

As at 30 June/31 December

Reportable segment assets	138,717	121,795
Reportable segment liabilities	21,616	25,560

The measure used for reporting segment profit is "profit/(loss) from operations".

For the six months ended 30 June 2019 and three months ended 31 March 2020, to arrive at "profit/(loss) from operations", the Group's profit/(loss) was 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.

After 31 March 2020, as financial technology and smart living is the only one reportable segment for the Group, the items previously regarded as not specifically attributed to individual segments, such as directors' remuneration, interest income, finance costs and other head office and corporate expenses were allocated to the segment of financial technology and smart living.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Continuing operations		
Reportable segment profit from operations	2,073	4,053
Interest income	110	86
Finance costs	(58)	–
Unallocated head office and corporate expenses	(2,745)	(5,980)
	<u>(620)</u>	<u>(1,841)</u>
Discontinued operation		
Reportable segment loss from operation	(28)	(795)
	<u>(648)</u>	<u>(2,636)</u>

4 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Interest on lease liabilities	98	169

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 LOSS BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Amortisation of intangible assets	5,647	7,034
Depreciation		
– owned property, plant and equipment	1,655	1,581
– right-of-use assets	2,220	1,930
Government subsidies*	(406)	(652)
Provision for impairment losses on trade receivables	12	1,360
Write-down of inventories	11	7
Interest income	(205)	(86)

* The government subsidies granted to the Group during the six months ended 30 June 2020 mainly comprised the followings:

- (i) The Group successfully applied for research and development subsidy from Shenzhen Government of The People's Republic of China ("PRC") of \$260,000 (six months ended 30 June 2019: \$648,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria; and
- (ii) The Group successfully applied for Employment Support Scheme ("ESS") subsidy of \$135,000 (six months ended 30 June 2019: \$nil) granted by the Hong Kong government under the anti-epidemic fund upon the outbreak of novel coronavirus ("COVID-19") in early 2020. The purpose of the subsidy is to provide financial support to employers to retain employees who may otherwise be made redundant. The Group subsequently further successfully applied for another ESS subsidy of \$1,318,000 in July 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	8	–
Current tax – Philippines Income Tax		
Provision for the year	49	181
Over-provision in respect of prior years	(175)	–
	(126)	181
Current tax – Other jurisdictions		
Provision for the year	286	–
Over-provision in respect of prior years	–	(7)
	286	(7)
Deferred taxation	156	900
Income tax expense	324	1,074

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

- (ii) The provision for Philippines Income Tax for the period is calculated at 30% (2019: 30%) of the estimated taxable income or 2% (2019: 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 DISCONTINUED OPERATION

At 31 March 2020, the Group discontinued the segment of financial services and investment. The results of financial services and investment segment are presented below:

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Administrative expenses	(28)	(795)
Loss for the period from discontinued operation attributable to the equity shareholders of the Company	(28)	(795)
Loss per share		
Basic	(0.009 cents)	(0.249 cents)
Diluted	(0.009 cents)	(0.249 cents)

The net cash flows incurred by the financial services and investment segment are as follows:

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Net cash (used in)/generated from operating activities	(201)	2,524
Net cash (outflow)/inflow	(201)	2,524

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 LOSS PER SHARE

From continuing and discontinued operations

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of \$972,000 (six months ended 30 June 2019: \$3,710,000) and the weighted average of 319,565,000 (six months ended 30 June 2019: 319,565,000) ordinary shares in issue for the six months ended 30 June 2020.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2020 and 2019 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

From continuing operations

(c) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of \$944,000 (six months ended 30 June 2019: \$2,915,000) and the weighted average of 319,565,000 (six months ended 30 June 2019: 319,565,000) ordinary shares in issue for the six months ended 30 June 2020.

(d) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2020 and 2019 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020 and 2019, there were no additions to right-of-use assets as there were no renewal of existing leases nor new leases entered into during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of \$700,000 (six months ended 30 June 2019: \$2,681,000). Items of plant and machinery with a net book value of \$7,000 (six months ended 30 June 2019: \$19,000) were disposed of during the six months ended 30 June 2020, resulting in a loss on disposal of \$7,000 (six months ended 30 June 2019: \$19,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES

	30 June 2020 \$'000	31 December 2019 \$'000
Trade receivables, net of loss allowance (Note)	16,521	20,601
Prepayments	985	1,146
Deposits paid	1,674	1,752
Other receivables	801	854
Amounts due from other fellow subsidiaries, net of loss allowance	407	407
Amount due from immediate holding company	51	51
	20,439	24,811

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 2019: \$12,000,000). As at 30 June 2020, full provision of expected credit loss of \$12,000,000 (31 December 2019: \$12,000,000) was made, resulting in a net balance (net of loss allowance) of \$nil (31 December 2019: \$nil). The amount is unsecured, interest-free and past due for more than 1 year.

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 2020 \$'000	31 December 2019 \$'000
Within 1 month	5,541	12,495
1 to 2 months	6,090	4,134
2 to 3 months	1,524	2,102
3 to 12 months	2,950	1,505
Over 1 year	416	365
	16,521	20,601

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 CASH AND CASH EQUIVALENTS

	30 June 2020 \$'000	31 December 2019 \$'000
Cash at bank and on hand	21,361	22,045
Bank deposits maturing within three months when placed	23,541	23,404
Cash and cash equivalents	44,902	45,449

11 TRADE AND OTHER PAYABLES

	30 June 2020 \$'000	31 December 2019 \$'000
Trade payables	7,865	8,847
Accruals	3,143	7,212
Receipt in advance from customers	6,273	4,336
Amount due to immediate holding company	327	329
	17,608	20,724

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

	30 June 2020 \$'000	31 December 2019 \$'000
Within 1 month	6,337	4,853
1 to 3 months	1,400	3,876
3 months to 1 year	79	94
Over 1 year	49	24
	7,865	8,847

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) The Company has not declared any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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	
2020	2019
\$'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 (2019: Nil cent per ordinary share)

– –

(b) Share capital

Authorised and issued share capital

	30 June 2020		31 December 2019	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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 2020, the fair value of the treasury bills listed outside Hong Kong held by the Group was \$311,000 (31 December 2019: \$314,000). The costs of these financial assets measured at amortised cost are not materially different from their fair values at 30 June 2020 and 31 December 2019. These instruments fall into level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2020 and year ended 31 December 2019, 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.

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 2020 and 31 December 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000

Rental expenses charged by immediate holding company	–	778
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- (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 2020 and 2019 amounted to \$nil.

(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	
	2020	2019
	\$'000	\$'000
Short-term employee benefits	1,294	2,274
Post-employment benefits	18	27
	1,312	2,301

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about unfavorable impacts to the Group's operations and financial results, causing decrease in revenue and delay in product delivery during the period.

The Group successfully applied for a government subsidy related to COVID-19 during the six months ended 30 June 2020 and in subsequent period. Further details on the government subsidy are disclosed in note 4(b).

16 COMPARATIVE FIGURES

As a result of the application of HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read alongside the unaudited consolidated financial results of the Group for the six months ended 30 June 2020 (the "Interim Period").

FINANCIAL REVIEW

Revenue

Revenue decreased by 23%, from HK\$78.43 million for the corresponding period in 2019 to HK\$60.77 million for the Interim Period, which was heavily affected by the outbreak of COVID-19, as quite a lot of national-based government projects were postponed or even cancelled during these period of hard economic times.

Gross profit margin

Gross profit margin increased from 54% for the corresponding period in 2019 to 56% for the Interim Period. The increase in gross profit margin was mainly due to the product mix for certain goods sold for the Interim Period were of higher gross margin compared to the corresponding period in 2019.

Operating Expenses

Total operating expenses decreased by 23%, from HK\$45.82 million for the corresponding period in 2019, to HK\$35.42 million for the Interim Period. The reduction of operating expenses was mainly due to the reduction of staff costs, impairment loss on trade receivables, rental expenses, overseas travelling and other cost control measures effectively implemented during the Interim Period.

Loss for the period

The Group recorded a loss of HK\$0.97 million for the Interim Period. The figure reduced significantly from a loss of HK\$3.71 million for the corresponding period in 2019 as a consequence of the successful implementation of various cost control measures offsetting the effect of the decrease in the Group's revenue.

Statement of Financial Position

At 30 June 2020, the Group's net assets amounted to HK\$117.10 million (31 December 2019: HK\$118.78 million). The decrease in net assets of HK\$1.68 million was due to the net loss of HK\$0.97 million and movement in exchange reserve of HK\$0.71 million for the Interim Period.

DIVIDEND

The Board does 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial Technology and Smart Living

Due to the uncertainty and downward pressure surrounding the global business environment, the business line of financial technology and smart living recorded a profit of HK\$2.07 million for the Interim Period, a decrease of 49% compared to HK\$4.05 million for the corresponding period in 2019.

Revenue was heavily affected by the outbreak of COVID-19, an increase in gross profit margin was recorded nonetheless. The increase in gross profit margin was powered by a higher product mix for sales of certain smart card and PC-linked card products with higher gross profit margin compared to the corresponding period in 2019. However, there was a decrease in sales of automatic fare collection reader with higher gross profit margin, which offset part of the growth of the gross profit margin.

All scheduled industrial events were cancelled as a result of COVID-19 and hence the Group did not join any tradeshows and events for the Interim Period.

Financial Services and Investment

At 31 March 2020, the Group discontinued the segment of financial services and investment. No revenue was recorded and only minimal expenses of HK\$28,000 were incurred for the Interim Period.

PROSPECTS

In an uncertain business environment with a major public health crisis and the trade conflict between U.S. and China, the Group remains focused on our core strengths. With our innovative technology and excellent products and services, we are confident to cope with the coming economic challenges.

As all tradeshows and customer visit plans in the second half of 2020 are cancelled due to the pandemic of COVID-19, the Group is considering the implementation of other sales promotion plans to stimulate sales.

In addition, the Group will constantly evaluate competitors' new products, analyse their competitive advantages and keep abreast of latest technology and market trends. Research and development on new products, and the enhancement on existing products remain the core strategy of the Group to develop competitive edges to withstand keen competition.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 30 June 2020, the Group's cash and cash equivalents amounted to HK\$44.90 million (31 December 2019: HK\$45.45 million). There is no balance of bank borrowings and other interest bearing borrowings as at 30 June 2020.

The Group's equity capital and the cash generated from operating activities has been applied to fund its working capital and other operational needs. The Group recorded net cash inflow in operating activities of HK\$4.29 million (2019: HK\$8.50 million) for the Interim Period, the amount decreased as a result of decline in sales performance for the Interim Period. The Group recorded net cash outflow in investing activities of HK\$2.51 million (2019: HK\$2.13 million) for the Interim Period, the amount mainly included expenditure on development projects capitalised for the Interim Period. The Group recorded net cash outflow in financing activities of HK\$2.34 million (2019: HK\$2.03 million) for the Interim Period, which was due to the capital and interest elements of lease rentals paid 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 2020, 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, Philippine Pesos, United States dollars and Renminbi. As Hong Kong dollars is pegged to United States dollars, exchange risk arising from United States dollars 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 2020, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As at 30 June 2020, the Company had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 173 full time employees. Staff costs recognised in profit or loss for the Interim Period amounted to HK\$21.23 million (2019: HK\$26.00 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.

ADDITIONAL INFORMATION

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

As at 30 June 2020, 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 2020, 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.

ADDITIONAL INFORMATION

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

As at 30 June 2020, 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.

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2020
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%
Premium Financial Limited (永實物業按揭有限公司)	(ii)	Security Interest	238,889,669	74.75%

* For identification purposes only

ADDITIONAL INFORMATION

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

(continued)

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2020
Sun Speed Holdings Limited (日迅控股有限公司)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%
Mr. Qiu Yong (邱用先生)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%

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., Tang Dynasty Development Company Limited, 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 27 August 2019, HNA EcoTech Pioneer Acquisition, the controlling shareholder (as defined in the Listing Rules) of the Company entered into a share charge agreement with Premium Financial Limited, pursuant to which HNA EcoTech Pioneer Acquisition agreed to pledge 238,889,669 shares in the issued share capital of the Company in favour of Premium Financial Limited, for the purpose of securing a loan granted by independent third parties of the Company to HNA EcoTech Pioneer Acquisition.

Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Premium Financial Limited, Sun Speed Holdings Limited and Mr. Qiu Yong are 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 2020 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.

ADDITIONAL INFORMATION

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

During the Interim Period, the Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "CG Code"). The directors are of the opinion that the Company has complied with the code provisions set out in the CG Code during the Interim Period.

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 enquiry of all directors of the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the Interim Period regarding directors' securities transactions.

AUDIT COMMITTEE

The audit committee of the Company 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 six months ended 30 June 2020 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 2020