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

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mai Zhaoping *(Co-Chairman)*
(appointed on 4 February 2022)
Mr. Zhang Xueqin *(Co-Chairman and Chief Executive Officer) (appointed on 4 February 2022)*
Ms. Mai Qiqi *(appointed on 4 February 2022 as non-executive director and re-designated as executive director on 7 March 2022)*
Mr. Chan Chun Leung *(appointed on 7 March 2022)*
Ms. Xu Tingting *(appointed on 4 February 2022)*
Mr. Wong Chi Ho
Mr. Jiang Hao *(resigned on 26 February 2022)*
Mr. Peng Zhi *(resigned on 26 February 2022)*
Mr. Xu Jie *(resigned on 26 February 2022)*
Mr. Wang Jing *(resigned on 26 February 2022)*

Non-executive Directors

Mr. Mai Ziye *(appointed on 7 March 2022)*
Mr. Shum Ngok Wa *(appointed on 11 August 2021)*
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung *(appointed on 4 February 2022)*
Mr. Zhang Dingfang *(appointed on 4 February 2022)*
Mr. Gu Tianlong *(appointed on 7 March 2022)*
Mr. Guo Dan *(resigned on 26 February 2022)*
Ms. O Wai *(resigned on 26 February 2022)*

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ho
Ms. Lee Ka Man, HKACG, ACG

COMPANY SECRETARY

Ms. Lee Ka Man, HKACG, ACG

AUDIT COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

REMUNERATION COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

NOMINATION COMMITTEE

Mr. Zhang Dingfang *(Chairman)*
Dr. Lin Tat Pang
Mr. Wong Chi Ho
Mr. Gu Tianlong

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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
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

CHAIRMAN'S STATEMENT

It gives us great pleasure to present our first annual results for the year ended 31 December 2021 as co-chairmen of HNA Technology Investments Holdings Limited (the "Company", together with its subsidiaries, the "Group").

During the year, the business environment was full of uncertainty and turbulence, ignited by the outbreak of novel coronavirus disease (the "COVID-19") in early 2020 with no signs of improvement in 2021, and severed by geopolitical upheavals between the People's Republic of China (the "PRC") and the United States of America (the "U.S."). Business activities and many aspects of life are affected by lockdowns, social distancing, travel restrictions and other measures in order to cope with the COVID-19 pandemic situation. The rising China-U.S. confrontation has casted obstacles to the continual free flows of capital, technology, and business. Moreover, our business was also affected by the delay of material supply especially integrated circuit ("IC") chips due to the global shortage of raw materials.

Due to the above facts, our revenue recorded approximately HK$98.1 million in 2021, representing a decline of 13% compared to the revenue in 2020 of HK$112.7 million. Nevertheless, we actively sought solutions to deal with the difficulties.

As the disruptions caused by the COVID-19 began to alleviate in the PRC and the pandemic has been gradually brought under control in the PRC during the year, a PRC subsidiary of the Group participated in an industry event, 2021 (16th) China International Internet of Things Exhibition (IoTE) in Shenzhen. One of its products, Bluetooth contactless automatic add value reader ACR1311U-P3, was awarded "The Best Product Award" at the event. This no doubt is a confidence booster for the Group under this difficult situation.

The controlling shareholders of the Group were changed in January 2022 and we were appointed as co-chairmen in February 2022. We would keep stable for existing operation and business of the Group. Meanwhile, we will lead the team to overcome the current challenges and investigate possible business opportunities for the Group by leveraging our experience.

We expect that the global economy and retail environment will continue to remain uncertain and be full of challenges. The Group has been closely monitoring the development of the variant virus and will take a prudent approach and adjust its business strategies to face the challenges when appropriate. The Group will also continue to evaluate the impact of the COVID-19 on its financial position and operating results from time to time.

On behalf of the board of directors of the Company (the "Board"), we would like to express my sincere gratitude to all of our business partners, customers, suppliers and shareholders for their continuous support. We would also like to express our sincere appreciation to the Group's management and staff for their commitment and dedication.

Mai Zhaoping **Zhang Xueqin**
Co-chairmen

30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's revenue decreased by 13% to HK$98.1 million (2020: HK$112.7 million); gross profit was HK$52.3 million (2020: HK$55.2 million) with a gross profit margin of 53% (2020: 49%). Loss for the year was HK$21.3 million (2020: HK$20.2 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) recorded loss of HK$0.9 million (2020: loss of HK$0.8 million). Basic loss per share for the year was HK6.673 cents (2020: HK6.329 cents).

Revenue

The COVID-19 pandemic has continued since its worldwide outbreak from the beginning of 2020. The operation and results of our business during the year were inevitably affected. Revenue of the Group for the year amounted to HK$98.1 million, representing a decline of 13% as compared to HK$112.7 million in 2020. Such decrease was mainly due to (i) the drop of sales orders affected by delay of national-base government projects due to the effect of COVID-19; (ii) declining sales orders from our customers due to the trade war between the PRC and the U.S.; and (iii) the delay of material supply especially IC chips due to the global shortage of raw materials.

Gross Profit Margin

Gross profit margin improved from 49% in 2020 to 53% in 2021, which was mainly due to the decrease in write-down of inventories of HK$4.1 million (2021: HK$2.9 million, 2020: HK$7.0 million) included in cost of sales. Excluding this factor, the gross profit margin in 2021 was 56% (2020: 55%) with no material fluctuation noted for both years.

Operating Expenses

Total operating expenses decreased by 8% from HK$78.5 million in 2020 to HK$72.2 million in 2021, which is mainly due to the drop in staff costs of HK$2.9 million and drop in impairment loss on development costs of HK$3.3 million, as well as other effective costs control measures.

Statement of Financial Position

Property, plant and equipment decreased by 46%, from HK$15.0 million at 31 December 2020 to HK$8.1 million at 31 December 2021, mainly due to depreciation of HK$7.1 million and impairment loss of HK$0.7 million, offset by additions of HK$0.9 million during the year.

Intangible assets decreased by 76%, from HK$17.4 million at 31 December 2020 to HK$4.2 million at 31 December 2021, mainly due to amortisation of HK$11.4 million and impairment loss of HK$2.5 million, offset by additions of HK$0.6 million during the year.

DIVIDEND POLICY

The Company has adopted a dividend policy on 19 December 2018. According to the dividend policy, in considering any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deem appropriate.

Declaration, recommendation and/or payment of dividends of the Company shall be determined at the absolute discretion of the Board and would be in the best interests of the Group and shareholders of the Company and in compliance with all applicable laws and regulations. The Board endeavors to maintain a balance between meeting the shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

BUSINESS REVIEW

The Group is principally engaged in financial technology and smart living by providing smart cards, contactless readers and related products.

During the year, the Group had faced a number of challenges that imposed adverse impacts on the demand for products and the Group's production capacity and efficiencies. Firstly, the current business environment was severely affected by the trade war between PRC and U.S. The U.S. trade restrictions on "Made in Hong Kong" have a great impact on the Group's sales in the U.S.

In addition, the global COVID-19 pandemic become a public health crisis all over the world, and brought challenges to the global economic environment. The COVID-19 pandemic during the year persistently interrupted the Group's sale activities, which adversely affected the Group's business performance.

BUSINESS REVIEW *(continued)*

The above two unfavourable macro-economic factors, as a result, have disrupted the global supply chain for IC chips. The shortage of global IC chips has seriously affected our shipment schedule.

Nevertheless, we were unyielding and level-headed when facing this turbulent business condition during the year. The Group has actively taken chance to join industry activities when the pandemic situation was gradually brought under control in the PRC. During the year, a PRC subsidiary of the Group, exhibited at 2021 (16th) China International Internet of Thing Exhibition (IoTE) in Shenzhen to showcase our latest product offerings. Our Bluetooth Contactless Automatic Add Value Reader ACR1311U-P3 was awarded "The Best Product Award" at the event that represents the recognition of its product value by partners and market.

Subsequent to the year end 31 December 2021, there was a change of controlling shareholders of the Group in January 2022. 6 directors resigned in February 2022 and 9 new directors were appointed during February to March 2022. The new controlling shareholders of the Group intend to keep stable for existing operation and current business of the Group. Leveraging on the experience of the new shareholders and directors in business development and management and their respective investments in technology related companies, we strive to explore possible business opportunities for the Group's business and operations with a view to enhance the value of the Group.

PROSPECTS

The economic downturn caused by impact of COVID-19 and the effect of trade war have brought about uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and trade war and to evaluate their impacts on the Group's financial position, cash flows and operating results.

In response to the global shortage of IC chips, the Group keeps close connection and communications with major suppliers of IC chips for recovery plan and extension for materials preparation to over 12 months so as to increase our flexibility for future supply.

We believe that with the growth of contactless payment systems, the spread of mobile technologies and the establishment of virtual banks have speed up the development of digital payment infrastructure, cashless payment become the trend. In order to seize the opportunity, the Group will continue to spend effort in research and development on upgrading our core product lines with new technologies advancement and seek for new customers and sales channels in coming year. Moreover, the Group will continue to pursue and maintain a conservative but proactive approach, focusing on product innovations, gains on market share, geographical expansion, operational excellence and exploration on new opportunities in Fast Identity Online (FIDO) products market, so as to bring better returns for the shareholders and ensure the Group stays competitive in the market.

RISK FACTORS

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

Operation Risk

Reliance on a limited number of large customers

Sales to the top five customers accounted for 21% of the Group's revenue for the year ended 31 December 2021 (2020: 23%). The risk of relying on limited number of customers is not high. We keep maintaining a pool of customers to minimise the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, performance of the Group may be adversely affected.

Reliance on certain independent manufacturers for manufacturing smart card and smart card reader

The Group does not own any production facilities. We subcontract substantially all of our production activities to external manufacturers in China. During the year ended 31 December 2021, the Group engaged three (2020: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group maintained one (2020: one) manufacturer for manufacturing smart card reader. The Group has been closely monitoring the production situation of this manufacturer for manufacturing smart card reader to ensure the Group's ability to meet product delivery schedule. To reduce risk of depending on one manufacturer, the Group has already started sourcing new manufacturers for smart card readers. Business cooperation discussion with new potential manufacturers are undergoing.

However, financial or other difficulties faced by these manufacturers or any change in the Group's relationship with these manufacturers could affect the Group's ability to meet product delivery schedule and may in turn adversely affect the Group's business operations.

Reliance on ability to attract and retain skilled engineers

The performance of the Group depends, to a significant extent, on the continued services and performance of its research, development and deployment teams. As at 31 December 2021, 43% (2020: 45%) of full-time employees of the Group are engineers for research, development and deployment and 61% (2020: 51%) of them served the Group for over 5 years. Competition for employees with the requisite skills, qualifications and experience in the industry is intense. If the Group is unable to attract, retain and motivate skilled engineers in the future, the operations of the Group may be adversely affected.

RISK FACTORS *(continued)*

Business Risk

Rapid changes in technology

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

Relatively high capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require substantial capital expenditure. During the year ended 31 December 2021, the Group recorded HK$0.6 million (2020: HK$3.9 million) on development costs of new products and services. The relative high level of capital expenditure may have an adverse impact on the financial resources of the Group. In the event that the new products and services do not achieve market acceptance or there is substantial delay in the process, the performance and growth prospects of the Group may be adversely affected.

Financial Risk

The Group is exposed to a variety of key financial risks including credit risk, which is mainly derived from offering credit terms to customers, but the risk of cash shortage due to the time delay from payment to suppliers to collecting cash from customers. Also, there is a risk of default from customers and the trade receivables become non-recoverable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 31 December 2021, the Group's cash and cash equivalents amounted to HK$51.5 million (2020: HK$54.4 million). The Group's net assets as at 31 December 2021 was HK$81.4 million (2020: HK$101.3 million).

The Group's equity capital and the cash generated from operating activities, has been applied to fund its working capital and other operational needs. The Group recorded net cash inflow in operating activities of HK$2.8 million (2020: HK$19.1 million) during the year, the amount decreased as a result of declined financial performance and less cash receipts from customers were collected during the year. The Group recorded net cash outflow in investing activities of HK$1.2 million (2020: HK$6.1 million) during the year, the amount decreased as a result of less capital expenditures spent on development projects during the year. The Group recorded net cash outflow in financing activities of HK$4.4 million (2020: HK$4.3 million) during the year, which was due to the capital and interest elements of lease rentals paid.

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 31 December 2021, was 0% (2020: 0%).

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2021, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 31 December 2021, 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, 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.

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not pledge any of its material assets (2020: nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Company had no significant contingent liabilities (2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 107 (2020: 126) full time employees. Staff costs recognised in profit or loss for the year amounted to HK$36.8 million (2020: HK$39.7 million). Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience, and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Mai Zhaoping | Co-Chairman

Mr. Mai Zhaoping (麥照平), aged 55, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board on 26 February 2022.

Mr. Mai obtained the master of management in December 2009 from the Jinan University in the PRC. Mr. Mai has extensive experience in business development and management. He is currently the vice chairman of Guangdong Hongfa Investment Group Co., Limited* (廣東鴻發投資集團有限公司), a company based in the PRC focusing in, inter alia, properties development, financial services, healthcare, education and public area construction in the PRC (www.hongfagroup.net). Mr. Mai was also a former member of the Guangdong Provincial People's Political Consultative Conference during January 2008 to January 2018. Mr. Mai is the father of Ms. Mai Qiqi and Mr. Mai Ziye, an executive director of the Company and a non-executive director of the Company respectively. He is also the uncle of Mr. Chan Chun Leung, an executive director of the Company.

Mr. Mai, being the sole ultimate beneficial owner of Mars Development Limited, was interested in 77.67% of the entire issued share capital of the Company as at the date of this annual report through (i) the direct interest of Mars Development Limited in the Company; (ii) the interest of Mars Development Limited in 60% of the entire issued share capital in HNA Ecotech Pioneer Acquisition (the immediate parent of the Group); and (iii) the acting in concert arrangement with Mr. Zhang Xueqin pursuant to the Deed of Concert Parties dated 12 January 2022 (the "Deed of Concert Parties").

Mr. Mai was one of the shareholders and directors (together with another individual) of Top Treasure Engineering Limited ("Top Treasure"), a company incorporated with limited liability under the laws of Hong Kong, since April 2000 and until prior to its dissolution. Top Treasure was dissolved or put into liquidation during his directorship. Top Treasure recorded a default in payment of material sum to one of its major customers in 2001. It had then suffered from liquidity issue and unable to settle, inter alia, salary payables when became due. A creditor of Top Treasure filed a petition for its winding up in January 2005 with the High Court of Hong Kong in relation to overdue salary. Top Treasure was dissolved by compulsory winding up by the High Court of Hong Kong in May 2009. Mr. Mai confirmed that (i) there was no wrongful act on his part which led to the winding up or dissolution of Top Treasure; (ii) he is not aware of any actual or potential claim that has been made against him as a result of the winding up or dissolution of Top Treasure; (iii) no misconduct or misfeasance on his part were involved in the winding up or dissolution of Top Treasure.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Xueqin | Co-Chairman and Chief Executive Officer

Mr. Zhang Xueqin (張學勤), aged 50, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board and chief executive officer of the Company on 26 February 2022.

Mr. Zhang obtained the master of business administration from the Macau University of Science and Technology in June 2005. He has extensive experience in business development and management. He is currently the chairman of the board of directors of Guangdong Zhong Zhao Industrial Group Company Limited* (廣東中兆實業集團有限公司), a company based in the PRC focusing in, inter alia, property investments and investments in industrial businesses.

Mr. Zhang, being the sole ultimate beneficial owner of Megacore Development Limited, was interested in 77.67% of the entire issued share capital of the Company as at the date of this annual report through (i) the direct interest of Megacore Development Limited in the Company; (ii) the interest of Megacore Development Limited in 40% of the entire issued share capital in HNA Ecotech Pioneer Acquisition (the immediate parent of the Group); and (iii) the acting in concert arrangement with Mr. Mai Zhaoping pursuant to the Deed of Concert Parties.

Ms. Mai Qiqi | Deputy Chief Executive Officer

Ms. Mai Qiqi (麥綺琪), aged 29, was appointed as a non-executive director of the Company on 4 February 2022. She was re-designated as an executive director of the Company and appointed as deputy chief executive officer of the Company on 7 March 2022.

Ms. Mai obtained her Master of Philosophy degree from the University of Cambridge in 2019 and her bachelor's degree in science from the University of Toronto in 2017. She has been an analyst of SDIC Fund Management Innovation Investment Management (Shanghai) Co., Ltd. (國投創新投資管理（上海）有限公司) during December 2019 to January 2022. Ms. Mai is the daughter of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

* *For identification purposes only*

Mr. Chan Chun Leung | Chief Financial Officer

Mr. Chan Chun Leung (陳俊良), aged 34, was appointed as an executive director and chief financial officer of the Company on 7 March 2022.

Mr. Chan obtained a bachelor's degree in Finance, Accounting and Management from The University of Nottingham in the United Kingdom in July 2010. Mr. Chan has been admitted as an associate member of the Association of International Accountants in August 2020. From January 2012 to August 2013, Mr. Chan was working as an associate at the Assurance Department at PricewaterhouseCoopers. Mr. Chan has been a vice president (助理總裁) of Guangdong Hongfa Investment Group Co., Limited* (廣東鴻發投資集團有限公司) since October 2013. Mr. Chan is the nephew of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

Ms. Xu Tingting | Chief Operating Officer

Ms. Xu Tingting (許婷婷), aged 38, was appointed as an executive director of the Company on 4 February 2022 and chief operating officer of the Company on 7 March 2022.

Ms. Xu graduated from South China Agricultural University (華南農業大學) in July 2007, majoring in accounting and obtained a bachelor's degree in accounting and management. In addition, she obtained the qualification of an intermediate accountant from the Guangdong Provincial Department of Human Resources and Social Security in August 2009 and was qualified as a certified public accountant in the PRC in March 2011. Ms. Xu was a financial manager of Dongguan Zhenglian Financial Consulting Co., Ltd.* (東莞市正聯財務諮詢有限公司) from September 2007 to March 2011. She has also served as a chief accountant of Dongguan Zhenglian C.P.A. Limited (general partner)* (東莞市正聯會計師事務所（普通合夥）) since April 2011. In addition, Ms. Xu is an executive director of Shenzhen Shangyicheng Trading Limited* (深圳尚一城貿易有限公司), a company indirectly wholly-owned by Mr. Zhang Xueqin (張學勤), an executive director and chief executive officer of the Company and co-chairman of the Board. Ms. Xu has been appointed as an independent non-executive director of Dongguan Rural Commercial Bank Co., Ltd.* (東莞農村商業銀行股份有限公司) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" with stock code: 9889) since October 2019.

* *For identification purposes only*

Mr. Wong Chi Ho | Chief Technology Officer

Mr. Wong Chi Ho (黃智豪), aged 43, was appointed as an executive director of the Company and a member of the nomination committee of the Company on 24 March 2015, and chief technology officer of the Company on 30 March 2022. He is also a director and the legal representative of several subsidiaries of the Group.

Mr. Wong joined the Group in July 2013. He is involved in the development of the Group's smart card and smart card reader technologies. Mr. Wong has over 8 years of engineering work experience in Silicon Valley, California, the U.S., where he worked for Qualcomm Technologies, Inc., Nvidia Corporation and Sun Microsystems Inc.

Mr. Wong obtained a Master of Science in Management, Science and Engineering degree from Stanford University in California, the U.S. in January 2005 as well as a Bachelor of Science in Engineering in Electrical Engineering (Summa Cum Laude) and a Master of Science in Engineering in Electrical Engineering degrees from The University of Michigan at Ann Arbor in Michigan, the U.S. in April 2001 and April 2002, respectively. Mr. Wong passed Level 3 of the Chartered Financial Analyst Study and Examination Program of the CFA Institute.

NON-EXECUTIVE DIRECTORS

Mr. Mai Ziye

Mr. Mai Ziye (麥子曄), aged 28, was appointed as a non-executive director of the Company on 7 March 2022.

Mr. Mai obtained Bachelor of Arts from The University of Toronto in June 2019. Mr. Mai has been an executive director and the chief executive officer of Huizhou Province Hongzhuo Investment Company* (惠州市鴻卓投資公司) since March 2020 and a vice chairman of Guangdong Honggao Construction Group Co., Ltd* (廣東鴻高建設集團有限公司) since March 2020. Mr. Mai is the son of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

Mr. Shum Ngok Wa

Mr. Shum Ngok Wa (沈岳華), aged 32, was appointed as a non-executive director of the Company on 11 August 2021.

Mr. Shum has around ten years of experience in the finance industry. He has been serving at a money lending company in Hong Kong since July 2019, and his current position in this money lending company is vice president. Mr. Shum joined Kingston Securities Limited in September 2012 in its credit and risk control department, and was responsible for risk management function of the securities business. Mr. Shum was a non-executive director of Highlight China IoT International Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1682) from July 2016 to June 2017.

Mr. Shum obtained the degree of Bachelor of Business Administration (Honours) in Quantitative Finance and Risk Management from City University of Hong Kong in July 2011. He is also a Certified Financial Risk Manager (FRM) of the Global Association of Risk Professionals.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Tat Pang

Dr. Lin Tat Pang (連達鵬), aged 65, was appointed as an independent non-executive director of the Company and the chairman of the audit committee of the Company on 22 December 2017, and a member of the nomination committee of the Company and the chairman of the remuneration committee of the Company on 31 December 2018.

Dr. Lin is also an independent non-executive director of China Aluminum Cans Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 06898) since June 2013. Dr. Lin has over 40 years of experience in accounting, finance and public offerings. Dr. Lin served as assistant accountant, accounting manager and chief accountant in Sun Hung Kai Securities Limited during 1980 to 1988. He joined Sun Hung Kai Investment Services Limited and Sun Hung Kai Forex & Bullion Co. Limited as executive director in December 1989. He was also appointed as company secretary of Sun Hung Kai & Co. Limited (a company listed on the Main Board of the Stock Exchange with stock code: 00086) in November 1990. Subsequently, he worked for Hong Kong Exchanges and Clearing Limited and the Stock Exchange between December 1992 and March 2013, and his last position was senior consultant to the Listing, Listing & Regulatory Affairs Division of Hong Kong Exchanges and Clearing Limited.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Chi Leung

Mr. Lai Chi Leung (黎志良), aged 54, was appointed as an independent non-executive director of the Company on 4 February 2022, and appointed as a member of the audit committee and remuneration committee of the Company on 26 February 2022.

He obtained the bachelor's degree in art with a first class honour in 1991 from City of London Polytechnic (currently known as London Metropolitan University) in the United Kingdom. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lai has extensive working experience in audit, taxation, internal control and business review and appraisal for around 25 years. Mr. Lai is currently a director of South China CPA Limited, a corporate CPA practice in Hong Kong. Mr. Lai was also a former independent non-executive director of Tai Shing International (Holdings) Limited (currently known as hmvod Limited) (a company listed on GEM of the Stock Exchange with stock code: 8103), during November 2014 to April 2016.

Mr. Zhang Dingfang

Mr. Zhang Dingfang (張定昉), aged 37, was appointed as an independent non-executive director on 4 February 2022, and appointed as the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company on 26 February 2022.

He obtained the bachelor of communication engineering in 2006 from the Beijing University of Posts and Telecommunications in the PRC and the master of science in telecommunication in 2011 from the Hong Kong University of Science and Technology in Hong Kong. Mr. Zhang has been certified as a Chartered Financial Analyst (CFA) by the CFA Institute in 2015. Mr. Zhang has more than 10 years of experience in corporate finance, capital market and cross-border transaction practices. He has been the head of debt capital markets of CNCB (Hong Kong) Investment Limited since 2016. Prior to that, he worked as vice president at Hong Kong International Capital Management Limited during December 2011 to December 2014, and as senior manager at Hong Kong Huafa Investment Holdings Limited during January 2015 to June 2016. Mr. Zhang is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) and representative to carry out Type 4 (advising on securities) regulated activities under the SFO.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gu Tianlong

Mr. Gu Tianlong (古天龍), aged 57, was appointed as an independent non-executive director of the Company on 7 March 2022, and appointed as a member of the audit committee, remuneration committee and nomination committee of the Company on 30 March 2022.

Mr. Gu obtained a bachelor's degree in Machinery Manufacturing Technology and Equipment* (機械製造工藝及設備) at Taiyuan Institute of Technology North Area* (太原工學院) in August 1984 and obtained a doctor's degree in Industrial Automation (工業自動化) from Zhejiang University (浙江大學) in December 1996. Mr. Gu has obtained various awards, including "National Outstanding Teacher*" (全國模範教師) in September 1998, "Millions of Talent Projects, National Candidate*" (新世紀百千萬人才國家級人選) in April 2004 and "Overseas Chinese (Innovative Talents) Contribution Award*" (中國僑界（創新人才）奉獻獎) in September 2014. From 2018 to 2022, Mr. Gu was appointed as the vice president (副主任委員) of Committee on Professional Education (Computer) of Higher Education Institute, Ministry of Education* (教育部高等學校計算機類專業教學指導委員會). Since 2018, Mr. Gu was appointed as a committee member of Electronics Science & Technology Committee of Ministry of Industry and Information Technology (工業和信息化部心電子科學技術委員會) for a term of five years. In October 2018, Mr. Gu was appointed as the director (主任) of Discrete Mathematics Professionals Committee* (離散智能計道算專業專業委員會) of China Association for Artificial Intelligence* (人工智能學會) for a term of five years.

* *For identification purposes only*

Note: The Group's businesses are under the direct responsibility of the above executive directors who are the senior management of the Company.

CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance is one of the methods to safeguard the interests of shareholders of the Company (the "Shareholder(s)") and enhance the Group's value and accountability. The Board is devoted to ongoing improvement in the efficiency and effectiveness of its corporate governance practices.

During the year ended 31 December 2021, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The directors of the Company are of the opinion that the Company has compiled with the code provisions set out in the CG Code for the time being in force during the year ended 31 December 2021.

From 1 January 2022, certain amendments to the CG Code (the "New CG Code") come into effect and the requirements under the New CG Code will apply to all listed issuers for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

BOARD OF DIRECTORS

Responsibilities

The Board is accountable to the Shareholders for the Group's performance and activities. The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of senior management and assuming responsibility for corporate governance. All directors of the Company shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Delegation by the Board

While the Board retains at all times full responsibility for guiding and monitoring the Company, it has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference, which are posted on the websites of the Stock Exchange and the Company respectively.

The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is responsible for implementing the strategies and plans established by the Board; executing daily management, administration and operation of the Group; and submitting reports on the Group's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

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

BOARD OF DIRECTORS *(continued)*

Composition

The Board is committed to holding the view that it should include a balanced composition of executive directors and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board comprises six executive directors, two non-executive directors and four independent non-executive directors. The independent non-executive directors represent one-third of the Board and meet the requirements of the Listing Rules relating to at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. Details of each director are disclosed on pages 10 to 16 of this annual report. The directors of the Company during the year ended 31 December 2021 and up to the date of this annual report are:

Executive Directors

Mr. Mai Zhaoping *(Co-Chairman, appointed on 4 February 2022)*
Mr. Zhang Xueqin *(Co-Chairman and Chief Executive Officer, appointed on 4 February 2022)*
Ms. Mai Qiqi *(appointed on 4 February 2022 as non-executive director and re-designated as executive director on 7 March 2022)*
Mr. Chan Chun Leung *(appointed on 7 March 2022)*
Ms. Xu Tingting *(appointed on 4 February 2022)*
Mr. Wong Chi Ho
Mr. Jiang Hao *(resigned on 26 February 2022)*
Mr. Peng Zhi *(resigned on 26 February 2022)*
Mr. Xu Jie *(resigned on 26 February 2022)*
Mr. Wang Jing *(resigned on 26 February 2022)*

Non-executive Directors

Mr. Mai Ziye *(appointed on 7 March 2022)*
Mr. Shum Ngok Wa *(appointed on 11 August 2021)*
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung *(appointed on 4 February 2022)*
Mr. Zhang Dingfang *(appointed on 4 February 2022)*
Mr. Gu Tianlong *(appointed on 7 March 2022)*
Mr. Guo Dan *(resigned on 26 February 2022)*
Ms. O Wai *(resigned on 26 February 2022)*

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Mr. Jiang Hao, Mr. Peng Zhi, Mr. Xu Jie and Mr. Wang Jing resigned as executive directors due to their other business commitments. Mr. Kwan Kin Man Keith resigned as a non-executive director due to his other business commitments which require more of his time and dedication. Mr. Guo Dan and Ms. O Wai resigned as independent non-executive directors due to their other business commitments.

Except that Mr. Mai Zhaoping is the father of Ms. Mai Qiqi and Mr. Mai Ziye, and the uncle of Mr. Chan Chun Leung, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

The term of office of each non-executive and independent non-executive director is two to three years. They are subject to retirement by rotation and re-election in accordance with the memorandum and articles of association (the "M&A") of the Company.

Chairman and Chief Executive Officer

The chairman of the Board is mainly responsible for providing leadership and directions to the Board to ensure that the Board works effectively in discharging its responsibilities. The primary role for the chief executive officer of the Company is in charge of daily operation and business development of the Group.

During the year ended 31 December 2021, the roles of the chairman and chief executive officer are separate and are not performed by the same individual as this ensures better checks and balances, and hence better corporate governance.

Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the New CG Code as set out in Appendix 14 of the Listing Rules. Code Provision C.2.1 of the New CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. Zhang Xueqin performs the roles of both co-chairman and chief executive officer, the Company has deviated from this Code Provision from 26 February 2022. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies and will enable the Board to function more effectively when Mr. Mai Zhaoping is not available to attend the Board meeting in person. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the New CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

BOARD OF DIRECTORS *(continued)*

Directors' Securities Transactions

For the year ended 31 December 2021, the Company has adopted dealings rules on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon specific enquiries, all the directors of the Company confirmed in writing that they had complied with the required standard set out in the Model Code during the year ended 31 December 2021 regarding their securities transactions.

Induction and Continuous Professional Development

All newly appointed directors of the Company will be provided with necessary induction and information to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the requirements of the Listing Rules and relevant statutory obligations.

All directors of the Company are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides its directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The directors of the Company are also provided with regular updates on the Company's performance and prospects to enable the Board as a whole and each director to discharge their duties.

BOARD OF DIRECTORS *(continued)*

Induction and Continuous Professional Development *(continued)*

The directors of the Company have complied with the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development during the year ended 31 December 2021 in the following manner:

Name of Directors	Reading materials in relation to corporate governance and regulatory requirements	Attending seminars/courses/ conferences to develop professional skills and knowledge
Executive Directors		
Mr. Wong Chi Ho	✓	✓
Mr. Jiang Hao *(resigned on 26 February 2022)*	✓	✓
Mr. Peng Zhi *(resigned on 26 February 2022)*	✓	✓
Mr. Xu Jie *(resigned on 26 February 2022)*	✓	✓
Mr. Wang Jing *(resigned on 26 February 2022)*	✓	✓
Non-executive Directors		
Mr. Shum Ngok Wa *(appointed on 11 August 2021)*	✓	✓
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*	✓	–
Independent Non-executive Directors		
Dr. Lin Tat Pang	✓	✓
Mr. Guo Dan *(resigned on 26 February 2022)*	✓	✓
Ms. O Wai *(resigned on 26 February 2022)*	✓	✓

Disclosure of Directors' Other Offices

As Code Provision A.6.6 under the CG Code requires directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved, all the directors of the Company have disclosed the relevant information in writing and agreed to notify the Company of any further change in a timely manner.

All the directors of the Company have also confirmed in writing that they had given sufficient time and attention to the affairs of the Company during the year ended 31 December 2021.

BOARD OF DIRECTORS *(continued)*

Independence of Independent Non-Executive Directors

The role of independent non-executive directors of the Company is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders. They serve actively on the Board and its committees to provide their independent and objective views.

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

Seeking Independent Professional Advice

Upon reasonable request, the directors could seek independent professional advice in appropriate circumstances at the Company's expenses. They also could access and consult with the Company's management independently.

Directors' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its directors.

Board Diversity Policy

The Company embraces the benefits of having a diverse board and sees diversity at board level as an essential element in maintaining a competitive advantage. Thus, the Board adopted a board diversity policy (the "Diversity Policy") on 13 August 2013, which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. All appointments of members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Board and its nomination committee have set and will continue to consider setting measurable objectives to implement the Diversity Policy, and they review the Diversity Policy and measurable objectives from time to time to ensure their appropriateness and continued effectiveness.

As at the date of this annual report, the Board is characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

BOARD OF DIRECTORS *(continued)*

Nomination Policy

Pursuant to the CG Code, the Board adopted a nomination policy (the "Nomination Policy") on 19 December 2018, which sets out the criteria in considering candidates and the procedures for the selection, appointment and re-appointment of directors with the purpose of ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to requirements of the Group's business.

The Board is responsible for selection and appointment of directors, while the nomination committee of the Company identifies individuals suitably qualified to become directors, selects nominees and makes recommendations to the Board and considers the Board succession plan.

The major criteria considered by the nomination committee of the Company and the Board are as follows:

- candidates' character and integrity;
- candidates' qualifications, including professional qualifications, skills, knowledge and experience that are relevant to the Company's strategy and the Group's business;
- candidates' willingness to devote adequate time to discharge duties as a member of the Board and quantity and nature of their present offices;
- the Diversity Policy and any measurable objectives adopted for achieving diversity on the Board; and
- requirements for the Board to have independent non-executive directors in accordance with the Listing Rules.

The nomination committee of the Company is responsible for reviewing the Nomination Policy to ascertain candidates effectively representing the best interests of the Group and comply with current regulatory requirements.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Additional Board meetings would be arranged, if and when required. Such Board meetings involve a majority of directors' active participation and informed discussion, either in person or through other electronic means of communication. The directors of the Company make every effort to contribute to formulation of policy, decision-making and development of the Group's business.

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

The Board held six meetings during the year ended 31 December 2021. An agenda of each Board meeting was presented for comments and approval. The Board was provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting. All the directors of the Company were asked to review and comment on the Board minutes within a reasonable time after every meeting to maintain accurate records of their discussions and decisions. Details of individual attendance of directors of the Company are set out below:

Name of Directors	Attended/Eligible to attend
Executive Directors	
Mr. Jiang Hao *(Chairman, resigned on 26 February 2022)*	6/6
Mr. Peng Zhi *(Chief Executive Officer, resigned on 26 February 2022)*	6/6
Mr. Xu Jie *(resigned on 26 February 2022)*	6/6
Mr. Wang Jing *(resigned on 26 February 2022)*	5/6
Mr. Wong Chi Ho	6/6
Non-executive Directors	
Mr. Shum Ngok Wa *(appointed on 11 August 2021)*	3/3
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*	2/2
Independent Non-executive Directors	
Mr. Guo Dan *(resigned on 26 February 2022)*	6/6
Dr. Lin Tat Pang	6/6
Ms. O Wai *(resigned on 26 February 2022)*	6/6

During the year ended 31 December 2021, the chairman of the Board has met with the independent non-executive directors of the Company without the presence of any other executive director.

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee to oversee particular aspects of the Company's affairs. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the websites of the Company and the Stock Exchange. The finance and investment committee of the Company has been also set up to support the Board in finance and investment issues.

The Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The audit committee of the Company was established on 28 September 2004. It is primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; approving the remuneration and terms of engagement of the external auditor; dealing with any questions of the external auditor's resignation or dismissal; reviewing the Company's financial controls, internal controls, and risk management systems; and reviewing the financial statements of the Company. Other duties of the audit committee of the Company are set out in its terms of reference.

The composition of the audit committee of the Company throughout the year ended 31 December 2021 is as follows:

Dr. Lin Tat Pang *(Chairman)*
Mr. Guo Dan *(resigned on 26 February 2022)*
Ms. O Wai *(resigned on 26 February 2022)*

All the members are independent non-executive directors, and none of them is a former partner of the Company's existing auditing firm. Dr. Lin Tat Pang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The audit committee of the Company held four meetings during the year ended 31 December 2021. Out of these four meetings, it met two times with the external auditor. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Dr. Lin Tat Pang *(Chairman)*	4/4
Mr. Guo Dan *(resigned on 26 February 2022)*	4/4
Ms. O Wai *(resigned on 26 February 2022)*	4/4

Set out below is the summary of work performed by the audit committee of the Company during the year ended 31 December 2021:

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

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

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

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

BOARD COMMITTEES *(continued)*

Remuneration Committee

The remuneration committee of the Company, established on 30 December 2004 in compliance with the relevant Listing Rules, makes recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration of directors of the Company is determined according to their expertise, knowledge and contributions to the Group with reference to the Group's profitability and the prevailing market conditions. The Board expects the remuneration committee of the Company to exercise independent judgment and ensures that all the directors of the Company do not participate in the determination of their own remuneration.

Details of the remuneration payable to the directors of the Company during the year ended 31 December 2021 are set out in note 8 to the financial statements.

The composition of the remuneration committee of the Company throughout the year ended 31 December 2021 is as follows:

Dr. Lin Tat Pang *(Chairman)*
Mr. Guo Dan *(resigned on 26 February 2022)*
Mr. Wang Jing *(ceased to be a member of the remuneration committee of the Company on 11 August 2021 and resigned as an executive director of the Company on 26 February 2022)*
Mr. Peng Zhi *(appointed on 11 August 2021 and resigned on 26 February 2022)*

The remuneration committee of the Company held one meeting during the year ended 31 December 2021 to review the policy and structure for all remuneration of directors and senior management of the Company and make recommendations to the Board on the directors' remuneration, determine the year-end bonus plan and salary adjustment plan of the Group, assessing performance of executive directors of the Company, approving the terms of executive directors' service contracts and make recommendation to the Board on the new director's remuneration. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Dr. Lin Tat Pang *(Chairman)*	1/1
Mr. Guo Dan *(resigned on 26 February 2022)*	1/1
Executive Director	
Mr. Wang Jing *(ceased to be a member of the remuneration committee of the Company on 11 August 2021 and resigned as an executive director of the Company on 26 February 2022)*	1/1
Mr. Peng Zhi *(appointed on 11 August 2021 and resigned on 26 February 2022)*	0/0

BOARD COMMITTEES *(continued)*

Nomination Committee

The Board established the nomination committee of the Company on 20 March 2012 in compliance with the relevant CG Code. The nomination committee of the Company reviews the structure, size, board diversity and composition of the Board; makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifies individuals suitably qualified to become Board members; makes recommendations to the Board on the selection of individuals nominated for directorships; assesses the independence of independent non-executive directors and makes recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The composition of the nomination committee of the Company throughout the year ended 31 December 2021 is as follows:

Mr. Guo Dan *(Chairman, resigned on 26 February 2022)*
Mr. Wong Chi Ho
Dr. Lin Tat Pang

During the year ended 31 December 2021, the nomination committee of the Company held one meeting to review the structure, size, board diversity and composition of the Board, make recommendations to the Board on the appointment of new director, discuss matters regarding re-election of directors, assess the independence of independent non-executive directors, and review the Nomination Policy, etc. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Guo Dan *(Chairman, resigned on 26 February 2022)*	1/1
Dr. Lin Tat Pang	1/1
Executive Director	
Mr. Wong Chi Ho	1/1

BOARD COMMITTEES *(continued)*

Finance and Investment Committee

The finance and investment committee of the Company was set up on 11 November 2013, aiming to provide executive inputs, supervision and technical/legal oversight and regulatory compliance of the investment functions of the Company; assist the Board in evaluating investment, acquisition, joint venture and divestiture transaction in which the Company is engaged as part of its business strategy from time to time; and consider other topics as defined by the Board.

After the resignation of Mr. Kwan Kin Man Keith on 4 June 2021, Mr. Shum Ngok Wa was appointed as a member of the financial and investment committee of the Company by the Board on 11 August 2021. After the resignations of Mr. Jiang Hao, Mr. Peng Zhi and Mr. Xu Jie on 26 February 2022, the finance and investment committee of the Company currently comprises 6 members, namely Mr. Mai Zhaoping and Mr. Zhang Xueqin (being the co-chairmen of the finance and investment committee of the Company), Ms. Mai Qiqi, Mr. Chan Chun Leung, Ms. Xu Tingting and Mr. Shum Ngok Wa.

During the year ended 31 December 2021, no meeting was held by the finance and investment committee.

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established so far and the Board is responsible for performing the corporate governance duties which include the following items:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations if needed;
- reviewing and monitoring the training and continuous professional development of directors of the Company;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2021, the Board reviewed the corporate governance practices of the Company with reference to the CG Code and explained any deviation from the CG Code in this corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems, which are designed to manage risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss. The Board has overall responsibility for reviewing and maintaining an adequate and effective internal control and risk management systems to safeguard the interests of the shareholders and the assets of the Group.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of the internal control and risk management systems which is also indispensable for mitigating the Group's risk exposures. The internal control and risk management systems are embedded within the business processes and function as an integral part of the overall operations of the Group. As maintaining an effective control system is a shared responsibility of all in the Group, the Group is dedicated to educating all employees via trainings to ensure they understand the importance of internal control and risk management policies and adhere to them.

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

Internal audit department provides an independent assessment of the effectiveness of the Group's internal control and risk management systems in accordance with the CG Code, and assists the audit committee of the Company to conduct regular reviews of the Group's internal control and risk management systems. Different audit areas are assigned with different risk ratings and an audit plan is formulated accordingly so that priority and appropriate audit frequency is given to areas with higher risks. A four-year internal audit program was established in 2016 and extended to 2022. Moreover, an annual internal audit plan which consists of a work schedule as well as budget and resource requirements for the year develops each year and is reviewed annually and endorsed by the audit committee of the Company. The internal auditor conducts regular financial and operational reviews as well as the ad-hoc audit assignment over contingent issues on the Group and reports directly to the audit committee regularly. The internal auditor also monitors the follow up actions agreed upon in response to its recommendations. Due to resignation of the internal auditor in November 2021, the Group has engaged an independent professional advisor to review the internal control systems and internal audit work done for 2021. The audit committee of the Company reviews the work performed by the internal auditor and independent professional advisor, and summary of major findings and control weaknesses, if any, at least annually to ensure the effectiveness of internal audit function, internal control and risk management systems.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

In order to facilitate the enterprise risk management, a working group for risk management ("Risk Management Working Group") was formed by the Group in 2016 of which its members are come from senior management and major departments. The Risk Management Working Group is accountable to the audit committee of the Company and the Board. It assists the Board in overseeing the Group's risk profile and is responsible for overseeing the effectiveness of management's actions in the identification, assessment, management and reporting of material business risks.

The Risk Management Working Group uses risk management matrix to determine risk level. Each risk is evaluated by the likelihood of the identified risk and the consequence of the risk event. The risk ratings reflect the required management attention and risk treatment effort. All risks are ranked and their treatment is determined by a combination of likelihood and consequence according to a risk matrix, which takes account of risk appetite.

The identified risk together with the risk response is recorded at the risk register and subject to the Board's oversight. The key elements of the internal control and risk management systems of the Group include the establishment of a risk register to keep track of and record identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. After discussing and taking into consideration the risk responses, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

Risk management meetings are held on regular basis for providing a communication channel to all members of the Risk Management Working Group and keeping track of the identified risks, monitoring residual risks and identifying new risks, ensuring the execution of risk plans and evaluating their effectiveness in reducing risks.

The Group has established and published a whistleblowing policy and a system on antifraud for employees and third parties to raise concerns in confidence, which complied with the recommended best practice in the CG Code. During the year ended 31 December 2021, no incident of fraud or misconduct was reported from employees or stakeholders that had material effect on the Group's financial statements and overall operations.

During the year ended 31 December 2021, the Board, through the audit committee of the Company, has assessed the design and execution effectiveness of the internal control and risk management systems of the Group including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting and financial reporting function. The Board is satisfied that, the present systems of risk management and internal control are effective.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the overriding principle that inside information should be announced immediately when it is the subject of a decision. Therefore, the following measures were carried to handle confidential information appropriately.

- The Company has adopted a corporate disclosure policy which must be fully observed by all employees of the Company to educate employees on the procedures of proper information disclosure.

- The Company discloses its inside information on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's and the Stock Exchange's websites.

- The Company strictly prohibits unauthorised use of confidential or inside information.

- Only the executive directors, the company secretary and the management responsible for investor relations of the Company are authorised to communicate with parties outside the Company.

- Employees who, because of their office in the Company, are likely to be in possession of inside information, have also been required to comply with the guidelines in respect of the securities dealing when dealing in the Company's shares.

ACCOUNTABILITY AND AUDIT

The directors of the Company acknowledge their responsibility to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2021. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. A statement by the auditor of the Company about its reporting responsibilities is set out on pages 93 to 97 of this annual report.

The directors of the Company consider that the Company has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the fee payable to KPMG in respect of audit services amounted to HK$1,200,000.

There has been no major disagreement between the auditor and the management of the Company during the year ended 31 December 2021.

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages an external service provider to provide secretarial service and has appointed Ms. Lee Ka Man ("Ms. Lee") as its company secretary. Since Ms. Lee is not an employee of the Group, Ms. Yau Kar Yi Grace, our financial controller, is the person whom Ms. Lee can contact for the purpose of Code Provision F.1.1 of the CG Code.

Ms. Lee is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Ms. Lee has confirmed that for the year under review, she has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all the Shareholders an equal opportunity to exercise their rights and allow them to engage actively with the Company.

Attending General Meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings.

The Company shall arrange a notice of meeting and a circular containing details on proposed resolutions to be sent to the Shareholders no less than 21 days before a meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors.

SHAREHOLDERS' RIGHTS *(continued)*

Convening An Extraordinary General Meeting

Pursuant to Article 12.3 of the M&A of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Voting and Putting Forward Resolutions

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

There is no provision under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the M&A of the Company allowing the shareholders to propose new resolutions or move resolutions at the general meetings. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting.

SHAREHOLDERS' RIGHTS *(continued)*

Proposing for Election as a Director

Pursuant to Article 16.4 of the M&A of the Company, no person shall, unless recommended by the Board, be eligible for election to the office of director at any general meeting, unless notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election as a director and notice in writing signed by the person to be proposed of his willingness to be elected have been given to the company secretary of the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Details for the Shareholders to propose a person for election as director are available on the Company's website.

Enquiries to the Board

The Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong, or email to the designated email addresses of the Company.

Upon receipt of enquiries, the matters within the Board's purview will be forwarded to executive directors of the Company and the issues relating to the Board committees' responsibilities will be sent to the chairman of the relevant committee of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for its shareholders and investors to make informed investment decisions. To ensure the Shareholders are kept well informed, the Company uses a range of communication tools, such as annual general meetings, annual reports, interim reports, various notices, announcements, and circulars.

The annual general meetings of the Company provide opportunity for the Shareholders to communicate mutually and efficiently with directors of the Company. The chairmen of the Board and the chairmen of the Board committees will attend annual general meetings to answer the shareholders' questions. The auditor of the Company will also attend annual general meetings to answer questions about conduct of the audit, preparation and content of the auditor's report, accounting policies and auditor's independence.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(continued)*

At the 2021 annual general meeting ("AGM"), a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

The chairman of the Board, the chairmen of the audit committee, remuneration committee and nomination committee of the Company attended the 2021 AGM. Details of individual attendance of directors of the Company at the 2021 AGM are set out below:

Name of Directors	Attended/Eligible to attend Annual General Meeting
Executive Directors	
Mr. Jiang Hao *(Chairman, resigned on 26 February 2022)*	1/1
Mr. Peng Zhi *(Chief Executive Officer, resigned on 26 February 2022)*	1/1
Mr. Xu Jie *(resigned on 26 February 2022)*	1/1
Mr. Wang Jing *(resigned on 26 February 2022)*	0/1
Mr. Wong Chi Ho	1/1
Non-executive Director	
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*	0/1
Independent Non-executive Directors	
Mr. Guo Dan *(resigned on 26 February 2022)*	1/1
Dr. Lin Tat Pang	1/1
Ms. O Wai *(resigned on 26 February 2022)*	1/1

In addition, to ensure that the Shareholders will have equal and timely access to information, the Company maintains the official website at www.hnatechinv.com, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public easy access.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2021, there has been no change in the constitutional documents of the Company.

ABOUT THIS REPORT

HNA Technology Investments Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present this Environmental, Social and Governance ("ESG") Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with the "comply or explain" provisions in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are development, sales and distribution of smart card products, software and hardware and provision of smart card related services in the People's Republic of China ("PRC"), Hong Kong ("HK") and the Republic of the Philippines ("Philippines"). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record environmental data and implement monitoring measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2021 to 31 December 2021.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to info@hnatechinv.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is one of the world's leading smart card reader suppliers and has been devoted to the research and development of smart card operating system and reader. The Group constantly offers a wide range of new products and promotes the application of smart cards in different areas. It is principally engaged in (i) financial technology and smart living business, which is mainly for development, sales and distribution of smart card products, software and hardware and the provision of smart card related services, and (ii) financial services and investment business, which is mainly for the provision of advisory services, and this business was discontinued at 31 March 2020.

The Group is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and the opinions from stakeholders. Sustainability is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor our operation risks relating to the environment and society. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Government	– Comply with applicable laws and regulations – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual and interim reports – Website	– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, for example, accepted certain on-site inspections throughout the year, and actively undertook social responsibilities

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Shareholders and Investors	– Low risk – Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Annual and interim report, announcements	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars/annual and interim reports – Carried out different forms of investor activities with an aim to improve investors' recognition – Held results briefing upon necessary – Disclosed company contact details on website and in published reports and ensured all communication channels are available and effective

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualisation – Health and safety	– Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organized employee activities
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Website, brochures – Email and customer service hotline – Regular meeting	– Established laboratory, strengthened quality management to ensure stable production and smooth transportation, and entered into long-term strategic cooperation agreements

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process	– Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the Global Reporting Initiative Guidelines.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

The Group have evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.

- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2021, those important ESG areas to the Group were discussed in this Report.

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

The board of directors of the Company (the "Board") has a primary role in overseeing the management of the Group's sustainability issues. During the year, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

ESG Working Group

To demonstrate our commitment to transparency and accountability, our Group has established an ESG Working Group, which has clear terms of reference that set out the powers delegated to it by the Board. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the reporting period, the ESG Working Group consisted of chief executive officer, head of finance department, head of company secretarial department, head of human resources department and head of purchase and operations department.

ESG GOVERNANCE *(continued)*

Board's oversight of ESG issues *(continued)*

***ESG Working Group** (continued)*

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the ESG Working Group at the meetings, which holds twice annually. During the reporting period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and target process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming three to five years enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets which should be weighed against the company's ambitions and goals. During the year, our Group set targets on an absolute basis.

A. ENVIRONMENTAL ASPECTS

The Group is mainly involved in office operations and its business activities do not have significant impact on the environment and natural resources. In spite of this, the Group is committed to create a business that contributes to global efforts in environmental care and sustainability. The Group's technology offering also promote environmental sustainability by reducing the waste associated with a wide-range of business activities. The Group's smart card technologies and cloud – based on enterprise collaboration solutions to help customers improve business operations, reducing on unneeded paper-based communications and processes. Furthermore, cashless transactions facilitated by the Group's electronic payment solutions and in particular its Automatic Fare Collection system solutions contributes global efforts to reduce waste and paper consumption. Throughout the year, the Group fully complied with all of the relevant environmental laws and regulations in the countries and regions where we operated, and no concluded cases regarding emissions were brought against the issuer or its employees.

A1. Emissions

As one of the world's leading smart card reader providers, our business bears low impact on air pollutant emission and greenhouse gas ("GHG") emission as most of our operation is offices based. During the reporting period, the Group was in strict compliance with all relevant environmental laws and regulation such as the Environmental Protection Tax Law of China in the PRC, the Air Pollution Control Ordinance (Cap. 311) in HK, and the Republic Act No. 3931 creating the National Water and Air Pollution Control Commission in Philippines.

Air Pollutant Emission

Emission control is essential for mitigating the impact on the environment and protecting the health of employees. No substantial emissions are generated from any fuels in daily operation as the Group is not engaged in any industrial production. The Group's air pollutants are mainly generated from the mobile sources of the Philippine segment. The increase in air pollutant emission in 2021 was mainly attributable to the increase of the vehicle use by the Philippines subsidiary during the year. In light of public transport restrictions in Manila for the COVID-19 lockdown in 2021, there was more frequent vehicle use for staff travelling to work during the year. Furthermore, the Group targets to reduce the emission of air pollutants by 5% by 2025.

During the reporting period, the air pollutants emission of the Group is as follows:

Air Pollutants	Unit	HK	PRC	Philippines	2021	2020
Nitrogen oxides (NO_x)	kg	0.54	–	16.32	**16.86**	5.34
Sulfur dioxide (SO_2)	kg	0.02	–	0.43	**0.45**	0.14
Particulate matter (PM)	kg	0.04	–	2.51	**2.55**	0.77

A. ENVIRONMENTAL ASPECTS *(continued)*

A1. Emissions *(continued)*

GHG Emission

Climate change is gradually concerned by the community as it affects our daily life. GHG is considered as one of the major contributors to the climate change and global warming. During the reporting period, our scope 1 direct emissions and scope 2 indirect emissions mainly came from mobile combustion and purchased electricity for daily business operations respectively. The Group manages the GHG emissions by minimising the energy consumption to lower carbon footprint. Policies and procedures (as mentioned in the section "A2. Use of Resources") to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint. With its business nature, no GHG emissions are generated or emitted through stationary sources as the Group is not engaged in any industrial production. In light of public transport restrictions in Manila for the COVID-19 lockdown in 2021, the use of the vehicle increased, and GHG emission scope 1 increased accordingly in 2021. On the other hand, the decrease in GHG emission scope 2 in 2021 was mainly due to the termination of a portion of the office in the Philippine subsidiary at the end of 2020 and the effective implementation of the Group's energy saving policy during the year. The Group will strive to reduce the emission of GHG by 5% by 2025.

The GHG emission of the Group during the reporting period is as follows:

GHG Emission[1]	Unit	HK	PRC	Philippines	2021	2020
Scope 1[2]	tonnes of CO_2-e	2.84	–	13.47	**16.31**	7.06
Scope 2[3]	tonnes of CO_2-e	40.31	51.93	16.49	**108.73**	143.86
Total	tonnes of CO_2-e	43.15	51.93	29.96	**125.04**	150.92
GHG emission intensity	tonnes of CO_2-e/ employee	0.41	1.08	5.99		HK:0.77 PRC:1.13 Philippines: 0.71

1 The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

2 Scope 1: Direct emission from sources that are owned or controlled by the Group.

3 Scope 2: Indirect emissions from purchased electricity consumed by the Group.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1. Emissions *(continued)*

Hazardous and Non-hazardous Wastes

The Group recognises the importance of waste reduction. Waste management measures have been introduced to minimize the amount of waste generated and the impact on environment. Under its business operation nature, no hazardous waste was generated during the reporting period.

For non-hazardous waste, the waste is mainly generated from daily office operations. The Group takes initiative to reduce waste by implementing different measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Prevention and Control of Environmental Pollution by Solid Waste (2015 Amendment) in PRC, the Waste Disposal Ordinance (Cap. 354) in HK, and the Ecological Solid Waste Management Act of 2000 (RA 9003, 2001) in Philippines.

The Group also promotes the idea of "green office" by introducing more paperless solutions in its daily operations to reduce the volume of paper and printed materials used. For example, the Group actively promotes the use of email to replace traditional mails. Email is used among staff whenever possible.

In addition, the Group also encourages electronic corporate communication and shareholders of the Company are encouraged to receive corporate communication documents using electronic means through the Company's website. Besides, recycling bags are available for paper collection. All paper, newspaper and magazines are collected for recycling purpose.

The Group takes effort to reduce wastes in business operation and handles wastes in an environmental-friendly way. Under our business operation in respect of its nature, the Group generates very small amount of waste during the reporting period. As the Group has outsourced its office cleaning work to independent contractors for handling and collecting the non-hazardous waste in the office, the waste volume record is not provided by the cleaning contractor. The Group will coordinate with the cleaning contractor to collect the waste volume data in the coming year in order to formulate appropriate measures to reduce the non-hazardous waste production. The decrease in both the amount of non-hazardous waste generated and recycled paper in 2021 was mainly due to the effective implementation of paperless policy during the year. The Group has set comprehensive reduction target by 5% reduction in non-hazardous waste generation by 2025.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1. Emissions *(continued)*

Hazardous and Non-hazardous Wastes (continued)

The non-hazardous waste generated by the Group during the reporting period is as follows:

Non-hazardous waste generated	Unit	HK	PRC	Philippines	2021	2020
Paper waste generated	tonnes	0.35	0.20	–	**0.55**	22.97
Paper waste generated intensity	tonnes/employee	0.0033	0.0041	–		HK:0.01 PRC: 0.46 Philippines: N/A

The non-hazardous waste recycled by the Group during the reporting period is as follows:

Non-hazardous waste recycled	Unit	HK	PRC	Philippines	2021	2020
Paper waste recycled	tonnes	0.35	0.18	–	**0.53**	22.97
Paper waste recycled intensity	tonnes/employee	0.0033	0.0041	–		HK: 0.01 PRC: 0.46 Philippines: N/A

A. ENVIRONMENTAL ASPECTS *(continued)*

A2. Use of Resources

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group understands that staff participation is the key to achieve green office and efficient utilisation of resources. In order to help employees to change their behaviour into green performance, such as wise and efficient usage of resource and waste minimization, throughout all of our daily operations, we have been progressively implementing different resource saving measures, ranging from power-saving program, recycling paper and materials, to the behavioural change of our people.

Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of its development and operation. In the meantime, the Group puts effort to raise employees' awareness of green behaviour by recommending them to switch off all the lights, computers and printers by the end of the work day. Air-conditioners are set within a reasonable range of around 25 degrees Celsius. The Group regularly upgrades its existing facilities such as replacing outdated computers, phones and other electrical appliances to meet the needs of our customers and enhance operational efficiency.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2. Use of Resources *(continued)*

***Energy** (continued)*

The Group also endeavours to explore energy saving and green management measures for our facilities, and strives to reduce resource consumption as much as possible. For example, the Group joins the voluntary energy efficiency labelling scheme, which is introduced by the Electrical and Mechanical Services Department of HK, in order to select office equipment based on its grading-type label and recognition-type label. The Group also supports The National Energy Efficiency and Conservation Program introduced by the Department of Energy of Philippines by switching away from traditional incandescent light into energy efficient lighting for offices use. During the reporting period, our energy consumption mainly came from purchased electricity for daily office operations. With the work-from-home arrangement in Hong Kong for the COVID-19, the electricity consumption decreased in 2021. On the other hand, the decrease in petrol consumption in 2021 was mainly attributable to the reduced frequency of business meetings in HK during the year. The increase in diesel consumption in 2021 was mainly due to the more frequent use of vehicle by the Philippines subsidiary's staff travelling for the public transport restrictions in Manila as a result of COVID-19 in 2021. The Group has set inclusive total energy consumption reduction target by 5% by 2025. The energy consumption of the Group is summarised as follows:

Energy Consumption	Unit	HK	PRC	Philippines	2021	2020
Purchased electricity	MWh	108.94	62.06	23.84	**194.84**	255.85
Petrol	MWh	9.33	–	–	**9.33**	11.11
Diesel	MWh	–	–	52.65	**52.65**	14.39
Total energy	MWh	118.27	62.06	76.49	**256.82**	281.35
Energy consumption intensity	MWh/employee	1.13	1.29	15.30		HK: 2.22 PRC: 1.35 Philippines: 1.16

A. ENVIRONMENTAL ASPECTS *(continued)*

A2. Use of Resources *(continued)*

Water Consumption

Water is one of the most important natural resources for the daily operation. Regarding water consumption for the HK offices, the water supply is solely controlled and centrally managed by its property management of the building. In this case, it is not feasible for the Group to provide all relevant water consumption data as there is no separate meter for the individual office unit to record water usage.

However, the Group still actively seeks ways to mitigate water consumption by raising employees' awareness of water saving through green office policy such as reminding employees to turn faucet off tightly and conducting regular inspection and maintenance of water facilities. The decrease in water consumption in 2021 was mainly attributable to the termination of a portion of the office in Philippine subsidiary and the effective implementation of water-saving strategies by the HK and PRC subsidiaries during the year. The Group has set a reduction target of 5% in water consumption by 2025. The water consumption of the Group is summarised as follows:

Water Consumption	Unit	HK	PRC	Philippines	2021	2020
Water consumption	m^3	97.81	617.99	57.00	**772.80**	1,072.24
Water consumption intensity	m^3/employee	0.93	12.85	11.40		HK: 1.65 PRC: 14.07 Philippines: 4.08

A. ENVIRONMENTAL ASPECTS *(continued)*

A2. Use of Resources *(continued)*

Packaging Materials

The major packaging materials used for our finished product are (i) paper box, (ii) plastic bag, and (iii) bubble wrap. Owing to the decrease in sales of smart card products, software and hardware in 2021, the total packaging materials consumption decreased during the year. The Group has set a reduction target of 5% in packaging materials consumption by 2025. The consumption of packaging materials of the Group in 2021 is summarised below:

Packaging Materials Consumption	Unit	HK	PRC	Philippines	2021	2020
Paper and paper box	million pieces	3.387	–	0.001	**3.388**	4.166
Plastic bag	million pieces	1.475	–	–	**1.475**	1.765
Bubble wrap	million pieces	0.040	–	–	**0.040**	0.673
Paper and paper box intensity	million pieces/ employee	0.032	–	0.00012		HK:0.068 PRC: N/A Philippines: 0.00025
Plastic bag intensity	million pieces/ employee	0.014				HK:0.029 PRC: N/A Philippines: N/A
Bubble wrap intensity	million pieces/ employee	0.00038				HK:0.011 PRC: N/A Philippines: N/A

A. ENVIRONMENTAL ASPECTS *(continued)*

A3. The Environment and Natural Resources

The Group's development, sales and distribution of smart card products, software and hardware, provision of smart card related services, and financial services and investment business has no significant impact on the environment. The Group reviews its environmental policy from time to time and will consider implementing further eco-friendly measures and practices in order to enhance environmental sustainability.

A4. Climate Change

Governance

Our Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group. Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business.

The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to best practice standards. Moreover, the ESG Working Group works closely with the Group's different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our product or services range.

This diversity of risk is combined with our business strategy and broad geographic footprint helps us distribute risk and provide protection against the impacts of short-term climate change effects. Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a "2°C or lower scenario" through the following steps:

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Strategy *(continued)*

Step 1: Set Future Images Assuming Climate Change Effects

As climate change measures proceeds, there is a possibility that the industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness. In light of these climate change effects, based on the International Energy Agency ("IEA") scenarios and others, we developed multiple future images as the external environment that will surround our Group.

With regard to the IEA scenarios, we put focus on the 2°C scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further "Beyond 2°C scenario".

Step 2: Consider the Impacts

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that it will be possible to expedite carbon dioxide reduction effects in our society.

With regard to the effects on raw material procurement and production, introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.

Step 3: Respond to the Strategies

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumptions are high. By promoting real carbon emissions reductions throughout the world through these types of initiatives, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving and introduction of renewable energy. With respect to renewable energy in particular, we have set a new target, achieve a reduction rate for purchased electricity in coming few years.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

***Strategy** (continued)*

Step 3: Respond to the Strategies *(continued)*

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increase in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

Risk Management

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed can be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones. The risk assessment is conducted through the following steps:

Step 1: Establish the context

- Objective/goal
- Scale
- Time frame
- Climate change scenario for most climate variables and sea level

Step 2: Identify existing risk (past and current)

- Identify the record of occurrence of climatic hazard in the past in the area
- Risk management strategies in place to tackle future occurrence of the hazard

Step 3: Identify future risk and opportunities

- Explore climate change projections for the selected time frame(s) and emission scenario(s)
- Identify potential hazards
- Investigate whether any existing risk from Step 2 may get worse under future projected changes
- Identify new risks that can emerge under future projected changes

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Risk Management (continued)

Step 4: Analyze and evaluate risk

- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the Governance section above, the Group has robust risk management and business planning processes that are overseen by the board of directors in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring of carbon and energy footprint in our daily operation. However, there remains gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues

During the reporting period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group's business and strategy in (i) operations, products and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning, as well as the steps taken to manage these risks, are as follows:

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Physical Risk		
Acute physical risks		
• Increased severity and frequency of extreme weather events such as cyclones and floods. These have the potential to cause both idiosyncratic and systemic risks, resulting in potential damage to office equipment.	• Operating cost and repairing expense increase	• Planned to establish a natural disasters emergency plan. • Planned to devise an action plan to articulate the goals and targets of the reductions in GHG emission and energy consumption. Outlined the plan to achieving those targets and defined responsibilities.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Physical Risk		
Chronic physical risks		
• Changes in precipitation patterns and extreme variability in weather patterns. Frequent extreme weather events and rising in sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity. • Governments that have been pushing for new regulation to reduce GHG emission will pose a threat to financial performance of a business and increase regulatory risk.	• Revenue reduces • Operating cost increases	• Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increases climate resilience in long term. • Record the energy consumption to identify peaks in usage, thus significant savings could be determined. • Engaged with local or national governments and local stakeholders on local resilience.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Policy risk		
• As a result of energy efficiency requirements, the carbon-pricing mechanisms by the PRC Government, which increase the price of fossil fuels.	• Operating cost increases	• Planned to conduct a carbon footprint survey, in order to work out the company's footprint, to prioritize energy and waste reductions. • Monitor the updates of the relevant environmental laws and regulations against existing products and services, to avoid the unnecessary increase in cost and expenditure due to non-compliance.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Legal risk		
• Exposure to litigation risk. We have to adapt the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations. • Enhanced air pollutant emissions-reporting obligations for local government, and we may have to spend more time on fulfilling the ESG reporting standards to comply with the updating Hong Kong Listing Rules.	• Operating cost increases	• Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance. • Continued monitoring of the ESG reporting standards of the Hong Kong Listing Rules.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Technology risk		
• Low-carbon, energy-saving technologies are produced. Lagging behind of technology advancement may weaken our competitive edges.	• Capital investment increases • Research and Development (R&D) expense increases	• Planned to invest in the innovations of energy saving products. • Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.
Market risk		
• More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference. • Inability to attract co-financiers and/or investors due to uncertain risks related to the climate.	• Revenue decreases • Operating cost increases • Production cost increases	• Fulfilled the climate-related regulations by the government. • Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem of climate change.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Reputational risk		
• Risk of stigmatization of our business sector, as there will be more stakeholder concern or negative stakeholder feedback on our Group. • Negative press coverage related to support of our Group's business projects or activities with negative impacts on the climate (e.g., GHG emissions and energy conservation), which may affect our reputation and image.	• Revenue decreases • Operating costs increases	• Fulfilled the social responsibility by organizing more public relation activities to show how our Group places importance on climate change. • Reviewed the business projects to ensure the production and the projects are environmental-friendly.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues (continued)

During the reporting period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial Impact
Resource efficiency	
• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Reduce water consumption	• Operating cost reduces through efficiency gains and cost reductions
Energy source	
• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Shift toward decentralized energy generation	• Operating cost reduces through use of lowest cost abatement • Returns on investment in low-emission technology increases
Products and services	
• Development of climate adaptation and insurance risk solutions • Ability to diversify business activities • Development of new products or services through R&D and innovation	• Revenue increases through new solutions to adaptation needs, such as insurance risk transfer of products and services

A. ENVIRONMENTAL ASPECTS *(continued)*

A4. Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Detailed description of climate-related opportunities	Financial Impact
Markets	
• Access to new markets	• Revenue increases through access to new and emerging markets
Resilience	
• Participation in renewable energy programs and adoption of energy-efficiency measures • Resource substitution or diversification	• Market valuation increases through resilience planning, such as planning of the research in the use of electric vehicles • Reliability of supply chain and ability to operate under various condition increases • Revenue increases through new products and services related to ensuring resiliency

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and GHG emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the year. Our Group regularly tracks our energy consumption and GHG emissions indicators to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.

The details of time frames over which the target applies and base year from which progress is measured are described in the section A1: "Emissions" and section A2: "Use of Resources" of this Report. Our Group adopts absolute target to manage climate-related risks, opportunities and performance.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group believes people are important assets and competent staff is the foundation for success and development of the Group. We aspire to be an employer of choice and recognise the importance of providing a decent working environment where our employees can thrive.

A comprehensive framework incorporating detailed human resources management policies of recruitment, promotion, working hours, equal opportunities, compensation and benefits is embedded in Human Resources Manual and Employee Handbook. The Group strictly complies with the Labour Law of the PRC, the Employment (Amendment) (No.2) Ordinance 2019 in HK, the Labour Code of the Philippines (RA 10151), and other relevant laws and regulations related to employment by adopting the following key measures:

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

- Wages, overtime payments and related benefits are made in accordance with minimum wage or above.

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

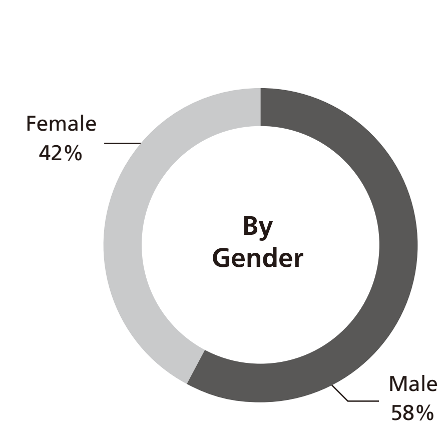
- The Group treats all its employees equally that their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

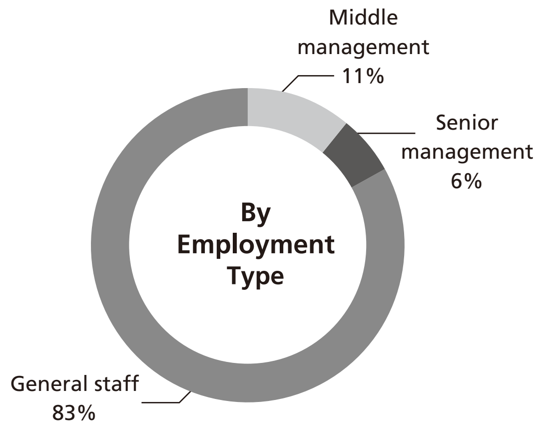
B. SOCIAL ASPECTS *(continued)*

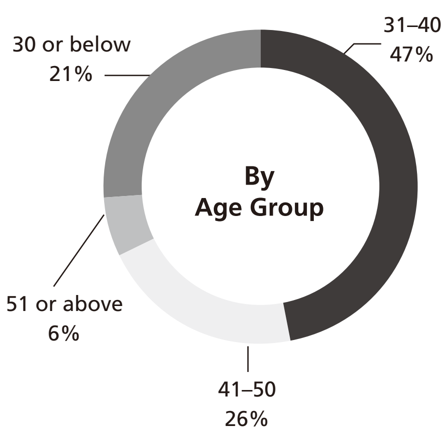
EMPLOYMENT AND LABOUR PRACTICES *(continued)*

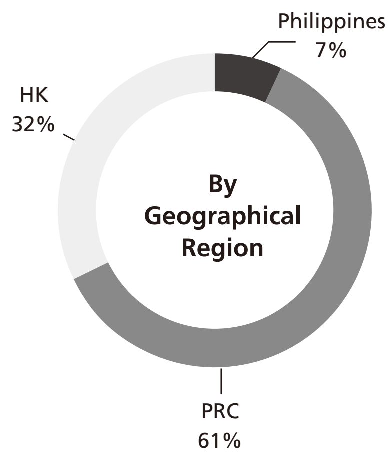
B1. Employment *(continued)*

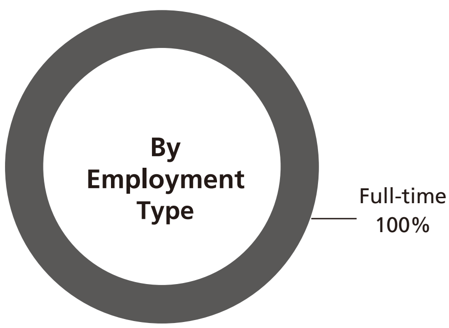
As at 31 December 2021, the employee compositions (in percentage of employees) by gender, employment type, age group, geographical region and employment mode were as follows:











B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1. Employment *(continued)*

The employee turnover rate during the reporting year by gender, age group and geographical region are as follows:

Employee turnover	2021	2020
By gender		
• Male	**17.3%**	50.7%
• Female	**12.0%**	46.2%
By age group		
• Age 30 or below	**22.2%**	74.3%
• Age 31–40	**14.5%**	48.9%
• Age 41–50	**8.2%**	14.0%
• Age 51 or above	**23.8%**	20.0%
By geographical region		
• HK	**25.7%**	15.7%
• The PRC	**2.6%**	2.0%
• Philippines	**46.3%**	125.7%
• Japan	**N/A**	200.0%
Overall	**15.1%**	48.9%

B2. Health and Safety

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. The Group strictly complies with the rules and guidelines stipulated in the Law of the PRC on Work Safety, Occupational Safety and Health Ordinance (Cap. 509) by the Labour Department in HK, the Occupational Safety and Health Standards, and any other applicable laws and regulations such as the Law of the PRC on the Prevention and Treatment of Occupational Diseases. Regarding the business nature of the Group, employees mainly engaged in office work. In 2021, there was no case (2020: nil) regarding health and safety was brought against the issuer or its employees.

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees by installing or replacing office equipment if needed, and providing them with all the necessary equipment for protection against work-related injuries. Reviews are conducted with immediate follow-up actions and improvement whenever necessary. Safety guidelines are in place for our laboratories as well.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B2. Health and Safety *(continued)*

During the year, there was no work injury case (2020: nil, 2019: nil) and lost day due to work injury (2020: nil) in business operations. There was no work-related fatality case (2020: nil, 2019: nil) during the reporting period. Employees were given paid sick leave for their recovery. Overall, no employees had serious accident during the reporting period.

B3. Development and Training

The Group recognises that the continuous development of its employees is the key to its success. Therefore, the Group provides ample resources to staff training and development with the aim of sustaining a competent and professional staff force that contribute to the success of the Group. There are three major categories of training, namely orientation training, internal training and external training offered to our employees. During the year, we arranged training programmes such as financial management seminars, emotional health seminars and D.O. 183 Provisions and Compliance: A Comprehensive Approach to Observe D.O. 183 Compliance and Handle DOLE Inspections. In order to boost training effectiveness, we carry out assessment in the forms of satisfaction survey for internal training and reports on external training. Our employees are required to record the details of their training in the personal training record, which forms the basis for performance evaluation, personnel changes and promotion. In addition, we have developed a performance management system based on the principles of fairness, impartiality and openness, under which employees of different grades undergo evaluation on half-yearly basis, where their performance and achievements are assessed comprehensively. This motivates employees to improve their individual capability and boosts general corporate efficiency, thereby facilitating our overall strategic goal. The appraisal results will be used as a reference for salary adjustment, promotion and placement.

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

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3. Development and Training *(continued)*

During the reporting period, the percentage of employees received training by gender and employment category was as follows:

Percentage of Employees Received Training	2021	2020[4]
By gender		
• Male	61.7%	N/A
• Female	58.7%	N/A
By employment category		
• Senior management	45.5%	N/A
• Middle management	45.0%	N/A
• General	63.8%	N/A

During the reporting period, the composition of employees received training by gender and employment category was as follows:

Composition of Employees Received Training	2021	2020
By gender		
• Male	59.6%	58.4%
• Female	40.4%	41.6%
By employment category		
• Senior management	4.8%	3.9%
• Middle management	8.7%	23.4%
• General	86.5%	72.7%

[4] The employee training data for year 2020 is not available.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3. Development and Training *(continued)*

In addition, the average training hours by gender and employment category during the reporting period was as follows:

Average Training Hours Received per Employee	**2021**	2020
By gender		
• Male	**3.3**	1.7
• Female	**2.8**	0.7
By employment category		
• Senior management	**0.3**	1.4
• Middle management	**2.5**	2.3
• General	**3.4**	0.8

B4. Labour Standards

The Group respects the human rights of employees, and not only strictly complies with labour legislation against the employment of child labour and forced labour such as the Law of the PRC on Protection of Minors, the Employment of Children Regulations under the Employment Ordinance in HK, and the An Act Providing for the Elimination of the Worst Forms of Child Labour and Affording Stronger Protection for the Working Child (RA 7610) in Philippines, but also implements specific measures to ensure equal opportunities in employment. We respect the rights and interest of every employee, and strongly prohibit the employment of minors under the age of 15.

Organisations that are found to be engaging child labour or forced labour will be reported to the management to terminate the corresponding business dealings. There is a comprehensive internal monitoring system to prevent the Group from forcing employees to work by way of violence or illegal restriction of personal freedom.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES

B5. Supply Chain Management

As part of its commitment to environmental and corporate responsibility, the Group attaches great importance to supplier management and monitors by formulating internal procedures and guidelines for managing environmental and social risks of the supply chain. It undertakes regular reviews on its supply chain to ensure that its partners do not have significant impact on the environment and society.

All devices developed by the Group have been compliant with the requirements laid down in the directive restricting the use of certain hazardous substances in electrical and electronic products, commonly referred to as the Restriction of Hazardous Substances ("RoHS") Directive. This directive restricts the use of six hazardous materials in manufacturing various types of electronic and electrical products. It covers all domestically made and imported products from the European Union, with a few exemptions given on certain occasions. As such, supply chain management is always one of the key links in the Group's quality control system. The Group exercises a high level of scrutiny over the selection of suppliers. Major suppliers and subcontractors must prove their compliance with RoHS for them to be included into our supplier list.

Our suppliers and contractors are required to adopt the Group's environmental and occupational health and safety policies as well as strict corporate governance standards within a Code of Conduct that is in line with the Group's environmental values. The Group also carries out long-term quality monitoring and regular review over major suppliers and subcontractors. They are subject to assessment and on-site audits on product quality as well as suitability and quality consistency tests made by our quality department. We ensure that our business partners do not have significant impact on the environment and society. The Group exercises a high level of scrutiny over the selection of suppliers. Major suppliers and subcontractors must prove their compliance with RoHS for them to be included into our supplier list. In case of a significant change in their qualification or serious quality issue, the Group may suspend them from our supplier list.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B5. Supply Chain Management *(continued)*

During the year, the number of suppliers engaged by the Group by geographical region is as follows:

Number of suppliers	2021	2020
By geographical region		
• HK	64	51
• The PRC	51	58
• Taiwan	6	7
• Singapore	3	3
• The United States of America	3	5
• Canada	1	1
• The Netherlands	1	1
• France	1	1
• Germany	1	3
• The Cayman Islands	1	–
Overall	132	130

B6. Product Responsibility

The Group is committed to providing high quality and customer-centred products that promise utmost security and convenience to our clients and their end customers. As such, the nature of our business requires the highest degree of accuracy, precision and quality in developing our products. We continue to cultivate a corporate culture which emphasises the provision of fair and just services for its customers. During the year, there were no case (2020: 36 cases) of products returned from the customers.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6. Product Responsibility *(continued)*

Quality Control

To bolster our efforts in quality assurance, we undergo stringent certification programs from unbiased organisations that enforce international, national and industry standards. This is our way of ensuring we deliver only qualified products to the market, and maintaining our outstanding track record in the smart card industry. A wholly-owned subsidiary of the Group received its first ISO certification in 2007, having proven success in following the requirements set by ISO 9001 standard. The ISO 9001 certificates of two major wholly-owned subsidiaries of the Group were renewed successfully in January 2020 and September 2021.

The Group further improves the level of satisfaction that it delivers to customers by carrying out business operations based on the Quality Policy and Quality Procedure Manual. Starting from 2007, the Group surveys its high-volume customers annually which included questions in relation to product quality. Customers rated overall satisfaction level with the products of the Group as "good", which has been consistent since 2007. It shows that the Group has built up a reliable global network with its trusted customers by providing high quality products and services continuously.

Intellectual Property

Intellectual property is of paramount importance to a thriving industry, where the originality and creativity of designers need to be protected. To prevent copyright infringement, each of our clients' work will undergo careful examination by our employees. Moreover, we strictly prohibit other companies from copying the design of our customers' products. Apart from protecting intellectual property rights, we strictly follow relevant laws and regulations regarding the protection of clients' commercially sensitive information. For instance, all unpublished advertisements from our clients are handled by a designated department and are made only accessible by authorized personnel.

Complaint Handling

The Group's complaint handling policy is strictly compliant with regulatory standards to ensure that customers' opinions are heard and responded in a timely manner in the PRC, HK, and Philippines. During the year, one customer complaint was recorded in sales and marketing customer compliant record.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6. Product Responsibility *(continued)*

Customer Data Protection

The Group regards data privacy and security as a key operating principle. The Group is committed to protecting confidentiality of the personal data of our employees, business partners and other identifiable individuals. We are in strict compliance with the applicable rules and regulations such as the Cybersecurity Law of the PRC, the Personal Data (Privacy) Ordinance (Cap. 486) in HK, and the Data Privacy (RA 10173) in Philippines.

B7. Anti-Corruption

The Group considers business ethics and integrity as utmost importance in corporate sustainable development and long-term success. Hence, we strictly adhere to all the applicable laws and regulations, including the Criminal Law in the PRC, the Prevention of Bribery Ordinance in HK, and the Anti-Graft and Corrupt Practices (RA 3019) in Philippines.

The Code of Conduct included in our Human Resources Manual allows our people to understand explicitly on several areas, which include the provisions of anti-bribery and corruption. In addition, the Group has set up a policy for employees to raise their concerns about possible improprieties in financial reporting, internal control or other matters within the Group to come forward and voice their issues in order to commit the highest possible standards of openness, probity and accountability. The Group definitely has zero tolerance on bribery and corruption behaviour.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B7. Anti-Corruption *(continued)*

During the reporting period, the number of employees received anti-corruption training and the training hours by employment category were as follows:

Anti-corruption Training	2021	2020[5]
Number of employees received training		
• Board of directors	9	N/A
• Senior management	5	N/A
• Middle management	9	N/A
• General staff	36	N/A
Total employees	59	N/A
Number of training hours		
• Board of directors	18	N/A
• Senior management	9	N/A
• Middle management	12	N/A
• General staff	39	N/A
Total training hours	78	N/A

COMMUNITY

B8. Community Investment

The Group is committed to supporting the community by incorporating social participation and contribution in our business development. We believe through community investment, socially responsible corporate culture and practices can be nurtured in the Group.

In September 2021, the employees of a Hong Kong subsidiary of the Company made donations of HK$5,910 to support the Orbis World Sight Day 2021, which is a fundraising campaign to open the "windows of hope" for the 253 million people living with visual impairment worldwide. The Group will continue to fulfil its social responsibility by supporting charity and community development in the future.

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5 The employee anti-corruption training data for year 2020 is not available

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
A. Environmental			
A1: Emissions			
General Disclosure		"Environmental Aspects"	45
KPI A1.1	The types of emissions and respective emissions data	"Emissions – Air Pollutant Emission"	45
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	"Emissions – Greenhouse Gas Emission"	46
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	No hazardous waste was generated during the reporting period.	–
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Emissions – Hazardous and Non-hazardous Wastes"	48
KPI A1.5	Description of measures to mitigate emissions and results achieved	"Emissions – Air Pollutant Emission", "Emissions – Greenhouse Gas Emission"	45–46
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	"Emissions – Hazardous and Non-hazardous Wastes"	47–48

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX *(continued)*

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
A2: Use of Resources			
General Disclosure		"Use of Resources"	49
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	"Use of Resources – Energy"	50
KPI A2.2	Water consumption in total and intensity	"Use of Resources – Water Consumption"	51
KPI A2.3	Description of energy use efficiency initiatives and results achieved	"Use of Resources – Energy"	49–50
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	"Use of Resources – Water Consumption"	51
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	"Use of Resources – Packaging Materials"	52

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX *(continued)*

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
A3: The Environment and Natural Resources			
General Disclosure		"The Environment and Natural Resources"	53
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	"The Environment and Natural Resources"	53
A4: Climate Change			
General Disclosure		"Climate Change"	53–56
KPI A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	"Climate Change"	57–64
B. Social			
Employment and Labour Practices			
B1: Employment			
General Disclosure		"Employment"	65
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	"Employment"	66
KPI B1.2	Employee turnover rate by gender, age group and geographical region	"Employment"	67

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX *(continued)*

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
B2: Health and safety			
General Disclosure		"Health and Safety"	67
KPI B2.1	Number and rate of work-related fatalities	No case of work-related fatalities was observed	–
KPI B2.2	Lost days due to work injury	No case of lost days due to work injury was observed	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	67
B3: Development and Training			
General Disclosure		"Development and Training"	68
KPI B3.1	The percentage of employee trained and employee category	"Development and Training"	69
KPI B3.2	The average training hours completed per employee by gender and employee category	"Development and Training"	70
B4: Labour Standards			
General Disclosure		"Labour Standards"	70
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	–	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered	"Labour Standards"	70

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX *(continued)*

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
Operating Practices			
B5: Supply Chain Management			
General Disclosure		"Supply Chain Management"	71
KPI B5.1	Number of suppliers by geographical region	"Supply Chain Management"	72
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"	71–72
B6: Product Responsibility			
General Disclosure		"Product Responsibility"	72
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	"Product Responsibility"	72
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	"Product Responsibility – Complaint Handling"	73
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	"Product Responsibility – Intellectual Property	73
KPI B6.4	Description of quality assurance process and recall procedures	"Product Responsibility – Quality Control"	73
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility – Customer Data Protection"	74

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX *(continued)*

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
B7: Anti-corruption			
General Disclosure		"Anti-corruption"	74
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	"Anti-corruption"	74
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption"	74
Community			
B8: Community Investment			
General Disclosure		"Community Investment"	75
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	"Community Investment"	75
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	"Community Investment"	75

REPORT OF THE DIRECTORS

The directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

HNA Technology Investments Holdings Limited is a company incorporated and domiciled in Cayman Islands and has its registered office at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in financial technology and smart living business, and financial services and investment business which was discontinued at 31 March 2020. The principal activities and other particulars of the subsidiaries are set out in note 14 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the management discussion and analysis set out on pages 4 to 9 of this annual report. This discussion forms part of this report of the directors.

For more details regarding the fair review of the Group's business and performance by reference to environmental and social-related policies, as well as compliance with relevant laws and regulations that have a significant impact on the Group's business and operation can be found in the environmental, social and governance report set out on pages 37 to 81 of this annual report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are remunerated equitably and competitively. Continues trading and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the year, our staff continuously pursue training and career development through our training programmes.

The Group places strong emphasis on establishing and maintaining strong and stable business relationship with its customers through its commitment to offer quality products. It also stays connected with customers through customer communication channels to keep abreast of the changing consumer preferences.

The Group uses suppliers that reflects its values and commitment. The Group has policies and procedures to select suppliers who share our social, environment and labour practice standards.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	5%	–
Five largest customers in aggregate	21%	–
The largest supplier	–	29%
Five largest suppliers in aggregate	–	49%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge to the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

The Group keeps effective communication with customers, impresses customers with high quality products and services, and responds promptly to their feedbacks and comments. During the year ended 31 December 2021 and up to the date of this report, the Group maintained good relationship with customers.

The Group keeps a high standard in selecting reputable and reliable suppliers in order to meet our own quality, safety, environmental and product criteria. During the year ended 31 December 2021 and up to the date of this report, the Group maintained good relationship with its suppliers.

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 December 2021 (2020: nil).

RESULTS AND APPROPRIATIONS

The loss of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 98 to 183.

The directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Tuesday, 24 May 2022 (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the annual general meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 18 May 2022.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 102 and note 23(a) to the financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$15.5 million (2020: HK$52.7 million) includes the Company's share premium which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23(b) to the financial statements.

DIRECTORS

The directors who held the office during the year and up to the date of this report are:

Executive Directors
Mr. Mai Zhaoping *(Co-Chairman) (appointed on 4 February 2022)*
Mr. Zhang Xueqin *(Co-chairman and Chief Executive Officer) (appointed on 4 February 2022)*
Ms. Mai Qiqi *(appointed on 4 February 2022 as non-executive director and re-designated as executive director on 7 March 2022)*
Mr. Chan Chun Leung *(appointed on 7 March 2022)*
Ms. Xu Tingting *(appointed on 4 February 2022)*
Mr. Wong Chi Ho
Mr. Jiang Hao *(resigned on 26 February 2022)*
Mr. Peng Zhi *(resigned on 26 February 2022)*
Mr. Xu Jie *(resigned on 26 February 2022)*
Mr. Wang Jing *(resigned on 26 February 2022)*

Non-executive Directors
Mr. Mai Ziye *(appointed on 7 March 2022)*
Mr. Shum Ngok Wa *(appointed on 11 August 2021)*
Mr. Kwan Kin Man Keith *(resigned on 4 June 2021)*

Independent Non-executive Directors
Dr. Lin Tat Pang
Mr. Lai Chi Leung *(appointed on 4 February 2022)*
Mr. Zhang Dingfang *(appointed on 4 February 2022)*
Mr. Gu Tianlong *(appointed on 7 March 2022)*
Mr. Guo Dan *(resigned on 26 February 2022)*
Ms. O Wai *(resigned on 26 February 2022)*

In accordance with Article 16.2 of the Company's Articles of Association, Mr. Mai Zhaoping, Mr. Zhang Xueqin, Ms. Mai Qiqi, Mr. Chan Chun Leung, Ms. Xu Tingting, Mr. Mai Ziye, Mr. Shum Ngok Wa, Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 16.18 of the Company's Articles of Association, Dr. Lin Tat Pang will retire by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive directors have entered into service agreements with the Company for a term of two to three years, which may be terminated by not less than three months' notice in writing served by either party to the other.

The non-executive directors have entered into letters of appointment with the Company for a term of two to three years, which may be terminated by not less than three months' notice in writing served by either party to the other.

The independent non-executive directors have entered into letters of appointment with the Company for a term of two to three years, which may be terminated by not less than three months' notice in writing served by other party to the other.

The current period of the service agreements or letters of appointment are as follows:

Name of director	Period
Mr. Mai Zhaoping	4 February 2022 to 3 February 2025
Mr. Zhang Xueqin	4 February 2022 to 3 February 2025
Ms. Mai Qiqi	7 March 2022 to 6 March 2025
Mr. Chan Chun Leung	7 March 2022 to 6 March 2025
Ms. Xu Tingting	4 February 2022 to 3 February 2025
Mr. Wong Chi Ho	24 March 2021 to 23 March 2023
Mr. Mai Ziye	7 March 2022 to 6 March 2025
Mr. Shum Ngok Wa	11 August 2021 to 10 August 2023
Dr. Lin Tat Pang	21 December 2021 to 21 December 2023
Mr. Lai Chi Leung	4 February 2022 to 3 February 2024
Mr. Zhang Dingfang	4 February 2022 to 3 February 2024
Mr. Gu Tianlong	7 March 2022 to 6 March 2025

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2021, none of the directors or chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 31 December 2021, 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, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, 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 31 December 2021
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%

* *For identification purposes only*

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

			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 31 December 2021
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 (永寶物業按揭有限公司)	(ii)	Security interest	238,889,669	74.75%
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 59.8% 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 21 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 the 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.

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

Notes: *(continued)*

Therefore, the records in the register to be kept under Section 336 of the SFO was 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 31 December 2021 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

There was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

The M&A of the Company provides that every director shall be indemnified out of the assets of the Company against all losses or liability incurred or sustained by him or her as a director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Throughout the year and up to the date of this report, the Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

BANK LOAN AND OTHER BORROWING

There is no outstanding balance of bank loan and other borrowing as at 31 December 2021 (2020: nil).

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of non-adjusting events after the reporting period are disclosed in note 29 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184 of this annual report.

EQUITY-LINKED AGREEMENTS

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

REMUNERATION POLICIES

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

EMPLOYEE RETIREMENT PLANS

Particulars of employee retirement plans of the Group are set out in note 21 to the financial statements.

PUBLIC FLOAT

Based on the information publicly available and to the best information and knowledge of the directors, the Company had maintained the prescribed public float as required under the Listing Rules during the year ended 31 December 2021.

PUBLIC FLOAT *(continued)*

As disclosed in the Company's joint announcement with Mars Development Limited and Megacore Development Limited (the "Joint Offerors") dated 25 February 2022, upon the close of a mandatory unconditional cash offer (the "Offer") on 25 February 2022, there were 71,359,213 shares of the Company in the hands of the public, representing approximately 22.33% of the entire issued share capital of the Company. Accordingly, upon the close of the Offer, the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules was not satisfied. The Company has made an application to the Stock Exchange and the Stock Exchange has granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of three months from 25 February 2022 to 26 April 2022. As at the date of this annual report, the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules is still not satisfied. The Company and/or the Joint Offerors will take appropriate steps to restore the required minimum public float as soon as practicable.

ENVIRONMENTAL POLICY

The Group is committed to create a business that contributes to global efforts in environmental care and sustainability. A further discussion of the environmental policies of the Group can be found in the environmental, social and governance report set out in pages 37 to 81 of this annual report, the discussion of which forms part of this report of the directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Zhang Xueqin
Director

30 March 2022

Independent auditor's report to the members of
HNA Technology Investments Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HNA Technology Investments Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 98 to 183, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of development costs capitalised as intangible assets

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

The Key Audit Matter	How the matter was addressed in our audit
The costs incurred in the development of the Group's smart card products are capitalised as intangible assets when certain criteria are met. The carrying value of the Group's development costs capitalised as intangible assets totalled HK$4 million as at 31 December 2021. Management performs an annual impairment assessment of its capitalised development costs on a project-by-project basis by identifying if there are any projects with indicators of potential impairment, which include a shortfall of revenue generated from the project as compared to management's forecasts, delays in project completion and changes in technology which may render the products obsolete or result in reduced sales opportunities. For those projects for which an indicator of impairment was identified, management compared the carrying value of individual development costs against the respective discounted cashflow forecast to determine the amount of impairment which should be recognised, if any. Management is required to exercise significant judgement in estimating the individual products' future revenue, future margins and the related costs to be incurred in bringing the technology into commercial use. The technology industry is dynamic and the reception of the market to the Group's products involves inherent uncertainty. We have identified the valuation of development costs capitalised as intangible assets as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement in forecasting future cash flows and estimating the recoverable amounts of the development costs, both of which are inherently uncertain and could be subject to management bias.	Our audit procedures to assess the valuation of development costs capitalised as intangible assets included the following: • assessing and challenging the impairment assessment model, which included evaluating the impairment indicators identified by management and assessing whether the impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards; • challenging the key assumptions and critical judgements adopted by management in the discounted cashflow forecasts by comparing the significant inputs, which included future revenue and future margins with the historical performance of comparable products and the financial budgets of the individual projects approved by management; • assessing the appropriateness of the discount rate used in the discounted cashflow forecasts by benchmarking against those of other similar companies in the same industry; • enquiring of the Group's internal engineers and management about any expected changes in market demand and technological advances which may reduce the expected cashflows to be generated by the developed technology; and • performing a sensitivity analysis of both the discount rates and future revenue and considering the resulting impact on the impairment assessment and whether there were any indicators of management bias.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the audit committee of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Chui Kin Pong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 *$'000*	2020 *$'000*
Continuing operations			
Revenue	4	**98,114**	112,747
Cost of sales and services		**(45,797)**	(57,534)
Gross profit		**52,317**	55,213
Other income	5	**457**	3,652
Selling and distribution costs		**(4,259)**	(11,610)
Research and development expenses		**(32,937)**	(33,018)
Administrative expenses		**(34,986)**	(33,794)
Loss from operations		**(19,408)**	(19,557)
Finance costs	6(a)	**(387)**	(318)
Loss before taxation	6	**(19,795)**	(19,875)
Income tax	7(a)	**(1,528)**	(320)
Loss from continuing operations		**(21,323)**	(20,195)
Discontinued operation			
Loss for the year from discontinued operation, net of tax		**–**	(28)
Loss for the year attributable to the equity shareholders of the Company		**(21,323)**	(20,223)
Loss per share	11		
From continuing operations			
Basic		**(6.673 cents)**	(6.320 cents)
Diluted		**(6.673 cents)**	(6.320 cents)
From discontinued operation			
Basic		**–**	(0.009 cents)
Diluted		**–**	(0.009 cents)

The notes on pages 104 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 *$'000*	2020 *$'000*
Loss for the year		(21,323)	(20,223)
Other comprehensive income for the year (after tax)	10		
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		342	(237)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		1,105	2,995
Total comprehensive income for the year		(19,876)	(17,465)
Attributable to:			
Equity shareholders of the Company		(19,876)	(17,465)

The notes on pages 104 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 *$'000*	2020 *$'000*
Non-current assets			
Property, plant and equipment	12	8,122	14,982
Intangible assets	13	4,165	17,449
Deferred tax assets	22(a)	–	1,925
Defined benefits obligations	21(b)	307	–
		12,594	34,356
Current assets			
Inventories	16	20,202	19,602
Trade and other receivables	17	16,569	12,220
Other financial assets	18	231	326
Current tax recoverable		560	583
Cash and cash equivalents	19(a)	51,543	54,371
		89,105	87,102
Current liabilities			
Trade and other payables	20	14,467	10,179
Lease liabilities		3,900	4,008
		18,367	14,187
Net current assets		70,738	72,915
Total assets less current liabilities		83,332	107,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Non-current liabilities			
Defined benefit obligations	21(b)	–	303
Lease liabilities		1,890	5,650
		1,890	5,953
NET ASSETS		81,442	101,318
CAPITAL AND RESERVES			
Share capital	23(b)	31,956	31,956
Reserves		49,486	69,362
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		81,442	101,318

Approved and authorised for issue by the Board of Directors on 30 March 2022.

Mai Zhaoping
Director

Zhang Xueqin
Director

The notes on pages 104 to 183 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	Share capital *$'000* (Note 23(b))	Share premium *$'000* (Note 23(c)(i))	Merger reserve *$'000* (Note 23(c)(ii))	Surplus reserve *$'000* (Note 23(c)(iii))	Exchange reserve *$'000* (Note 23(c)(iv))	Retained profits/ (accumulated losses) *$'000*	Total equity *$'000*
Balance at 1 January 2020		31,956	53,383	4,496	2,490	(1,790)	28,248	118,783
Changes in equity for the year:								
Loss for the year		–	–	–	–	–	(20,223)	(20,223)
Other comprehensive income	10	–	–	–	–	2,995	(237)	2,758
Total comprehensive income		–	–	–	–	2,995	(20,460)	(17,465)
Balance at 31 December 2020 and 1 January 2021		**31,956**	**53,383**	**4,496**	**2,490**	**1,205**	**7,788**	**101,318**
Changes in equity for the year:								
Loss for the year		–	–	–	–	–	**(21,323)**	**(21,323)**
Other comprehensive income	10	–	–	–	–	**1,105**	**342**	**1,447**
Total comprehensive income		–	–	–	–	**1,105**	**(20,981)**	**(19,876)**
Appropriation to surplus reserve		–	–	–	**319**	–	**(319)**	–
Balance at 31 December 2021		**31,956**	**53,383**	**4,496**	**2,809**	**2,310**	**(13,512)**	**81,442**

The notes on pages 104 to 183 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 *$'000*	2020 *$'000*
Operating activities			
Cash generated from operations	19(b)	**2,829**	18,244
Tax (paid)/refund:			
– Hong Kong Profits Tax (paid)/refund		**(5)**	1,204
– Tax paid outside Hong Kong		**(60)**	(371)
Net cash generated from operating activities		**2,764**	19,077
Investing activities			
Payment for the purchase of property, plant and equipment		**(911)**	(2,518)
Proceeds from the disposal of property, plant and equipment		**76**	53
Payment for purchases of other financial assets		**(239)**	(318)
Proceeds from maturity of other financial assets		**318**	318
Expenditure on development projects capitalised		**(599)**	(3,880)
Interest received		**125**	276
Net cash used in investing activities		**(1,230)**	(6,069)
Financing activities			
Capital element of lease rentals paid	19(c)	**(4,025)**	(3,995)
Interest element of lease rentals paid	19(c)	**(387)**	(318)
Net cash used in financing activities		**(4,412)**	(4,313)
Net (decrease)/increase in cash and cash equivalents		**(2,878)**	8,695
Cash and cash equivalents at 1 January		**54,371**	45,449
Effect of foreign exchange rate changes		**50**	227
Cash and cash equivalents at 31 December	19(a)	**51,543**	54,371

The notes on pages 104 to 183 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

HNA Technology Investments Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

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

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

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

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Joint ventures

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Joint ventures *(continued)*

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

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

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

(f) Other investments in debt securities

Investments in debt securities are recognised/derecognised on the date the Group commits to purchase/sell the investment or upon maturity. Investment in debt securities are initially stated at fair value plus directly attributable transaction costs. These investments are subsequently accounted for as follows:

If the contractual cash flows of the debt securities held by the Group represent solely payments of principal and interest, the debt securities would be classified as amortised cost, as the Group does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 2(s)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment.

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

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

– Properties leased for own use	Over the lease terms
– Leasehold improvements	Over the remaining terms of the leases
– Furniture and fixtures	4 years
– Computer and office equipment	4 years
– Mould	4 years
– Motor vehicles	4 years

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets

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

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

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

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

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

As a lessee, where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(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 (see notes 2(g) and 2(j)(ii)).

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets and trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Measurement of ECLs *(continued)*

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is over 1 year past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk *(continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Basis of calculation of interest income *(continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets

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

– property, plant and equipment, including right-of-use assets;

– intangible assets; and

– investments in subsidiaries and joint ventures in the Company's statement of financial position.

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

– Calculation of recoverable amount

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets *(continued)*

– Recognition of impairment losses

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

– Reversals of impairment losses

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

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(l) Inventories

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

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

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

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

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Trade and other payables

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(p) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

(ii) Defined benefit retirement plan obligations (continued)

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

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

(iii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

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

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

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

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

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Provisions and contingent liabilities

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

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

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue from the sales of goods (including smart card products, software and hardware) is recognised when customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative standalone selling price basis.

(ii) Provision of service

Revenue from provision of service is recognised when the related services are provided.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue and other income *(continued)*

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. Using the rate that exactly discounts estimated future cash receipts through the excepted life of the financial asset to the gross carrying amount of the financial asset.

(iv) Government subsidies

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

(t) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation.

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. Further details on the discontinued operation are disclosed in note 24.

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 21 contain information about the assumptions and their risk factors relating to defined benefit retirement obligations. Other key sources of estimation uncertainty are as follows:

Impairment of intangible assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2021	2020
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Sale of smart card products and provision of related services	**98,114**	112,747

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

The Group's customer base is diversified. None of the customers (2020: None) individually contributed over 10% of the Group's revenue.

(b) Segment reporting

Upon the discontinuance of the segment of financial services and investment on 31 March 2020 (see note 24), the Group manages its business as a single unit and, accordingly, the segment of financial technology and smart living is considered to be the only reportable segment for the Group thereafter. All of the Group's activities are considered to be primarily the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets, current assets (including interest in a joint venture, deferred tax assets and current tax recoverable) with the exception of cash and cash equivalents which are centrally managed by the Group and other corporate assets. Segment liabilities include trade creditors, lease liabilities, employee retirement benefit liabilities, current tax payable and deferred tax liabilities attributable to the sales activities of the individual segments with the exception of other corporate liabilities.

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

The measure used for reporting segment profit/(loss) 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, finance costs and other head office and corporate expenses.

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

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2021 and 2020 is set out below:

	Financial technology and smart living		Financial services and investment		Total	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**97,857**	112,744	**N/A**	–	**97,857**	112,744
Over time	**257**	3	**N/A**	–	**257**	3
Reportable segment revenue	**98,114**	112,747	**N/A**	–	**98,114**	112,747
Reportable segment loss from continuing operations	**(19,795)**	(17,182)	**N/A**	–	**(19,795)**	(17,182)
Reportable segment loss from discontinued operation	**–**	–	**N/A**	(28)	**–**	(28)
Depreciation and amortisation for the year	**(18,550)**	(18,731)	**N/A**	(7)	**(18,550)**	(18,738)
Impairment losses of						
– trade and other receivables	**(581)**	(425)	**N/A**	–	**(581)**	(425)
– property, plant and equipment	**(716)**	–	**N/A**	–	**(716)**	–
– intangible assets	**(2,462)**	(5,721)	**N/A**	–	**(2,462)**	(5,721)
Reportable segment assets	**101,699**	121,458	**N/A**	–	**101,699**	121,458
Reportable segment liabilities	**20,257**	20,140	**N/A**	–	**20,257**	20,140
Additions to non-current segment assets during the year	**1,666**	15,891	**N/A**	–	**1,666**	15,891

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

The reported results of segment revenue, segment assets and segment liabilities are same as the consolidated revenue, total assets and total liabilities. Reconciliation of reportable segment profit or loss is set out as follows:

	2021	2020
	$'000	*$'000*
Profit or loss		
Reportable segment loss from continuing operations	**(19,795)**	(17,182)
Interest income	–	110
Finance costs	–	(58)
Unallocated head office and corporate expenses	–	(2,745)
Consolidated loss before taxation	**(19,795)**	(19,875)

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*
The People's Republic of China ("PRC"), Hong Kong, Macau and Taiwan (country of domicile)	**18,923**	18,633	**12,287**	30,198
Turkey	**13,693**	9,177	**–**	–
United States of America ("U.S.")	**10,882**	18,673	**–**	–
Germany	**6,303**	4,974	**–**	–
The Russian Federation	**4,885**	1,667	**–**	–
Republic of the Philippines ("Philippines")	**741**	1,804	**–**	2,233
Other countries	**42,687**	57,819	**–**	–
	79,191	94,114	**–**	2,233
	98,114	112,747	**12,287**	32,431

5 OTHER INCOME

	2021	2020
	$'000	*$'000*
Continuing operations		
Government subsidies*	247	3,204
Interest income	125	276
Sundry income	85	172
	457	3,652

* The government subsidies granted to the Group mainly comprised the followings:

(i) The Group successfully applied for Distance Business Programme subsidy during 2021 and $91,000 was granted by the Hong Kong Productivity Council. The purpose of the subsidy is to support enterprises to adopt IT solutions to continue their business and services during the epidemic.

(ii) The Group successfully applied for research and development subsidy from Shenzhen Government of PRC of $162,000 (2020: $260,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

(iii) The Group successfully applied for Employment Support Scheme subsidy during 2020 and $2,917,000 was granted by the Hong Kong Government under the anti-epidemic fund. The purpose of the subsidy is to provide financial support to employers to retain employees who might otherwise be made redundant.

6 LOSS BEFORE TAXATION

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

	2021	2020
	$'000	*$'000*
(a) Finance costs:		
Continuing operations		
Interest on lease liabilities (note 19(c))	387	318

6 LOSS BEFORE TAXATION *(continued)*

	2021	2020
	$'000	*$'000*
(b) Staff costs:		
Continuing operations		
Contributions to defined contribution retirement plans	**1,764**	1,124
Net expenses/(income) recognised in respect of a defined benefit retirement plan (note 21(b)(v))	**142**	(1,821)
Total retirement costs/(returns)	**1,906**	(697)
Salaries, wages and other benefits	**35,416**	43,744
	37,322	43,047
Less: Amount capitalised into development costs	**(498)**	(3,346)
	36,824	39,701

6 LOSS BEFORE TAXATION *(continued)*

	2021	2020
	$'000	*$'000*
(c) Other items:		
Continuing operations		
Amortisation of intangible assets (note 13)	**11,421**	11,237
Depreciation (note 12)		
– property, plant and equipment	**3,113**	3,244
– right-of-use assets	**4,016**	4,250
Impairment losses		
– property, plant and equipment (note 12)	**716**	–
– trade receivables (note 25(a))	**581**	425
– intangible assets (note 13)	**2,462**	5,721
Auditors' remuneration	**1,302**	1,179
Net gain on disposal of property, plant and equipment	**(35)**	(40)
Net foreign exchange loss	**1,498**	2,756
Cost of inventories (note 16(b))	**45,219**	56,680
Discontinued operation		
Depreciation (note 12)		
– property, plant and equipment	**–**	7
Auditors' remuneration	**–**	11
Net foreign exchange loss	**–**	7

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021	2020
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	8
Under-provision in respect of prior years	–	16
	–	24
Current tax – Philippines Income Tax		
Provision for the year	12	51
Under/(over)-provision in respect of prior years	45	(176)
	57	(125)
Current tax – Other jurisdictions		
Provision for the year	–	253
Deferred tax		
Origination and reversal of temporary differences (note 22(a))	1,471	168
Income tax expense	1,528	320

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

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

Notes:

(i) No provision for Hong Kong Profits Tax has been made in the financial statements for the 2021 as the Group has sustained losses for taxation purpose.

The provision for Hong Kong Profits Tax for 2020 was calculated at 16.5% of the estimated assessable profits for the year 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 $2,000,000 of assessable profits were taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(ii) The provision for Philippines Income Tax for 2021 is calculated at 25% (2020: 30%) of the estimated taxable income or 1% (2020: 2%) on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Philippines.

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

(a) Logyi Limited ("Logyi")

Logyi 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 2021 and 2023.

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

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

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

	2021 *$'000*	2020 *$'000*
Loss before taxation from continuing operations	**(19,795)**	(19,875)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(3,654)**	(3,015)
Tax effect of non-deductible expenses	**894**	1,814
Tax effect of non-taxable income	**(32)**	(1,744)
Tax effect of unused tax losses not recognised	**3,952**	4,949
Tax effect of utilisation of tax losses previously not recognised	**(132)**	(5)
Tax effect of temporary differences not recognised	**2,409**	(33)
Tax effect of tax exemption/deduction from tax authority	**(1,956)**	(1,694)
Under-provision in respect of prior years	**45**	16
Others	**2**	32
Actual tax expense	**1,528**	320

8 DIRECTORS' EMOLUMENTS

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

	2021				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Mr. Jiang Hao	–	–	–	–	–
Mr. Peng Zhi	–	1,555	–	18	1,573
Mr. Xu Jie	361	–	–	–	361
Mr. Wang Jing	–	–	–	–	–
Mr. Wong Chi Ho	–	1,200	–	18	1,218
Non-executive directors					
Mr. Kwan Kin Man Keith	–	–	–	–	–
Mr. Shum Ngok Wa	–	–	–	–	–
Independent non-executive directors					
Mr. Guo Dan	240	–	–	–	240
Dr. Lin Tat Pang	240	–	–	–	240
Ms. O Wai	240	–	–	–	240
	1,081	2,755	–	36	3,872

8 DIRECTORS' EMOLUMENTS *(continued)*

	2020				
	Directors' fees *$'000*	Salaries, allowances and benefits in kind *$'000*	Discretionary bonuses *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors					
Mr. Jiang Hao	–	–	–	–	–
Mr. Peng Zhi	–	1,547	–	18	1,565
Mr. Xu Jie	249	–	–	–	249
Mr. Wang Jing	–	–	–	–	–
Mr. Wong Chi Ho	–	1,180	–	18	1,198
Non-executive director					
Mr. Kwan Kin Man Keith	–	–	–	–	–
Independent non-executive directors					
Mr. Guo Dan	240	–	–	–	240
Dr. Lin Tat Pang	240	–	–	–	240
Ms. O Wai	240	–	–	–	240
	969	2,727	–	36	3,732

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2020: three) individuals is as follow:

	2021 *$'000*	2020 *$'000*
Salaries and other emoluments	2,414	3,220
Retirement scheme contributions	54	54
	2,468	3,274

The emoluments of the three (2020: three) individuals with the highest emolument is within the following band:

	2021 *Number of Individuals*	2020 *Number of Individuals*
$500,001 to $1,000,000	3	1
$1,000,001 to $1,500,000	–	2

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2021			2020		
	Before-tax amount *$'000*	Tax expense *$'000*	Net-of-tax amount *$'000*	Before-tax amount *$'000*	Tax expense *$'000*	Net-of-tax amount *$'000*
Exchange differences on translation of financial statements of foreign operations	1,105	–	1,105	2,995	–	2,995
Remeasurement of defined benefit obligations	725	(383)	342	(339)	102	(237)
	1,830	(383)	1,447	2,656	102	2,758

11 LOSS PER SHARE

From continuing 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 $21,323,000 (2020: $20,195,000) and the weighted average of 319,565,000 (2020: 319,565,000) ordinary shares in issue for the year ended 31 December 2021.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2021 and 2020 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

From discontinued operation

(c) Basic loss per share

The calculation of basic loss per share was based on loss attributable to ordinary equity shareholders of the Company of $28,000 and the weighted average of 319,565,000 ordinary shares in issue for the year ended 31 December 2020.

(d) Diluted loss per share

Diluted loss per share for the year ended 31 December 2020 were the same as the basic loss per share as there were no dilutive potential ordinary shares.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Mould $'000	Motor vehicles $'000	Properties leased for own use carried at depreciated cost $'000	Total $'000
Cost:							
At 1 January 2021	2,360	1,120	16,240	3,844	455	17,096	41,115
Exchange adjustments	(12)	(21)	(194)	–	(8)	–	(235)
Additions	110	12	771	18	–	–	911
Disposals	(334)	(74)	(1,539)	–	–	–	(1,947)
Additions through lease modification	–	–	–	–	–	157	157
At 31 December 2021	2,124	1,037	15,278	3,862	447	17,253	40,001
Accumulated depreciation and impairment loss:							
At 1 January 2021	1,918	1,008	12,379	2,597	455	7,776	26,133
Exchange adjustments	(24)	(23)	(138)	–	(8)	–	(193)
Charge for the year	129	61	2,279	644	–	4,016	7,129
Impairment loss	–	–	716	–	–	–	716
Written back on disposals	(334)	(74)	(1,498)	–	–	–	(1,906)
At 31 December 2021	1,689	972	13,738	3,241	447	11,792	31,879
Net book value:							
At 31 December 2021	435	65	1,540	621	–	5,461	8,122

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold Improvements $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Mould $'000	Motor vehicles $'000	Properties leased for own use carried at depreciated cost $'000	Total $'000
Cost:							
At 1 January 2020	2,295	1,158	18,793	14,580	450	8,171	45,447
Exchange adjustments	48	25	240	–	5	–	318
Additions	17	–	2,182	319	–	–	2,518
Disposals	–	(63)	(4,975)	(11,055)	–	(568)	(16,661)
Lease modification	–	–	–	–	–	9,493	9,493
At 31 December 2020	2,360	1,120	16,240	3,844	455	17,096	41,115
Accumulated depreciation:							
At 1 January 2020	1,611	951	15,108	12,833	450	4,094	35,047
Exchange adjustments	23	21	184	–	5	–	233
Charge for the year	284	93	2,055	819	–	4,250	7,501
Written back on disposals	–	(57)	(4,968)	(11,055)	–	(568)	(16,648)
At 31 December 2020	1,918	1,008	12,379	2,597	455	7,776	26,133
Net book value:							
At 31 December 2020	442	112	3,861	1,247	–	9,320	14,982

During the year ended 31 December 2021, the Group assessed that certain computers and office equipment used in the Philippines office can no longer generate future economic benefits. As a result, the carrying amount of these computers and office equipment was written down to their recoverable amount of $nil. An impairment loss of $587,000 and $129,000 was recognised in the research and development expenses and administrative expenses respectively.

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2021	2020
		$'000	*$'000*
Properties leased for own use, carried at depreciated cost	(i)	**5,461**	9,320

The analysis of expenses/(gains) in relation to leases recognised in profit or loss is as follows:

	2021	2020
	$'000	*$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**4,016**	4,250
Interest on lease liabilities (note 6(a))	**387**	318
Expense relating to short-term leases	**310**	807
COVID-19-related rent concessions received	**–**	(55)

During the year ended 31 December 2021, additions to right-of-use assets due to lease modifications was $157,000 (2020: $9,493,000). The amount was primarily related to additions to capitalised lease payments due to lease renewals.

Details of total cash outflow for leases is set out in note 19(d).

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right -of-use assets *(continued)*

(i) Properties leased for own use

The Group has obtained the right to use properties as its warehouses and offices through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

The Group leased a number of offices in the PRC, during 2020 the Group received rent concessions in the form of waiver of lease payments during the period of severe social distancing measures introduced to contain the spread of COVID-19. The amount of fixed lease payments and rent concessions for the year is summarised below:

	2020		
	Fixed payments *$'000*	COVID-19 rent concessions *$'000*	Total payments *$'000*
Offices – the PRC	849	(55)	794

13 INTANGIBLE ASSETS

	Development costs	Customer relationships	Technical know-how	Total
	$'000	*$'000*	*$'000*	*$'000*
Cost:				
At 1 January 2021	134,180	2,503	1,950	138,633
Addition through internal development	599	–	–	599
Disposals	(61,864)	(2,503)	(1,950)	(66,317)
At 31 December 2021	72,915	–	–	72,915
Accumulated amortisation and impairment loss:				
At 1 January 2021	116,909	2,325	1,950	121,184
Charge for the year	11,243	178	–	11,421
Written back on disposals	(61,864)	(2,503)	(1,950)	(66,317)
Impairment loss	2,462	–	–	2,462
At 31 December 2021	68,750	–	–	68,750
Net book value:				
At 31 December 2021	4,165	–	–	4,165

13 INTANGIBLE ASSETS *(continued)*

	Development costs $'000	Customer relationships $'000	Technical know-how $'000	Total $'000
Cost:				
At 1 January 2020	130,300	2,503	1,950	134,753
Addition through internal development	3,880	–	–	3,880
At 31 December 2020	134,180	2,503	1,950	138,633
Accumulated amortisation and impairment loss:				
At 1 January 2020	100,309	1,967	1,950	104,226
Charge for the year	10,879	358	–	11,237
Impairment loss	5,721	–	–	5,721
At 31 December 2020	116,909	2,325	1,950	121,184
Net book value:				
At 31 December 2020	17,271	178	–	17,449

The amortisation charges of $11,243,000 (2020: $10,879,000) and $178,000 (2020: $358,000) for the year are included in "research and development expenses" and "administrative expenses" respectively in the consolidated statement of profit or loss.

During the year, the Group have been experiencing recurring losses or performing below budget on certain projects. The directors considered there were impairment indicators and hence conducted impairment assessment on the relevant projects, which constitute individual cash-generating units for the purpose of the impairment assessment. The recoverable amounts of the relevant assets (which comprise primarily development costs included under intangible assets) have been determined by the directors based on a value-in-use calculation of the individual projects to which the relevant assets belong. The calculation uses cash flow projections based on management forecasts covering the estimated useful lives of the projects at a pre-tax discount rate of 16% (2020: 16%). Based on their review, the net book value of certain projects was written down to the corresponding recoverable amount as it is estimated that there will be insufficient future economic benefits generated from these projects due to a change in market demand. Accordingly, an impairment loss of $2,462,000 has been recognised for the year ended 31 December 2021 (2020: $5,721,000).

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Advanced Card Systems Limited	Hong Kong	18,000,000 shares	100	100	–	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in Hong Kong
ACS Technologies Limited	Hong Kong	1 share	100	100	–	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the Philippines
*#ACS Shenzhen	PRC	Registered capital of HK$14,000,000	100	–	100	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the PRC
HNA Technology Investments Limited	Hong Kong	1 share	100	100	–	Provision of management services to group companies and investment holding in Hong Kong

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
*#Logyi	PRC	Registered capital of HK$3,500,000	100	–	100	Development of smart card products, software and hardware and the provision of smart card related services in the PRC
TaptoPay Limited	Hong Kong	1 share	100	–	100	Development and provision of products and solutions for automatic revenue collection in Hong Kong

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately 1% and 0% respectively of the related consolidated totals.

\# Wholly-owned foreign enterprises in the PRC.

15 INTEREST IN A JOINT VENTURE

	2021 $'000	2020 $'000
Share of net assets	–	–
Non-current receivables from a joint venture	–	–
	–	–

15 INTEREST IN A JOINT VENTURE *(continued)*

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

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

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

GATI, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available. GATI does not have a significant financial impact on the Group's results of operations and financial position.

16 INVENTORIES

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

	2021 *$'000*	2020 *$'000*
Raw materials	**12,851**	10,451
Work in progress	**–**	834
Finished goods	**7,351**	8,317
	20,202	19,602

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

	2021 *$'000*	2020 *$'000*
Carrying amounts of inventories sold	**42,343**	49,667
Write down of inventories	**2,876**	7,013
	45,219	56,680

All of the inventories are expected to be recovered within one year.

17 TRADE AND OTHER RECEIVABLES

	2021	2020
	$'000	*$'000*
Trade receivables, net of loss allowance	**12,499**	8,721
Prepayments	**945**	951
Deposits paid	**2,390**	1,670
Other receivables	**735**	878
	16,569	12,220

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $1,327,000 (2020: $1,259,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

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:

	2021	2020
	$'000	*$'000*
Within 1 month	**6,691**	4,096
1 to 2 months	**3,705**	2,992
2 to 3 months	**1,977**	793
3 to 12 months	**126**	840
	12,499	8,721

Trade receivables are generally due within 7 days to 3 months from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

18 OTHER FINANCIAL ASSETS

	2021	2020
	$'000	*$'000*
Financial assets measured at amortised cost		
Philippines Treasury bills	231	326

The treasury bills are listed in Philippines and have a fixed yield of 1.565% (2020: 1.255%) per annum and will mature on 13 July 2022 (2020: 13 January 2021). The market value of these financial assets is $228,000 (2020: $323,000).

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021	2020
	$'000	*$'000*
Cash at bank and on hand	14,292	11,733
Bank deposits maturing within three months when placed	37,251	42,638
Cash and cash equivalents	51,543	54,371

As at 31 December 2021, cash at bank and deposits of $4,572,000 (2020: $2,053,000) were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

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

	Note	2021 *$'000*	2020 *$'000*
Loss before taxation			
– Continuing operations		**(19,795)**	(19,875)
– Discontinued operation		**–**	(28)
Adjustments for:			
Depreciation	6(c)	**7,129**	7,501
Amortisation of intangible assets	6(c)	**11,421**	11,237
Impairment loss on property, plant and equipment	6(c)	**716**	–
Impairment losses on trade and other receivables	6(c)	**581**	425
Impairment losses on intangible assets	6(c)	**2,462**	5,721
Finance costs	6(a)	**387**	318
Interest income	5	**(125)**	(276)
Net gain on disposal of property, plant and equipment	6(c)	**(35)**	(40)
COVID-19-related rent concessions received	12(a)	**–**	(55)
Effect of foreign exchange (gain)/loss		**(28)**	303
Changes in working capital:			
(Increase)/decrease in inventories		**(594)**	11,244
(Increase)/decrease in trade and other receivables		**(6,023)**	16,491
Increase/(decrease) in trade and other payables		**6,590**	(12,597)
Increase/(decrease) in employee retirement benefit obligations		**143**	(2,125)
Cash generated from operations		**2,829**	18,244

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities *$'000*
At 1 January 2020	4,215
Changes from financing cash flow:	
Capital element of lease rentals paid	(3,995)
Interest element of lease rentals paid	(318)
Total changes from financing cash flows	(4,313)
Other changes:	
Increase in lease liabilities from lease modification during the period	9,493
COVID-19-related rent concessions received (note 12(a))	(55)
Interest expenses (note 6(a))	318
Total other changes	9,756
At 31 December 2020 and 1 January 2021	9,658
Changes from financing cash flow:	
Capital element of lease rentals paid	(4,025)
Interest element of lease rentals paid	(387)
Total changes from financing cash flows	(4,412)
Other changes:	
Increase in lease liabilities from lease modification during the period	157
Interest expenses (note 6(a))	387
Total other changes	544
At 31 December 2021	5,790

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

The lease rentals paid included in the cash flow statement for leases comprise the following:

	2021	2020
	$'000	*$'000*
Within operating cash flows	310	807
Within financing cash flows	4,412	4,313
	4,722	5,120

20 TRADE AND OTHER PAYABLES

	Note	2021	2020
		$'000	*$'000*
Trade payables	(i)	9,166	3,650
Accruals		3,687	2,719
Receipt in advance from customers	(ii)	1,614	3,810
		14,467	10,179

Notes:

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

	2021	2020
	$'000	*$'000*
Within 1 month	6,077	1,929
1 to 3 months	3,048	1,721
3 months to 1 year	41	–
	9,166	3,650

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

20 TRADE AND OTHER PAYABLES *(continued)*

Notes: *(continued)*

(ii) Typical payment terms which impact on the amount of contract liabilities recognised when the Group receives a deposit from customer before the production activity commences. This will give rise to contract liabilities at the start of a contract, until the revenue recognised exceeds the amount of the deposit. The Group typically receives a 50% deposit on acceptance of sales orders and was negotiated on a case by case basis with customers.

Movements in receipt in advance from customers

	2021	2020
	$'000	*$'000*
At 1 January	**3,810**	4,336
Decrease in receipt in advance from customers as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,227)**	(3,087)
Net increase in receipt in advance from customers as a result of receiving sales deposits during the year not utilised at year end	**1,128**	2,667
Decrease in receipt in advance from customers as a result of written off during the year	**(60)**	(136)
Exchange adjustment	**(37)**	30
At 31 December	**1,614**	3,810

21 EMPLOYEE RETIREMENT BENEFITS

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

(a) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the MPF scheme vest immediately. No forfeited contributions may be used by the Group to reduce the existing level of contributions.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, employees of the subsidiaries in the PRC are members of the central pension scheme operated by the PRC municipal government authorities. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated required contribution under the central pension scheme. Contributions to the plan vest immediately. No forfeited contributions may be used by the Group to reduce the existing level of contributions.

(b) Defined benefit retirement plan

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

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuation. The latest actuarial valuation of the plan was at 31 December 2021 and was prepared by independent professionally qualified actuaries at E.M. Zalamea Actuarial Services, Inc. (who is a Member of the International Actuarial Association, Fellow of the Actuarial Society of the Philippines and Member of the International Association of consulting Actuaries), using the projected unit credit method. The actuarial valuation indicates that the Group's obligation under this defined benefit retirement plan is 100% (2020: 70%) covered by the plan assets held by the trustee.

21 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

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

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

	2021	2020
	$'000	*$'000*
Present value of wholly funded obligations	61	1,023
Fair value of plan assets	(659)	(720)
Impact of asset ceiling	291	–
Total (asset)/liability recognised	(307)	303

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group does not expect to make contributions to defined benefit retirement plan in 2022 (2021: $117,000).

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

	2021	2020
	$'000	*$'000*
Government bonds	645	592
Unit investment trust funds	14	97
Cash and cash equivalents	–	31
	659	720

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

21 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

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

	2021	2020
	$'000	*$'000*
At 1 January	1,023	2,931
Remeasurement:		
– Actuarial (gains)/losses arising from changes in financial assumptions	(11)	623
– Actuarial gains arising from experience	(1,038)	(230)
Benefits paid by the plan	(18)	(603)
Current service cost	130	313
Interest cost	41	119
Gain on plan curtailment	–	(2,217)
Exchange difference	(66)	87
At 31 December	61	1,023

The weighted average duration of the defined benefit obligation is 14.3 years (2020: 7.1 years).

(iv) Movements in plan assets

	2021	2020
	$'000	*$'000*
At 1 January	720	905
Contributions paid to the plan	–	304
Benefits paid by the plan	(18)	(603)
Return on plan assets, excluding interest income	(33)	54
Interest income	29	36
Exchange difference	(39)	24
At 31 December	659	720

21 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

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

	2021	2020
	$'000	*$'000*
Current service cost	130	313
Gain on plan curtailment	–	(2,217)
Net interest on net defined benefit liability	12	83
Total amounts recognised in profit or loss	142	(1,821)
Actuarial (gains)/losses	(1,049)	393
Remeasurement loss due to the effect of asset ceiling	292	–
Return on plan assets, excluding interest income	32	(54)
Total amounts recognised in other comprehensive income	(725)	339
Total defined benefit returns	(583)	(1,482)

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

21 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

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

	2021	2020
Discount rate	**5.08%**	3.95%
Future salary increases	**5% per annum**	5% per annum

The below analysis shows how the defined benefit obligation as at 31 December 2021 would have (decreased)/increased as a result of 1% change in the significant actuarial assumptions:

	2021		2020	
	Increase in 1%	**Decrease in 1%**	Increase in 1%	Decrease in 1%
	$'000	***$'000***	*$'000*	*$'000*
Discount rate	**(8)**	**10**	(68)	79
Future salary increases	**9**	**(8)**	77	(68)

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

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised:

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

	Depreciation allowances in excess of the related depreciation *$'000*	Employee retirement benefits *$'000*	Amortisation of intangibles *$'000*	Tax losses *$'000*	Others *$'000*	Total *$'000*
Deferred tax arising from:						
At 1 January 2020	(228)	684	(925)	1,365	1,044	1,940
Exchange adjustments	3	21	–	–	27	51
Credited/(charged) to profit or loss	65	(26)	(533)	390	(64)	(168)
Charged to reserves	–	102	–	–	–	102
At 31 December 2020 and 1 January 2021	**(160)**	**781**	**(1,458)**	**1,755**	**1,007**	**1,925**
Exchange adjustments	**(1)**	**(8)**	–	–	**(62)**	**(71)**
Credited/(charged) to profit or loss	**12**	**(739)**	**646**	**(794)**	**(596)**	**(1,471)**
Credited to reserves	–	**(383)**	–	–	–	**(383)**
At 31 December 2021	**(149)**	**(349)**	**(812)**	**961**	**349**	–

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

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of $123,270,000 (2020: $106,756,000) as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities.

Included in unrecognised tax losses and other temporary differences is an amount of $10,448,000 (2020: $10,446,000) which can be carried forward up to five years from the year in which the loss originated. The remaining balance of $112,822,000 (2020: $96,310,000) does not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2021, temporary differences relating to undistributed profits of subsidiaries amounted to $26,964,000 (2020: $23,776,000). Deferred tax liabilities of $1,348,000 (2020: $1,189,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital *$'000*	Share premium *$'000*	Retained profits/ (accumulated losses) *$'000*	Total equity *$'000*
Balance at 1 January 2020	31,956	53,383	1,262	86,601
Change in equity for the year:				
Total comprehensive income for the year	–	–	(1,951)	(1,951)
Balance at 31 December 2020	31,956	53,383	(689)	84,650
Balance at 1 January 2021	**31,956**	**53,383**	**(689)**	**84,650**
Change in equity for the year:				
Total comprehensive income for the year	**–**	**–**	**(37,210)**	**(37,210)**
Balance at 31 December 2021	**31,956**	**53,383**	**(37,899)**	**47,440**

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

Authorised and issued share capital

	2021		2020	
	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 31 December	**319,565**	**31,956**	319,565	31,956

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

(c) Nature and purpose of reserves

(i) Share premium

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

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

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves *(continued)*

(ii) Merger reserve

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

(iii) Surplus reserve

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

(iv) Exchange reserve

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

(d) Distributability of reserves

At 31 December 2021, the aggregate amount of reserve available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 23(a), was $15,484,000 (2020: $52,694,000).

(e) Capital management

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

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

24 DISCONTINUED OPERATION

Pursuant to an announcement of the Company made on 24 March 2020, in view of the changes in macroeconomic environment and the uncertainty of the segment, the Group discontinued the financial services and investment business (the "Discontinued operation") at 31 March 2020.

The results of the Discontinued operation are presented below:

	2020 *$'000*
Administrative expenses	(28)
Loss from the Discontinued operation for the year attributable to the equity shareholders of the Company	(28)

The net cash flows incurred by the Discontinued operation are as follows:

	2020 *$'000*
Net cash used in operating activities	(201)
Net cash outflow	(201)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and other financial assets are limited because the counterparties are banks and financial institutions with a minimum credit rating of Baa2 assigned by Moody's Corporation, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to these credit risks are monitored on an on-going basis.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 7% (2020: 12%) and 30% (2020: 20%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

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

(a) Credit risk *(continued)*

***Trade receivables** (continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group's historical credit loss experience does not indicate significantly different loss patterns for external customers. The loss allowance based on past due status is thus not further distinguished between the Group's different customer bases, except that the Group considers the loss pattern associated with the fellow subsidiary separately from other customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December:

	2021					
	Gross carrying amount	Gross carrying amount not considered for provision on individual basis	Expected loss rate	ECLs	Provision on individual basis	Loss allowance
	$'000	*$'000*		*$'000*	*$'000*	*$'000*
Current (not past due)	7,611	7,611	1.1%	85	–	85
Less than 1 month past due	3,436	3,436	1.5%	52	–	52
1 to 3 months past due	1,546	1,546	4.9%	76	–	76
More than 3 months but less than 12 months past due	232	232	48.7%	113	–	113
More than 1 year past due	300	300	100%	300	–	300
	13,125	13,125		626	–	626

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

(a) Credit risk *(continued)*

Trade receivables (continued)

	2020					
	Gross carrying amount	Gross carrying amount not considered for provision on individual basis	Expected loss rate	ECLs	Provision on individual basis	Loss allowance
	$'000	*$'000*		*$'000*	*$'000*	*$'000*
Current (not past due)	5,732	5,732	0.7%	39	–	39
Less than 1 month past due	1,952	1,952	0.7%	14	–	14
1 to 3 months past due	686	686	0.7%	5	–	5
More than 3 months but less than 12 months past due	418	418	2.2%	9	–	9
More than 1 year past due	13,016	33	100%	33	12,983	13,016
	21,804	8,821		100	12,983	13,083

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect the factors that are specific to the debtors and differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

(a) Credit risk *(continued)*

Trade receivables *(continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 *$'000*	2020 *$'000*
Balance at 1 January	**13,083**	13,142
Amounts written off during the year	**(13,040)**	(501)
Impairment losses recognised during the year	**581**	425
Exchange adjustments	**2**	17
Balance at 31 December	**626**	13,083

(b) Liquidity risk

The Group manage their cash management for daily operation, including placing short term bank deposits. Cash surplus over operating needs are closely monitored and managed by the Group's central cash and treasury management system. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate funding from the larger group of the Group to meet its liquidity requirements in the short and longer term. The Group's exposures to the liquidity risk and its policies for managing such risk were unchanged from the year ended 31 December 2020.

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

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates and the earliest date the Group can be required to pay:

	2021 Contractual undiscounted cash outflow				
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 5 years *$'000*	Total *$'000*	Carrying amount *$'000*
Lease liabilities	**4,089**	**1,885**	**38**	**6,012**	**5,790**
Trade and other payables (excluding receipt in advance from customers)	**12,853**	**–**	**–**	**12,853**	**12,853**

	2020 Contractual undiscounted cash outflow				
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 5 years *$'000*	Total *$'000*	Carrying amount *$'000*
Lease liabilities	4,392	4,033	1,827	10,252	9,658
Trade and other payables (excluding receipt in advance from customers)	6,369	–	–	6,369	6,369

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

(c) Interest rate risk

The Group's interest rate risk arises solely from lease liabilities. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements. The Group does not use derivative financial instruments to hedge its fixed rate debt obligations. All of the of the Group as of 31 December 2021 were calculated based on the Group's incremental borrowing rate. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's lease liability at the end of the reporting period:

	2021		2020	
	Incremental borrowing		Incremental borrowing	
	%	***$'000***	%	*$'000*
Lease liabilities	**4.4–6.0**	**5,790**	4.4–6.0	9,658

The lease liabilities are not re-measured in the financial statements in response to changes in market risk variables and therefore the changes in market risk variables would not affect profit or loss or equity. Therefore, no sensitivity analysis is performed.

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

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in HKD)			
	2021		2020	
	USD	**RMB**	USD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Cash and cash equivalents	**39,645**	**591**	42,288	53
Amounts due to group companies	**–**	**(755)**	–	(1,177)
Trade and other receivables	**13,149**	**70**	8,034	76
Trade and other payables	**(4,303)**	**(2,812)**	(3,465)	(1,687)
Net exposure	**48,491**	**(2,906)**	46,857	(2,735)

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

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

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

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after taxation and (increase)/ decrease in accumulated losses**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits
		$'000		*$'000*
RMB	**5%**	**(121)**	5%	(114)
	(5)%	**121**	(5)%	114

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

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

(d) Currency risk *(continued)*

(ii) Sensitivity analysis *(continued)*

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as 2020.

(e) Fair value measurement

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

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

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

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

The fair value of the treasury bills listed outside Hong Kong held by the Group has been disclosed in note 18. The fair value measurement of these instruments fall into level 1 of the fair value hierarchy described above.

During the years ended 31 December 2021 and 2020, 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 also not materially different from their fair values as at 31 December 2021 and 2020.

26 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	2021	2020
	$'000	*$'000*
Short-term employee benefits	3,116	2,976
Post-employment benefits	36	36
	3,152	3,012

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

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 $'000	2020 $'000
Non-current assets			
Investments in subsidiaries		**14,004**	14,004
Amounts due from subsidiaries		**33,510**	70,543
		47,514	84,547
Current assets			
Other receivables		**188**	189
Cash and cash equivalents		**404**	86
		592	275
Current liability			
Accruals and other payables		**666**	172
		666	172
Net current (liabilities)/assets		**(74)**	103
NET ASSETS		**47,440**	84,650
CAPITAL AND RESERVES			
Share capital	23(b)	**31,956**	31,956
Reserves		**15,484**	52,694
TOTAL EQUITY		**47,440**	84,650

Approved and authorised for issue by the Board of Directors on 30 March 2022.

Mai Zhaoping
Director

Zhang Xueqin
Director

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors considered the immediate parent and ultimate controlling party of the Group to be HNA EcoTech Pioneer Acquisition, which is incorporated in Cayman Islands and Hainan Province Cihang Foundation, which is established in PRC respectively. Ultimate controlling parties have been changed on 12 January 2022 with more details set out in note 29.

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

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 12 January 2022, HNA Technology Group (HK) Co., Limited, an indirect parent of the Group, entered into a sale and purchase agreement with Mars Development Limited and Megacore Development Limited (the "Agreement"). Pursuant to the Agreement, Mars Development Limited and Megacore Development Limited acquired 60% and 40% of the shareholding of HNA EcoTech Pioneer Acquisition (the immediate parent of the Group) respectively, details of which are set out in the announcements of the Company dated 12 January 2022 and 4 February 2022.

Immediately after the transaction and pursuant to a deed of concert parties signed between Mr. Mai Zhaoping and Mr. Zhang Xueqin (being the ultimate beneficial owners of Mars Development Limited and Megacore Development Limited respectively), the ultimate controlling parties of the Group were changed to Mr. Mai Zhaoping and Mr Zhang Xueqin, who were also appointed as executive directors of the Company on 4 February 2022.

(ii) On 24 February 2022, an armed conflict broke out between the Russian Federation and Ukraine. Several countries have invoked trade sanctions on the Russian Federation and removed major Russian banks from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system.

Due to the uncertainty of continuing business with the customers in the region, the directors will continue to closely monitor the situation in the region.

During the year ended 31 December 2021, sales to customers in the Russian Federation amounted to $4,885,000, details of which are set out in note 4(b)(iii). At 31 December 2021, outstanding trade receivables from these customers were $1,944,000, of which $1,711,000 were settled as of the date of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs 2018–2020 cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

31 December 2021

(Expressed in Hong Kong dollars)

	2021	2020	2019	2018	2017
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
RESULTS					
Revenue	**98,114**	112,747	165,727	137,685	182,272
Cost of sales and services	**45,797**	57,534	74,365	63,315	78,498
Gross profit	**52,317**	55,213	91,362	74,370	103,774
Gross profit margin	**53%**	49%	55%	54%	57%
(Loss)/profit for the year	**(21,323)**	(20,223)	(8,259)	(23,547)	5,689
Net profit margin	**-22%**	-18%	-5%	-17%	3%
ASSETS AND LIABILITIES					
Total assets	**101,699**	121,458	145,866	158,212	181,743
Total liabilities	**20,257**	20,140	27,083	30,338	28,042
Total equity	**81,442**	101,318	118,783	127,874	153,701