

CONTENTS

	Pages
CORPORATE INFORMATION	2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT	8
MANAGEMENT DISCUSSION AND ANALYSIS	20
ADDITIONAL INFORMATION	23

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Lee Ka Man, ACS, ACG

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. Lin Tat Pang (*Chairman*)
Mr. Guo Dan
Mr. Peng Zhi (*appointed on 11 August 2021*)
Mr. Wang Jing (*ceased on 11 August 2021*)

NOMINATION COMMITTEE

Mr. Guo Dan (*Chairman*)
Dr. Lin Tat Pang
Mr. Wong Chi Ho

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

COMPANY'S WEBSITE ADDRESS

www.hnatechin.com

STOCK CODE

2086

The board of directors (the “Board”) of HNA Technology Investments Holdings Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the comparative unaudited figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Unaudited	
		2021	2020
		\$'000	\$'000
Continuing operations			
Revenue	3	36,250	60,771
Cost of sales		(15,981)	(26,544)
Gross profit		20,269	34,227
Other income		313	645
Selling and distribution costs		(3,554)	(5,356)
Research and development expenses		(11,031)	(13,657)
Administrative expenses		(16,060)	(16,381)
Loss from operations		(10,063)	(522)
Finance costs	4(a)	(217)	(98)
Loss before taxation	4	(10,280)	(620)
Income tax	5	(609)	(324)
Loss from continuing operations		(10,889)	(944)
Discontinued operation			
Loss from discontinued operation	6	–	(28)
Loss for the period attributable to the equity shareholders of the Company		(10,889)	(972)
Loss per share			
<i>From continuing operations</i>			
Basic		(3.407 cents)	(0.295 cents)
Diluted		(3.407 cents)	(0.295 cents)
<i>From discontinued operation</i>			
Basic		–	(0.009 cents)
Diluted		–	(0.009 cents)

The notes on pages 8 to 19 form part of this unaudited interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended 30 June	
	2021	2020
	\$'000	\$'000
Loss for the period	(10,889)	(972)
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	1,544	(710)
Total comprehensive income for the period	(9,345)	(1,682)
Attributable to:		
Equity shareholders of the Company	(9,345)	(1,682)

The notes on pages 8 to 19 form part of this unaudited interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Unaudited 30 June 2021 \$'000	Audited 31 December 2020 \$'000
Non-current assets			
Property, plant and equipment	8	11,910	14,982
Intangible assets		16,357	17,449
Deferred tax assets		1,385	1,925
		29,652	34,356
Current assets			
Inventories		20,359	19,602
Trade and other receivables	9	10,410	12,220
Other financial assets		249	326
Current tax recoverable		609	583
Cash and cash equivalents	10	52,042	54,371
		83,669	87,102
Current liabilities			
Trade and other payables	11	13,186	10,179
Lease liabilities		4,066	4,008
		17,252	14,187
Net current assets		66,417	72,915
Total assets less current liabilities		96,069	107,271
Non-current liabilities			
Defined benefit obligations		476	303
Lease liabilities		3,620	5,650
		4,096	5,953
NET ASSETS		91,973	101,318
CAPITAL AND RESERVES			
Share capital	12	31,956	31,956
Reserves		60,017	69,362
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		91,973	101,318

The notes on pages 8 to 19 form part of this unaudited interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Surplus reserve \$'000	Exchange reserve \$'000	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 six months ended							
30 June 2020:							
Loss for the period	-	-	-	-	-	(972)	(972)
Other comprehensive income	-	-	-	-	(710)	-	(710)
Total comprehensive income	-	-	-	-	(710)	(972)	(1,682)
Appropriation to surplus reserve	-	-	-	87	-	(87)	-
Balance at 30 June 2020 and							
1 July 2020	31,956	53,383	4,496	2,577	(2,500)	27,189	117,101
Changes in equity for the							
six months ended							
31 December 2020:							
Loss for the period	-	-	-	-	-	(19,251)	(19,251)
Other comprehensive income	-	-	-	-	3,705	(237)	3,468
Total comprehensive income	-	-	-	-	3,705	(19,488)	(15,783)
Appropriation to surplus reserve	-	-	-	(87)	-	87	-
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 six months ended							
30 June 2021:							
Loss for the period	-	-	-	-	-	(10,889)	(10,889)
Other comprehensive income	-	-	-	-	1,544	-	1,544
Total comprehensive income	-	-	-	-	1,544	(10,889)	(9,345)
Appropriation to surplus reserve	-	-	-	78	-	(78)	-
Balance at 30 June 2021	31,956	53,383	4,496	2,568	2,749	(3,179)	91,973

The notes on pages 8 to 19 form part of this unaudited interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	Unaudited	
		six months ended 30 June	
		2021	2020
		\$'000	\$'000
Operating activities			
Cash generated from operations		2,524	4,591
Tax paid		(61)	(297)
Net cash generated from operating activities		2,463	4,294
Investing activities			
Payment for the purchase of property, plant and equipment		(581)	(700)
Expenditure on development projects capitalised		(2,340)	(2,018)
Other cash flows arising from investing activities		223	205
Net cash used in investing activities		(2,698)	(2,513)
Financing activities			
Capital element of lease rentals paid		(1,972)	(2,240)
Interest element of lease rentals paid		(217)	(98)
Net cash used in financing activities		(2,189)	(2,338)
Net decrease in cash and cash equivalents		(2,424)	(557)
Cash and cash equivalents at 1 January		54,371	45,449
Effect of foreign exchange rate changes		95	10
Cash and cash equivalents at 30 June	10	52,042	44,902

The notes on pages 8 to 19 form part of this unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim financial report is unaudited but has been reviewed by the audit committee of the Company and it was authorised for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 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 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	\$'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	36,250	60,771
Disaggregated by geographical location of customers		
– Mainland China, Hong Kong, Macau and Taiwan	6,975	9,355
– Turkey	4,757	3,837
– United States of America (“U.S.”)	3,549	11,766
– Germany	2,321	2,881
– The Russian Federation	2,101	115
– Italy	1,429	3,394
– Other countries	15,118	29,423
	29,275	51,416
	36,250	60,771

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

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

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

	Financial technology and smart living	
For the six months ended	2021	2020
	\$'000	\$'000
Disaggregated by timing of revenue recognition		
Point in time	36,235	60,768
Over time	15	3
Reportable segment revenue	36,250	60,771
Reportable segment (loss)/profit from operations	(10,280)	2,073

As at 30 June/31 December

Reportable segment assets	113,321	121,458
Reportable segment liabilities	21,348	20,140

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

Prior to 31 March 2020, the Group had two reportable segments, financial technology and smart living, and financial services and investments which was discontinued at 31 March 2020. For the three months ended 31 March 2020, to arrive at "(loss)/profit from operations", the Group's (loss)/profit was further adjusted for items not specifically attributed to individual segments, such as directors' remuneration, interest income, finance costs and other head office and corporate expenses.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Continuing operations		
Reportable segment (loss)/profit from operations	(10,280)	2,073
Interest income	–	110
Finance costs	–	(58)
Unallocated head office and corporate expenses	–	(2,745)
	(10,280)	(620)
Discontinued operation		
Reportable segment loss from operation	–	(28)
Consolidated loss before taxation	(10,280)	(648)

4 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Interest on lease liabilities	217	98

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 LOSS BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Amortisation of intangible assets	3,431	5,647
Depreciation		
– owned property, plant and equipment	1,672	1,655
– right-of-use assets	1,999	2,220
Government subsidies*	(178)	(406)
Provision recognised/(reversed) for		
– impairment losses on trade receivables	23	(12)
Write-down of inventories	21	11
Interest income	(64)	(205)

* The government subsidies granted to the Group during the six months ended 30 June 2021 mainly comprised the followings:

- (i) The Group successfully applied for research and development subsidy from Shenzhen Government of The People's Republic of China ("PRC") of \$162,000 (six months ended 30 June 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; and
- (ii) The Group successfully applied for Employment Support Scheme subsidy of \$nil (six months ended 30 June 2020: \$135,000) granted by the Hong Kong government under the anti-epidemic fund upon the outbreak of novel coronavirus ("COVID-19") in early 2020. The purpose of the subsidy is to provide financial support to employers to retain employees who may otherwise be made redundant.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	–	8
Current tax – Philippines Income Tax		
Provision for the year	–	49
Under/(over) provision in respect of prior years	45	(175)
	45	(126)
Current tax – Other jurisdictions		
Provision for the year	–	286
	–	286
Deferred taxation	564	156
Income tax expense	609	324

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

- (ii) The provision for Philippines Income Tax for the period is calculated at 30% (2020: 30%) of the estimated taxable income or 2% (2020: 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 and at 25% from 2021 onwards.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 DISCONTINUED OPERATION

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Administrative expenses	–	(28)
Loss for the period from discontinued operation attributable to the equity shareholders of the Company	–	(28)

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Net cash used in operating activities	–	(201)
Net cash outflow	–	(201)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 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 \$10,889,000 (six months ended 30 June 2020: \$944,000) and the weighted average of 319,565,000 (six months ended 30 June 2020: 319,565,000) ordinary shares in issue for the six months ended 30 June 2021.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 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 is based on loss attributable to ordinary equity shareholders of the Company of \$nil (six months ended 30 June 2020: \$28,000) and the weighted average of 319,565,000 (six months ended 30 June 2020: 319,565,000) ordinary shares in issue for the six months ended 30 June 2021.

(d) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2021 and 2020 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021 and 2020, there were no additions to right-of-use assets as there were no renewal of existing leases nor new leases entered into during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of \$581,000 (six months ended 30 June 2020: \$700,000). Items of plant and machinery with a net book value of \$31,000 (six months ended 30 June 2020: \$7,000) were disposed of during the six months ended 30 June 2021, resulting in a gain on disposal of \$46,000 (six months ended 30 June 2020: loss on disposal of \$7,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES

	30 June 2021 \$'000	31 December 2020 \$'000
Trade receivables, net of loss allowance (Note)	6,353	8,721
Prepayments	889	951
Deposits paid	2,265	1,670
Other receivables	903	878
	10,410	12,220

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 2020: \$12,000,000). As at 30 June 2021, full provision of expected credit loss of \$12,000,000 (31 December 2020: \$12,000,000) was made, resulting in a net balance (net of loss allowance) of \$nil (31 December 2020: \$nil). The amount is unsecured, interest-free and past due for more than 1 year.

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

	30 June 2021 \$'000	31 December 2020 \$'000
Within 1 month	2,647	4,096
1 to 2 months	1,190	2,992
2 to 3 months	1,514	793
3 to 12 months	1,002	840
	6,353	8,721

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 CASH AND CASH EQUIVALENTS

	30 June 2021 \$'000	31 December 2020 \$'000
Cash at bank and on hand	14,349	11,733
Bank deposits maturing within three months when placed	37,693	42,638
Cash and cash equivalents	52,042	54,371

11 TRADE AND OTHER PAYABLES

	30 June 2021 \$'000	31 December 2020 \$'000
Trade payables	4,491	3,650
Accruals	2,335	2,719
Receipt in advance from customers	6,360	3,810
	13,186	10,179

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

	30 June 2021 \$'000	31 December 2020 \$'000
Within 1 month	3,485	1,929
1 to 3 months	1,005	1,721
3 months to 1 year	1	–
	4,491	3,650

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 SHARE CAPITAL

Authorised and issued share capital

	30 June 2021		31 December 2020	
	Number of		Number of	
	shares	Amount	shares	Amount
	'000	\$'000	'000	\$'000
Authorised:				
Ordinary shares of \$0.1 each	1,000,000	100,000	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and				
30 June/31 December	319,565	31,956	319,565	31,956

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30 June 2021, the fair value of the treasury bills listed outside Hong Kong held by the Group was \$249,000 (31 December 2020: \$323,000). The costs of these financial assets measured at amortised cost are not materially different from their fair values at 30 June 2021 and 31 December 2020. These instruments fall into level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2021 and year ended 31 December 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 not materially different from their fair values as at 30 June 2021 and 31 December 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Short-term employee benefits	1,503	1,294
Post-employment benefits	18	18
	1,521	1,312

15 IMPACTS OF COVID-19 PANDEMIC

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

The Group successfully applied for a government subsidy related to COVID-19 during the six months ended 30 June 2020 (six months ended 30 June 2021: nil). Further details on the government subsidy are disclosed in note 4(b).

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 2021 (the “Interim Period”).

FINANCIAL REVIEW

Revenue

Revenue decreased by 40%, from HK\$60.8 million for the corresponding period in 2020 to HK\$36.3 million for the Interim Period, which was mainly due to the global impact of COVID-19 since the beginning of 2020 with no signs of significant recovery in 2021. This has led to restrictions on economic activities, and the Group’s business related to public utilities were severely affected. Furthermore, worldwide shortage of integrated circuit (“IC”) has seriously affected our devices shipment schedule and there are quite a lot of national-based government projects postponed or cancelled for the Interim Period.

Gross Profit Margin

Gross profit margin remained at 56% for the Interim Period which was the same as the corresponding period in 2020.

Operating Expenses

Total operating expenses decreased by 14%, from HK\$35.4 million for the corresponding period in 2020, to HK\$30.6 million for the Interim Period. The reduction of operating expenses was mainly due to the decrease in the Group’s headcount and reduction of staff costs of HK\$3.9 million and other cost control measures effectively implemented during the Interim Period.

Loss for the period

The Group recorded a loss of HK\$10.9 million for the Interim Period, which increased significantly compared to the loss of HK\$1.0 million for the corresponding period in 2020. The increase is mainly resulted from the outbreak of COVID-19 since early 2020 with no signs of significant recovery in 2021, causing unfavorable impacts to the Group’s operations and financial results during the Interim Period.

Statement of Financial Position

At 30 June 2021, the Group’s net assets amounted to HK\$92.0 million (31 December 2020: HK\$101.3 million). The decrease in net assets of HK\$9.3 million was due to the net loss of HK\$10.9 million offsetted with movement in exchange reserve of HK\$1.6 million for the Interim Period.

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial Technology and Smart Living

As the global epidemic situation remains severe, governments and corporations continue to shift budget to epidemic prevention and therefore, many projects especially the national-base government projects are still be put on hold.

During the Interim Period, the Group was also facing the worldwide shortage of IC and the trade war between China and the U.S., these all posed great impacts on our operation. The sales and distribution of smart card products is highly competitive, in particular, the Group directly and indirectly competes with global vendors in form of pricing, range of services provided and information technology.

All scheduled industrial events were cancelled as a result of COVID-19 and hence the Group changed its marketing strategies by focusing on online marketing to increase sales channels and strengthening the relationship with local customers with regular visits and products sponsorship.

PROSPECTS

We expect to see continued strong market demand for payment terminals, as consumers' payment habits have already experienced radical shift towards electronic transactions. With the unfavorable environment, the Group remains focused on our core strengths. With our excellent products and services, we are confident to cope with the coming economic challenges.

The China-U.S. trade war and the COVID-19 pandemic have disrupted the global supply chain for IC. In order to ensure adequate supply of IC, the Group has allocated extra budget for raw material preparation and explored alternative for critical components substitution. The Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations.

The Group intends to expand market shares and strive to provide better products and services, such as enhancement of features on existing products. We are going to launch new bus validator ACR350, an upgrade of the existing product ACR330, in a short period of time. With our innovative technology, we expects ACR350 is able to generate new income source for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 30 June 2021, the Group's cash and cash equivalents amounted to HK\$52.0 million (31 December 2020: HK\$54.4 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\$2.5 million (2020: HK\$4.3 million) for the Interim Period, the amount decreased as a result of declined financial performance and less cash receipts from customers were collected for the Interim Period. The Group recorded net cash outflow in investing activities of HK\$2.7 million (2020: HK\$2.5 million) for the Interim Period, the amount mainly included capital expenditures spent on development projects. The Group recorded net cash outflow in financing activities of HK\$2.2 million (2020: HK\$2.3 million) for the Interim Period, which was due to the capital and interest elements of lease rentals paid.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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, Philippine Pesos, United States dollars and Renminbi. As Hong Kong dollars is pegged to United States dollars, exchange risk arising from United States dollars does not have significant financial impact to the Group. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

PLEDGE OF ASSETS

As at 30 June 2021, the Group did not pledge any of its material assets.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 111 full time employees. Staff costs recognised in profit or loss for the Interim Period amounted to HK\$17.3 million (2020: HK\$21.2 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

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

As at 30 June 2021, the Company has not been notified of any interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules.

As at 30 June 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 to be recorded pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code or as otherwise notified to the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

ADDITIONAL INFORMATION

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

As at 30 June 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.

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 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%
Cihang Sino-Western Cultural and Educational Exchange Foundation Limited (慈航東西方文教交流基金會有限公司)	(i)	Interest in controlled corporation	238,889,669	74.75%
Premium Financial Limited (永實物業按揭有限公司)	(ii)	Security Interest	238,889,669	74.75%

* For identification purposes only

ADDITIONAL INFORMATION

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

(continued)

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2021
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 27 August 2019, HNA EcoTech Pioneer Acquisition, the controlling shareholder (as defined in the Listing Rules) of the Company entered into a share charge agreement with Premium Financial Limited, pursuant to which HNA EcoTech Pioneer Acquisition agreed to pledge 238,889,669 shares in the issued share capital of the Company in favour of Premium Financial Limited, for the purpose of securing a loan granted by independent third parties of the Company to HNA EcoTech Pioneer Acquisition.

Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Premium Financial Limited, Sun Speed Holdings Limited and Mr. Qiu Yong are interested in 238,889,669 shares as security interest; and (ii) interest in 238,889,669 shares held by HNA EcoTech Pioneer Acquisition, HNA Technology Group (HK) Co., Limited, HNA EcoTech Group Co., Ltd., HNA Group, Hainan Traffic Administration Holding Co., Ltd., Sheng Tang Development (Yangpu) Co., Ltd., Tang Dynasty Development Company Limited, Hainan Province Cihang Foundation and Cihang Sino-Western Cultural and Educational Exchange Foundation Limited were provided as security to a person other than a qualified lender.

Save as disclosed above, as at 30 June 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.

ADDITIONAL INFORMATION

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

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

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The audit committee of the Company is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing the Company's financial controls, internal controls and risk management systems; and reviewing the financial statements of the Company. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2021 and discussed the financial related matters with the management of the Group.

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

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

Hong Kong, 30 August 2021