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 2018

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2018 decreased by 14% to HK$65.4 million.
- The Group recorded a loss for the period of HK$10.6 million (2017: profit for the period of HK$0.9 million) for the six months ended 30 June 2018.
- The Board does not declare the payment of an interim dividend for the six months ended 30 June 2018.

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	**Unaudited Six months ended 30 June** **2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*	**65,425**	76,281
Cost of sales		**(29,003)**	(35,730)
Gross profit		**36,422**	40,551
Other income		**229**	406
Selling and distribution costs		**(8,121)**	(9,010)
Research and development expenses		**(12,662)**	(12,865)
Administrative expenses		**(26,491)**	(17,882)
(Loss)/profit from operations		**(10,623)**	1,200
Finance costs	*4(a)*	**–**	(140)
(Loss)/profit before taxation	*4*	**(10,623)**	1,060
Income tax	*5*	**28**	(183)
(Loss)/profit for the period, attributable to the equity shareholders of the Company		**(10,595)**	877
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**1,919**	682
Other comprehensive income for the period, net of tax		**1,919**	682
Total comprehensive income for the period, attributable to equity shareholders of the Company		**(8,676)**	1,559
(Losses)/earnings per share	*6*		
– Basic (HK cents)		**(3.315)**	0.274
– Diluted (HK cents)		**(3.315)**	0.274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 HK$'000**	Audited 31 December 2017 HK$'000
Non-current assets			
Plant and equipment	*7*	**4,375**	5,270
Intangible assets		**48,079**	47,000
Deferred tax assets		**3,136**	2,709
		55,590	54,979
Current assets			
Inventories		**37,701**	37,974
Trade and other receivables	*8*	**46,762**	57,744
Other financial assets		**878**	858
Current tax recoverable		**521**	556
Cash and cash equivalents		**24,038**	29,632
		109,900	126,764
Current liabilities			
Trade and other payables	*9*	**15,870**	23,948
Current tax payable		**2,831**	2,211
		18,701	26,159
Net current assets		**91,199**	100,605
Total assets less current liabilities		**146,789**	155,584
Non-current liabilities			
Defined benefit obligations		**1,472**	1,373
Deferred tax liabilities		**292**	510
		1,764	1,883
NET ASSETS		**145,025**	153,701
CAPITAL AND RESERVES			
Share capital	*10(b)*	**31,956**	31,956
Reserves		**113,069**	121,745
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**145,025**	153,701

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital *HK$'000*	Share premium* *HK$'000*	Merger reserve* *HK$'000*	Unaudited Surplus reserve* *HK$'000*	Exchange reserve* *HK$'000*	Retained profits* *HK$'000*	Total *HK$'000*
Balance at 1 January 2017	31,956	53,383	4,496	1,331	(1,104)	56,967	147,029
Charges in equity for the period							
Profit for the period	–	–	–	–	–	877	877
Other comprehensive income							
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	682	–	682
Total comprehensive income	–	–	–	–	682	877	1,559
Appropriation to surplus reserve	–	–	–	16	–	(16)	–
Balance at 30 June 2017	**31,956**	**53,383**	**4,496**	**1,347**	**(422)**	**57,828**	**148,588**
Balance at 1 January 2018	31,956	53,383	4,496	1,853	51	61,962	153,701
Charges in equity for the period							
Loss for the period	–	–	–	–	–	(10,595)	(10,595)
Other comprehensive income							
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	1,919	–	1,919
Total comprehensive income	–	–	–	–	1,919	(10,595)	(8,676)
Appropriation to surplus reserve	–	–	–	11	–	(11)	–
Balance at 30 June 2018	**31,956**	**53,383**	**4,496**	**1,864**	**1,970**	**51,356**	**145,025**

* These reserve accounts comprise the consolidated reserves of HK$113,069,000 (30 June 2017: HK$116,632,000) in the consolidated statement of financial position as at 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Operating activities		
Cash (used in)/generated from operations	**(711)**	8,174
Tax paid	**(3)**	(23)
Net cash (used in)/generated from operating activities	**(714)**	8,151
Investing activities		
Payment for the purchase of property, plant and equipment	**(462)**	(840)
Other cash flows used in investing activities	**(4,751)**	(5,231)
Net cash used in investing activities	**(5,213)**	(6,071)
Financing activities		
Net cash used in financing activities	**–**	(9,279)
Net decrease in cash and cash equivalents	**(5,927)**	(7,199)
Cash and cash equivalents at 1 January	**29,632**	40,551
Effect of foreign exchanges rates changes	**333**	308
Cash and cash equivalents at 30 June	**24,038**	33,660

NOTES TO THE INTERIM FINANCIAL RESULTS

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 reporting*, 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 28 August 2018.

The interim financial results has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an 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 2017 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 2017 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 number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The adoption of HKFRS 9 and HKFRS 15 does not have any material impact on the opening balances at 1 January 2018 except for the classification of the Group's investment in treasury bills. Under HKAS 39, *Financial instruments: recognition and measurement*, treasury bills of HK$858,000 were classified as held-to-maturity financial assets. At 1 January 2018, these treasury bills were reclassified to financial assets carried at amortised cost under HKFRS 9, given the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the group.

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	
	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sale of smart card products and provision of related services	**65,425**	76,281
– Advisory services	**–**	–
	65,425	76,281
Disaggregated by geographical location of customers		
– People's Republic of China ("PRC"), including Hong Kong and Macau (county of domicile)	**9,843**	13,030
– United States	**11,798**	9,852
– Italy	**3,137**	2,812
– Republic of the Philippines	**1,366**	2,861
– Other countries	**39,281**	47,726
	55,582	63,251
	65,425	76,281

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

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

	Financial technology and smart living		Financial services and investment		Total	
For the six months ended	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Disaggregated by timing of revenue recognition						
Point in time	**65,425**	76,281	**–**	–	**65,425**	76,281
Reportable segment revenue	**65,425**	76,281	**–**	–	**65,425**	76,281
Reportable segment profit/(loss) from operations	**2,046**	6,440	**(6,845)**	(444)	**(4,799)**	5,996
As at 30 June/31 December						
Reportable segment assets	**124,463**	134,129	**17,058**	30,649	**141,521**	164,778
Reportable segment liabilities	**36,912**	38,490	**1,450**	2,219	**38,362**	40,709

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income and finance cost. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Reportable segment (loss)/profit from operations	**(4,799)**	5,996
Interest income	**115**	100
Finance costs	**–**	(140)
Unallocated head office and corporate expenses	**(5,939)**	(4,896)
Consolidated (loss)/profit before taxation	**(10,623)**	1,060

4 PROFIT BEFORE INCOME TAX

(a) Finance costs

	Six months ended 30 June 2018 HK$'000	2017 HK$'000
Interest on bank loans and other borrowings	–	167
Less: interest expense capitalised into development costs*	–	(27)
	–	140

* The borrowing costs have been capitalised at a rate of 3% to 4% per annum for the six months ended 30 June 2017.

(b) Other items

	Six months ended 30 June 2018 HK$'000	2017 HK$'000
(Loss)/profit before taxation is arrived at after charging/(crediting):		
Amortisation of intangible assets		
– Included in research and development expenses	**3,285**	4,389
– Included in administrative expenses	**423**	423
Amount recognised in profit or loss	**3,708**	4,812
Depreciation of plant and equipment	**1,367**	1,387
Bad debt written off/(reversal of)	**1,060**	(6)
Write down of inventories	**521**	1,105

5 INCOME TAX

	Six months ended 30 June 2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong profits tax		
– Provision for current year	**620**	517
– Over-provision in respect of prior years	**–**	(19)
	620	498
Philippines Income Tax		
– Provision for current year	**29**	13
Other jurisdictions	**2**	60
	651	571
Deferred taxation	**(679)**	(388)
	(28)	183

The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits.

The provision for Philippines Income Tax for the period is calculated at 30% (2017: 30%) of the estimated taxable income or 2% (2017: 2%) on gross income incurred, whichever is higher, in accordance with the National Internal Revenue Code of the Republic of the Philippines.

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 is granted a tax holiday of two year tax exemption followed by three year 50% tax deduction starting from 2013. As a result, Logyi was exempted from corporate income tax for 2013 and 2014, and is subject to corporate income tax at 12.5% from 2015 to 2017 and at 25% from 2018 onwards.

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

ACS Shenzhen was granted the "high-technology enterprise" status and enjoys the preferential corporate income tax rate of 15% for three years between 2015 and 2017 and at 25% from 2018 onwards.

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

6 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic losses per share (2017: basic earnings per share) for the six months ended 30 June 2018 is based on loss attributable to ordinary equity shareholders of the Company of HK$10,595,000 (2017: profit of HK$877,000) and the weighted average of 319,565,000 (2017: 319,565,000) ordinary shares in issue during the period.

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share for the six months ended 30 June 2018 and 2017 are the same as the basic (losses)/earnings per share as there are no dilutive potential ordinary shares.

7 PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of plant and equipment with a cost of HK$462,000 (2017: HK$840,000), which primarily consists of computer and office equipment amounting to HK$428,000 (2017: HK$530,000). Items of plant and machinery with a net book value of HK$11,000 (2017: HK$942,000) were disposed of during the six months ended 30 June 2018, resulting in a loss on disposal of HK$11,000 (2017: HK$837,000).

8 TRADE AND OTHER RECEIVABLES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade receivables	**42,373**	50,925
Less: Allowance for doubtful debts	**(4,141)**	(3,120)
	38,232	47,805
Amount due from a joint venture	**2,682**	2,740
Less: Allowance for doubtful debts	**(1,791)**	(1,075)
	891	1,665
Prepayments	**1,710**	2,054
Deposit paid	**4,070**	3,548
Amount due from an immediate holding company	**309**	475
Amount due from a fellow subsidiary	**215**	215
Other receivables	**1,335**	1,982
	46,762	57,744

On 2 November 2017, a wholly owned subsidiary of the Group (the "subsidiary") entered into a mandate (the "Mandate") with a fellow subsidiary pursuant to which the subsidiary was conditionally appointed as a consultant to the fellow subsidiary in connection with the provision of advisory services. The service fees of the advisory services were pre-determined in the Mandate. Total service fee receivable from the fellow subsidiary for the year ended 2017 amounted to HK$16,000,000. As at 30 June 2018, an amount of HK$16,000,000 (2017: HK$16,000,000) remained unpaid and was included in trade receivables. The amount is unsecured, interest-free and recoverable under normal trade terms.

The related party transaction above constitute a continuing connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities.

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 month	**8,071**	29,494
1 to 2 months	**3,348**	3,553
2 to 3 months	**1,326**	646
3 to 12 months	**17,322**	1,514
Over 1 year	**8,165**	12,598
	38,232	47,805

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.

9 TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Trade payables	**7,419**	10,856
Accruals	**4,109**	9,101
Deposit received	**4,342**	3,991
	15,870	23,948

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Within 1 month	**5,007**	4,365
1 to 3 months	**2,370**	5,649
3 to 12 months	**–**	80
Over 1 year	**42**	762
	7,419	10,856

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividend

(i) The Company has not declared any dividend for the six month ended 30 June 2018 (2017: nil).

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of nil HK cent per share (2017: nil HK cents per share)	**–**	–

(b) Share Capital

Authorised and issued share capital

	30 June 2018		31 December 2017	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$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

11 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related party

The Group entered into the following material related party transaction other than the transactions and balances disclosed elsewhere in these financial results:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Rental fee charged by immediate holding company	**112**	–

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**6,415**	3,463
Post-employment benefits	**48**	52
	6,463	3,515

12 COMPARATIVE FIGURES

The group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

13 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 2), the Group has not early adopted any new or amended standards in preparing this interim financial results.

The Group has the following updated to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties *HK$'000*
Amounts payable:	
Within 6 months	3,005
After 6 months but within 1 year	1,673
After 1 year but within 5 years	3,458
After 5 years	–
	8,136

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

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 2018 ("the Interim Period").

FINANCIAL REVIEW

Revenue for the Interim Period decreased by 14% from HK$76.3 million in the corresponding period of 2017 to HK$65.4 million. In the first half of 2017, the Group recorded revenue over HK$7.4 million in relation to a project in the Republic of Fiji ("Fiji"), while no new project with similar scale for the Interim Period.

The Group's gross profit dropped by 10% to HK$36.4 million for the Interim Period. The gross profit margin of the Group for the Interim Period is 56%, slightly improved from 53% in 2017, as a result of increase in sales of some of customised products with relatively higher margins.

During the Interim Period, no revenue was recorded under its financial services and investment business, due to the project-based nature of such business and the rapid deterioration of macro environment since the beginning of 2018. The Group recorded no revenue under this segment in the corresponding period of 2017 as well.

Total operating expenses increased from HK$39.8 million in the corresponding period of 2017 to HK$47.3 million for the Interim Period, such increment was mainly contributed by the financial services and investments business and head office and corporate expenses.

For the financial technology and smart living business, total operating expenses for the Interim Period maintain at a similar level compared with the corresponding period of 2017(2018: HK$35.0 million; 2017: HK$34.4 million). The operating expenses for the Interim Period included an impairment losses on trade and other receivables amounting to HK$1.1m. During the Interim Period, management reviewed several long aged trade receivables and considered the collectability of the whole amount to be doubtful.

Despite the impairment, the operating expenses of financial technology and smart living business decreased by HK$0.5m as a result of decrease in amortisation of development cost. Certain products had already been fully amortised in previous year while several significant new products were still under development and had not yet commenced amortisation.

Total expenses for financial services and investment business for the Interim Period of approximately HK$6.4 million comprised mainly of staff costs and office overhead. Head office and corporate expense increase from HK$4.9 million to HK$5.9 million for the Interim Period. The amount comprised mainly of director fee and legal and professional fee of the Company and the increment represented the increase in director fee.

The Group recorded a loss before taxation of HK$10.6 million (2017: profit of HK$1.1 million) for the Interim Period, which mainly due to loss of financial services and investment business, which amounted to HK$6.8 million. Although revenue of financial technology and smart living business decreased, a profit of HK$2.0 million (2017: HK$6.4 million) was still recorded 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.

BUSINESS REVIEW

Financial Technology and Smart Living

Operating with a solid foundation, the financial technology and smart living operation recorded a profit during the Interim Period. During the Interim Period, the Group actively has further explored market opportunities of end-to-end solutions and boosting efficiency. Following the success of automatic fare collection ("AFC") project for public transport in Fiji in 2017, the Group aims to expand its reach to other Pacific Islands and the countries covered by One Belt and One Road Initiative. As at report date, the Group has already successfully contracted for projects in Maldives and Malaysia, these projects will contribute significant revenue in the second half of 2018. The management is optimistic about the operating result for the second half of 2018.

Events

The Group exhibited in the Securing Federal Identity 2018 in Washington D.C., the United States and showcased its new e-government smart card readers. The event provided valuable learning, discussion and networking opportunities among suppliers, technological experts, government officials and other industry players.

Financial Services and Investment

The Group built a team to develop the advisory and investment businesses since the second half of 2017, and completed two transactions in 2017. However, macro environment deteriorated rapidly since the beginning of 2018, with the deleveraging of China pushed down from central government and the trade conflicts with the United States, leading to a severe capital shortage in China and significantly more restrictions in the technology sector in United States by Chinese capital, where the Group has a competitive edge. The team explored different angles to boost the financial services and investment business but have not achieved concrete financial results in the Interim Period.

PROSPECTS

Financial Technology and Smart Living

The Group is going to roll out an AFC system on the latest bus operation in Maldives by partnered with the sole port operator in Maldives. The buses will transport commuters between Male and Hulhumale via the newly constructed bridge, Sinamale Bridge, and the AFC system is expected to serve around 10,000 local residents and international travellers at the initial phase. The system is expected to be launched in September 2018 and it will be further extended to land and ferry transports in other atolls.

Advanced Card Systems Limited, a wholly owned subsidiary of the Group, has been contracted by one of the world-leading AFC solution integrators to provide the cutting edge bus validators for the Malaysian transport market. 650 units of newly customised ACR330 bus validators will be supplied by the Group under this project and they are expected to serve millions of commuters within Johor in Malaysia as well as the bus routes between Malaysia and Singapore.

The Group successfully built up its case references and market coverage by allotting more focus and resource towards providing end-to-end solutions, moving forward, the Group would like to expend beyond AFC, to encompassing mobile payment customer loyalty, ticketing systems, fleet management systems and other related applications.

Financial Services and Investment

The management is of the view that the few most impactful macro factors of the Group's financial services and investment business, including but not limited to the general deleveraging trend in China and the increasing trade conflicts with the United States as well as the restrictions of Chinese capital in the technology sector in United States, will remain for the rest of 2018 and beyond. At the same time, one of the controlling shareholder of the Group, HNA Group Co., Ltd., who is also controlling shareholder of our key customer for the financial services business, is shifting its business focus to the core airline, travel and related businesses.

After carefully evaluating the macro environment and internal competence as well as the risk-reward balance, the management decided to scale back its financial services and investment business to save cost. As a consequence, there was changes in board composition and senior management team. The Management is still actively evaluating the strategic options of our financial services and investment business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 30 June 2018, the Group's cash and cash equivalents amounted to HK$24.0 million (31 December 2017: HK$29.6 million). There is no balance of bank borrowings and other interest bearing borrowings as at 30 June 2018. The current ratio, being the ratio of current assets to current liabilities, as at 30 June 2018 was 5.9 (31 December 2017: 4.8). Net asset value as at 30 June 2018 was HK$145.0 million (31 December 2017: HK$153.7 million).

The Group's equity capital, bank borrowings, together with the cash generated from operating activities, has been applied to fund its working capital and other operational needs. During the Interim Period, the Group recorded net cash outflow in operating activities of HK$0.1 million (2017: inflow of HK$8.2 million). Net cash outflow in operating activities was due to the operating loss of the Group for the Interim Period. The Group recorded net cash outflow in investing activities of HK$5.2 million (2017: HK$6.1 million) for the Interim Period, the amount mainly included payment for research and development cost capitalised. The Group had not recorded any cash outflow in financing activities (2017: outflow of HK$9.3 million) for the Interim Period, the outflow in 2017 mainly comprised the repayment of bank loans. Due to change in controlling shareholder in January 2017, several banking facilities were terminated by respective bankers, as a result, the Group repaid respective bank loans in early 2017.

ACQUISITIONS AND INVESTMENTS

The Group did not have any significant investments or acquisitions during the Interim Period.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in HK$, Philippine Pesos, US$ and Renminbi ("RMB"). As HK$ is pegged to US$, exchange risk arising from US$ does not have significant financial impact to the Group. The Group also enters into foreign exchange hedging transactions from time to time to manage its currency risk exposure. As at 30 June 2018, no related hedge was made by the Group.

Under foreign exchange hedging policy of the Group, the Group only hedges its foreign exchange exposures in sales and purchases by entering into forward contracts. Under no circumstances would the Group enter into foreign exchange hedging transactions exceeding the aggregate amount of all trade receivables and purchase orders received from customers in the relevant foreign currency nor for speculative purposes.

PLEDGE OF ASSETS

As at 30 June 2018, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 30 June 2018, the Company had no outstanding corporate guarantee. As at 30 June 2018, the Group had no banking facilities. Save as disclosed herein, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 190 full time employees. Staff costs recognised in profit or loss amounted to HK$27.4 million (2017: HK$20.6 million). Remuneration polices and packages for the Group's employees are based on individual qualifications, performance, experience and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

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 Interim Period.

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

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 30 June 2018, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 of directors 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. Kaung Cheng Xi Dawn.

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.con) respectively. The 2018 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
ZHENG Xuedong
Executive Director

Hong Kong, 28 August 2018

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. Cui Yijun, Mr. Zheng Xuedong, Mr. Tong Fu, Mr. Zhang Tao and Mr. Wong Chi Ho, and three independent non-executive directors, namely Mr. Guo Dan, Ms. Kaung Cheng Xi Dawn and Dr. Lin Tat Pang.