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HNA Technology Investments Holdings Limited
海航科技投資控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2086)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2019 increased by 20% to HK\$78.4 million (six months ended 30 June 2018: HK\$65.4 million).
- The Group recorded a loss for the period of HK\$3.7 million (six months ended 30 June 2018: loss for the period of HK\$10.6 million) for the six months ended 30 June 2019.
- The Board does not declare the payment of an interim dividend for the six months ended 30 June 2019.

RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

(Expressed in Hong Kong dollars)

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

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

NOTES TO THE INTERIM FINANCIAL RESULTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, Leases

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

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

(a) Changes in the accounting policies

(i) *New definition of a lease*

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

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

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

(ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

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.

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

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

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

(b) Transitional impact

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

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

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

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

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

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

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

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

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

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

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

(c) Lease liabilities

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

- The financial technology and smart living business mainly represents the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services; and
- The financial services and investment business mainly represents the provision of advisory services including financial due diligence and business operation consultancy services.

(a) Disaggregation of revenue

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

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended	Financial technology and smart living		Financial services and investment		Total	
	2019	2018	2019	2018	2019	2018
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Disaggregated by timing of revenue recognition						
Point in time	78,430	65,425	–	–	78,430	65,425
Reportable segment revenue	78,430	65,425	–	–	78,430	65,425
Reportable segment profit/ (loss) from operations	4,053	2,046	(795)	(6,845)	3,258	(4,799)
As at 30 June/31 December						
Reportable segment assets	137,223	142,999	8,157	11,258	145,380	154,257
Reportable segment liabilities	20,283	27,988	405	26,218	20,688	54,206

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

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

(c) **Reconciliations of reportable segment profit or loss**

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

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

4 LOSS BEFORE TAXATION

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

(a) **Finance costs**

	Six months ended 30 June	
	2019	2018
		<i>(Note)</i>
	\$'000	\$'000
Interest on lease liabilities	169	–

(b) **Other items**

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

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

5 INCOME TAX

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

Notes:

- (i) For the six months ended 30 June 2019, no provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong. For the six months ended 30 June 2018, the provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.
- (ii) The provision for Philippines Income Tax for the period is calculated at 30% (2018: 30%) of the estimated taxable income or 2% (2018: 2%) on gross income incurred, whichever is higher, in accordance with the National Internal Revenue Code of the Republic of the Philippines.
- (iii) In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, the statutory income tax rate applicable to the Company's subsidiaries in the PRC is 25%, except for the following companies:
 - (a) Logyi Limited (“Logyi”)

Logyi was granted the “small and micro sized enterprise” status and enjoys the preferential corporate income tax rate of 10% from 2018 onwards.
 - (b) ACS Technologies (Shenzhen) Limited (“ACS Shenzhen”)

ACS Shenzhen was granted the “high and new technology enterprise” status and enjoys the preferential corporate income tax rate of 15% for three years between 2018 and 2020.
- (iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

6 LOSS PER SHARE

(a) Basic losses per share

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

(b) Diluted losses per share

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

7 TRADE AND OTHER RECEIVABLES

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

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

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

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

Trade receivables are generally due within 7 days to 3 months from the date of billing. Trade receivables in relation to sales of software and sales under solution business are due according to respective payment terms, which may exceed 3 months. For advisory services entered, invoices are due upon presentation.

8 TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

Revenue

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

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

Gross Profit Margin

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

Operating Expenses

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

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

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

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

Loss for the Period

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

DIVIDEND

The Board did not declare an interim dividend in respect of the Interim Period. The declaration, payment, and amount of future dividends will be decided by the Board and will depend upon, among other things, the Group's results of operations, capital requirements, cash flows, general financial conditions, and such other factors as the Board may consider important.

BUSINESS REVIEW

Financial Technology and Smart Living

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

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

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

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

Events

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

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

Financial Services and Investment

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

PROSPECTS

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

Financial Technology and Smart Living

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

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

Financial Services and Investment

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

DISPOSALS AND ACQUISITIONS

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

ADDITIONAL INFORMATION

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

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

CORPORATE GOVERNANCE CODE

During the Interim Period, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The directors are of the opinion that the Company has complied with the code provisions set out in the CG Code during the Interim Period, except for the deviation from the code provision E.1.2 and those disclosed below.

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

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

Following the resignation of Ms. Kaung Cheng Xi Dawn, the Company was not in compliance with Rules 3.10(1) and 3.10A of the Listing Rules with regard to the composition of the Board and with Rule 3.21 of the Listing Rules with regard to the composition of the audit committee from 31 December 2018 to 14 March 2019. Following the appointment of Ms. O Wai on 15 March 2019 as an independent non-executive director and a member of the audit committee of the Company, the Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules in relation to the composition of the Board and Rule 3.21 of the Listing Rules with regard to the composition of the audit committee of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted dealings rules regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Director of Listed Companies (the "Model Code").

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

AUDIT COMMITTEE

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

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

PUBLICATION

The interim results announcement of the Company for the Interim Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hnatechinv.com) respectively. The 2019 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Jiang Hao, Mr. Xu Jie, Mr. Wang Jing and Mr. Wong Chi Ho, and three independent non-executive directors, namely Mr. Guo Dan, Dr. Lin Tat Pang and Ms. O Wai.