HNA TECH INV
海航科技投資

HNA Technology Investments Holdings Limited
海航科技投資控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2086)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2018 decreased by 24% to HK$137.7 million (2017: HK$182.3 million).
- Gross profit of the Group for the year ended 31 December 2018 decreased by 28% to HK$74.4 million (2017: HK$103.8 million).
- The Group recorded a loss for the year of HK$23.5 million (2017: profit for the year of HK$5.7 million) for the year ended 31 December 2018.
- The Board did not recommend payment of the final dividend for the year ended 31 December 2018.

RESULTS

The board of directors (the "Board") of HNA Technology Investments Holdings Limited (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	**2018**	2017
			(Note)
		$'000	*$'000*
Revenue	*3*	**137,685**	182,272
Cost of sales and services		**(63,315)**	(78,498)
Gross profit		**74,370**	103,774
Other income	*4*	**429**	1,420
Selling and distribution costs		**(16,109)**	(17,911)
Research and development expenses		**(30,787)**	(26,921)
Administrative expenses		**(51,450)**	(53,535)
(Loss)/profit from operations		**(23,547)**	6,827
Finance costs	*5(a)*	**–**	(165)
Share of results of a joint venture		**–**	(209)
(Loss)/profit before taxation	*5*	**(23,547)**	6,453
Income tax	*6*	**93**	(764)
(Loss)/profit for the year attributable to the equity shareholders of the Company		**(23,454)**	5,689
(Loss)/earnings per share	*7*		
Basic		**(7.339 cents)**	1.780 cents
Diluted		**(7.339 cents)**	1.780 cents

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	2018	2017
		(Note)
	$'000	*$'000*
(Loss)/profit for the year	**(23,454)**	5,689
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**161**	(172)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(1,604)**	1,155
Total comprehensive income for the year	**(24,897)**	6,672
Attributable to:		
Equity shareholders of the Company	**(24,897)**	6,672

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 (Expressed in Hong Kong dollars)

	Note	**2018**	2017
			(Note)
		$'000	*$'000*
Non-current assets			
Plant and equipment	*8*	**5,472**	5,270
Intangible assets	*9*	**43,735**	47,000
Deferred tax assets		**2,406**	2,709
		51,613	54,979
Current assets			
Inventories		**36,191**	37,974
Trade and other receivables	*10*	**39,990**	57,744
Other financial assets		**874**	858
Current tax recoverable		**1,607**	556
Cash and cash equivalents		**27,937**	29,632
		106,599	126,764
Current liabilities			
Trade and other payables	*11*	**28,927**	23,948
Current tax payable		**118**	2,211
		29,045	26,159
Net current assets		**77,554**	100,605
Total assets less current liabilities		**129,167**	155,584
Non-current liabilities			
Defined benefit obligations		**1,293**	1,373
Deferred tax liabilities		**–**	510
		1,293	1,883
NET ASSETS		**127,874**	153,701
CAPITAL AND RESERVES			
Share capital		**31,956**	31,956
Reserves		**95,918**	121,745
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**127,874**	153,701

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.2.

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

HNA Technology Investments Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business was at Units 505-507, Level 5, Two Exchange Square, Central, Hong Kong up to 24 May 2018 and has changed to Office 4908, 49 Floor, The Center, 99 Queen's Road Central, Hong Kong effective from 25 May 2018.

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

2.1 BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

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

2.2 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:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) 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.

(i) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

Retained earnings	*$'000*
Recognition of additional expected credit loss on financial assets measured at amortised cost	930
Net decrease in retained earnings at 1 January 2018	930

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKAS 39, treasury bills of $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 measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and debt securities measured at amortised cost).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	$'000
Loss allowance at 31 December 2017 under HKAS 39	3,120
Additional credit loss recognised at 1 January 2018 on trade receivables	930
Loss allowance at 1 January 2018 under HKFRS 9	4,050

c. ***Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes, the Group has changed the presentation of sales deposit received from customers amounting to $7,269,000 from "Deposit received" to "Receipt in advance from customers". Both of them are included in "Trade and other payables" (note 11).

As at 1 January 2018 and 31 December 2018, the Group's right to consideration for the goods and services transferred to the customers is unconditional (i.e. only the passage of time is required before the payment is due). Accordingly, the Group presents such right to consideration as receivables rather than contract assets.

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. 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

(a) Revenue

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

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

	2018	2017
	$'000	*$'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	**137,685**	166,272
– Advisory services	**–**	16,000
	137,685	182,272

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 3(b)(i) and 3(b)(iii) respectively.

The Group's customer base is diversified. None of the customers (2017: one customer) individually contributed over 10% of the Group's revenues. Revenue derived from this customer is as follow:

	2018	2017
	$'000	*$'000*
Customer A	**N/A#**	23,677

The corresponding revenue did not contribute over 10% of the Group's revenue.

(b) 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.

(i) Segment results, assets and liabilities

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

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

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

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

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

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 years ended 31 December 2018 and 2017 is set out below:

	Financial technology and smart living		**Financial services and investment**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**137,048**	166,232	**–**	–	**137,048**	166,232
Over time	**637**	40	**–**	16,000	**637**	16,040
Reportable segment revenue	**137,685**	166,272	**–**	16,000	**137,685**	182,272
Reportable segment profit/(loss) from operations	**1,750**	12,251	**(16,098)**	5,664	**(14,348)**	17,915
Depreciation and amortisation for the year	**(12,515)**	(11,671)	**(285)**	(9)	**(12,800)**	(11,680)
Impairment losses of						
– trade and other receivables	**(1,923)**	(4,756)	**(4,000)**	–	**(5,923)**	(4,756)
– intangible assets	**(1,085)**	(281)	**–**	–	**(1,085)**	(281)
– goodwill	**–**	(1,172)	**–**	–	**–**	(1,172)
Reportable segment assets	**142,999**	134,129	**11,258**	30,649	**154,257**	164,778
Reportable segment liabilities	**27,988**	38,490	**26,218**	2,219	**54,206**	40,709
Additions to non-current segment assets during the year	**2,758**	2,699	**362**	116	**3,120**	2,815

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

	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue	**137,685**	182,272
Consolidated revenue	**137,685**	182,272

	2018	2017
	$'000	*$'000*
Profit or loss		
Reportable segment (loss)/profit from operations	**(14,348)**	17,915
Interest income	**237**	157
Finance costs	**–**	(165)
Unallocated head office and corporate expenses	**(9,436)**	(11,454)
Consolidated (loss)/profit before taxation	**(23,547)**	6,453

	2018	2017
	$'000	*$'000*
Assets		
Reportable segment assets	**154,257**	164,778
Elimination of inter-segment receivables	**(24,164)**	(12,667)
	130,093	152,111
Unallocated head office and corporate assets	**28,119**	29,632
Consolidated total assets	**158,212**	181,743

	2018	2017
	$'000	*$'000*
Liabilities		
Reportable segment liabilities	**54,206**	40,709
Elimination of inter-segment payables	**(24,164)**	(12,667)
	30,042	28,042
Unallocated head office and corporate liabilities	**296**	–
Consolidated total liabilities	**30,338**	28,042

(iii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
The People's Republic of China ("PRC"), including Hong Kong and Macau (country of domicile)	**23,371**	38,639	**48,192**	51,243
United States	**17,623**	24,986	**–**	–
Japan	**13,170**	14,108	**–**	–
Republic of Fiji	**8,808**	23,677	**–**	–
Republic of the Philippines ("Philippines")	**3,820**	6,354	**1,015**	1,027
Other countries	**70,893**	74,508	**–**	–
	114,314	143,633	**1,015**	1,027
	137,685	182,272	**49,207**	52,270

4. OTHER INCOME

	2018	2017
	$'000	*$'000*
Government subsidies*	**–**	1,186
Interest income	**237**	157
Sundry income	**192**	77
	429	1,420

* During the year ended 31 December 2017, the Group successfully applied for research and development subsidy and high and new technology enterprise subsidy from the PRC Government of $1,186,000. The purpose of the subsidies is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria. No government subsidies were granted to the Group during the year ended 31 December 2018.

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2018	2017
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans	**–**	192
Less: Interest expense capitalised into development costs*	**–**	(27)
	–	165

* No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: at a rate of 3% per annum).

	2018	2017
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plans	**2,080**	2,007
Net expenses recognised in respect of a defined benefit retirement plan	**324**	287
Total retirement costs	**2,404**	2,294
Salaries, wages and other benefits	**59,122**	55,050
	61,526	57,344
Less: Amount capitalised into development costs	**(5,253)**	(7,616)
	56,273	49,728

	2018	2017
		(Note)
	$'000	*$'000*
(c) Other items:		
Amortisation of intangible assets	**9,919**	8,748
Depreciation	**2,881**	2,932
Provision for impairment losses		
– trade and other receivables	**5,923**	4,756
– intangible assets	**1,085**	281
– goodwill	**–**	1,172
Auditors' remuneration		
– audit services	**1,142**	1,056
– other services	**–**	190
Operating lease charges: minimum lease payments	**8,159**	6,953
Net loss on disposal of plant and equipment	**17**	12
Net foreign exchange (gain)/loss	**(1,621)**	500
Cost of inventories	**62,646**	76,634

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.2.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	2,212
Over-provision in respect of prior years	**(53)**	(19)
	(53)	2,193
Current tax – Philippines Income Tax		
Provision for the year	**132**	23
Current tax – Other jurisdictions		
Provision for the year	**145**	71
Deferred tax		
Origination and reversal of temporary differences	**(317)**	(1,523)
Income tax (credit)/expense	**(93)**	764

Notes:

(i) The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. The Company is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2018 as this concession has been taken elsewhere in the Group to which the Company belongs.

(ii) The provision for Philippines Income Tax for 2018 is calculated at 30% (2017: 30%) of the estimated taxable income or 2% (2017: 2%) on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Philippines.

(ii) 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 (2017: 50% tax deduction and subject to corporate income tax rate of 12.5% between 2015 and 2017).

(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 (2017: preferential corporate income tax rate of 15% for three years between 2015 and 2017).

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

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $23,454,000 (2017: profit attributable to ordinary equity shareholders of the Company of $5,689,000) and the weighted average of 319,565,000 ordinary shares (2017: 319,565,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the year ended 31 December 2018 and 2017 are the same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares.

8. PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired items of plant and equipment in aggregate of $3,120,000 (2017: $2,815,000), which primarily consisted of leasehold improvements, furniture and fixtures, computer and office equipment and mould amounted to $518,000 (2017: $719,000), $nil (2017: $315,000), $824,000 (2017: $1,259,000) and $1,778,000 (2017: $522,000) respectively.

9. INTANGIBLE ASSETS

For the year ended 31 December 2018, additions to intangible assets amounting to $7,739,000 (2017: $10,766,000) comprised development costs.

10. TRADE AND OTHER RECEIVABLES

	Note	**31 December 2018** **$'000**	1 January 2018 *$'000*	31 December 2017 *$'000*
Trade receivables, net of loss allowance	*(i), (ii)*	**34,725**	46,875	47,805
Prepayments		**2,365**	2,054	2,054
Deposits paid		**1,939**	3,548	3,548
Other receivables		**522**	1,982	1,982
Amounts due from fellow subsidiaries		**439**	215	215
Amount due from immediate holding company		**–**	475	475
Amount due from a joint venture, net of loss allowance		**–**	1,665	1,665
		39,990	56,814	57,744

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (see note 2.2(i)).

(ii) Included in trade receivables is an amount due from a fellow subsidiary of $10,830,000 (2017: $16,000,000), net of a loss allowance of $4,000,000 (2017: $nil). The amount is unsecured, interest-free and past due for more than 1 year.

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $1,186,000 (2017: $1,135,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one 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:

	2018	2017
	$'000	*$'000*
Within 1 month	**9,906**	29,494
1 to 2 months	**3,920**	3,553
2 to 3 months	**4,163**	646
3 to 12 months	**181**	1,514
Over 1 year	**16,555**	12,598
	34,725	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. For advisory services entered, invoices are due upon presentation.

11. TRADE AND OTHER PAYABLES

	2018	2017
	$'000	*$'000*
Trade payables	**12,541**	10,856
Accruals	**8,832**	9,101
Receipt in advance from customers	**7,269**	3,991
Amount due to immediate holding company	**285**	–
	28,927	23,948

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

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

	2018	2017
	$'000	*$'000*
Within 1 month	**6,191**	4,365
1 to 3 months	**6,342**	5,649
3 months to 1 year	**6**	80
Over 1 year	**2**	762
	12,541	10,856

DIVIDEND

The Board did not recommend payment of the final dividend, for the year ended 31 December 2018 (2017: Nil).

The declaration, payment and amount of future dividend 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 condition and such other factors as the Board may consider important.

CLOSURE OF REGISTER OF MEMBERS

The Company will publish the information about the date of annual general meeting and the period for closure of register of members for attending the annual general meeting later.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group's revenue decreased by 24% to HK$137.7 million (2017: HK$182.3 million); gross profit was HK$74.4 million (2017: HK$103.8 million) with a gross profit margin of 54% (2017: 57%). Loss for the year was HK$23.5 million (2017: profit for the year of HK$5.7 million). Basic loss per share for the year was HK7.339 cents (2017: basic earnings per share of HK1.780 cents).

Revenue

The Group's revenue for the year ended 31 December 2018 decreased by 24% compared to the previous year, which was mainly attributable to the below reasons:

1. Due to the project-based nature of the business, some large-scale projects for existing customers, mainly related to new equipment and systems installation, were completed in 2017, resulting in a decrease in demand from those customers in 2018. New projects in 2018 are generally not comparable in scale to the aforementioned completed projects in 2017.

2. China and the United States have been engaged in trade conflicts since 2018 as the United States government continued to impose tariffs on goods traded between the two economic powerhouses. As a result, our distributors in the United States reduced the purchase and import of goods from us to ward off paying an extra 10% tariff. Hence, our revenue in relation to projects in the United States dropped this year.

3. The financial and economic crisis in Turkey in 2018 saw a sharp depreciation in the currency of Turkey, Turkish Lira, which led to a high inflation and rising borrowing costs. A lot of local government spending on identity related projects have been suspended or terminated. Hence, our revenue in relation to identity related projects in Turkey also dropped this year.

For the Group's financial services and investment segment, having taken into consideration the current rapid deterioration of the macro-economy, we decided to shrink the financial services and investment business since early 2018. As a result, the Group did not recognise any revenue, and incurred a loss for this segment in 2018.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2018 was 54% (2017: 57%). The squeeze in gross profit margin was mainly due to the lack of any revenue derived from financial services and investment segment in 2018 (2017: gross profit margin of 95%). However, financial technology and smart living segment maintained a healthy gross profit margin level, which increased from 53% in 2017 to 54% in 2018.

Operating Expenses

Total operating expenses decreased slightly by 0.1%, from HK$98.4 million in 2017 to HK$98.3 million in 2018.

For the financial technology and smart living business, total operating expenses decreased by 6%, from HK$77.4 million in 2017 to HK$72.8 million in 2018. The decrease in expenses was mainly attributable to the below reasons:

1. Advertising and promotion costs decreased by HK$1.8 million, as less effort was spent on advertising and promotion by the Group this year for the purpose of costs saving.

2. Impairment loss on trade and other receivables decreased by HK$2.8 million as less expected credit loss were noted in current year.

Total expenses for financial services and investment business increased by 69%, from HK$9.5 million in 2017 to HK$16.1 million in 2018, which was mainly due to the below reasons:

1. Increase in staff costs of HK$5.5 million, as most staff for this segment was newly recruited in the last quarter of 2017 so fewer months of staff costs were incurred in 2017.

2. At 31 December 2018, the Group had a trade receivable due from a fellow subsidiary of HK$14.8 million which had been overdue for more than 1 year. As of the date of this announcement, HK$4 million in total was received from the fellow subsidiary as partial settlement of this amount (including HK$1.2 million received prior to year-end). Management understand that the fellow subsidiary is currently contemplating certain asset disposals in the first half of 2019 and if completed, the proceeds from these asset disposals could be used to repay, inter alia, the outstanding amount due to the Group. However, the timing of these asset disposals is not certain and the fellow subsidiary also carries debts due to other external parties which may have higher priority than the amount due to the Group.

   Upon evaluating the uncertainties pertaining to the amount due from the fellow subsidiary, the Group recorded a provision of expected credit loss of HK$4 million based on its estimated probability-weighted outcome and reasonable and supportable information that is available.

3. The increase was offset by decrease in other operating expenses of HK$3.2 million due to the scale back of the financial services and investment business since early 2018.

Head office and corporate expenses decreased by 18%, from HK$11.5 million in 2017 to HK$9.4 million in 2018, which was mainly due to the incurrence of legal and professional fee related to shares acquisition, change of company names and continuing connected transaction in 2017 while no such fee was incurred in 2018.

Statement of Financial Position

Intangible assets decreased by 7%, from HK$47.0 million in 2017 to HK$43.7 million in 2018, as additions of HK$7.7 million were offset by higher amounts of amortisation and impairment of total HK$11.0 million during 2018.

Trade receivables decreased by 27%, from HK$47.8 million at 31 December 2017 to HK$34.7 million at 31 December 2018. Part of the reason for the decrease was impairment loss allowances being made on certain trade receivables amounted to HK$4.4 million in 2018. Excluding this factor, trade receivables decreased by 18%, which was consistent with the decline in revenue during the year.

Other receivables decreased by 46%, from HK$9.9 million at 31 December 2017 to HK$5.3 million at 31 December 2018, which was mainly due to the larger amount of deposits paid to suppliers offset with trade payables upon receipt of suppliers' invoices, compared to 2017.

Other payables increased by 25%, from HK$13.1 million at 31 December 2017 to HK$16.4 million at 31 December 2018, which was mainly due to more receipt in advance received from customers at the end of 2018 compared to 2017.

DIVIDEND

The board of directors of the Company (the "Board") did not recommend payment of the final dividend for the year ended 31 December 2018 (2017: Nil).

Dividend Policy

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

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

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

BUSINESS REVIEW

In 2018, hindered by an unfavorable macro-economic environment and the tussle between China and the United States, we have been experiencing more volatile trade conditions or currency movements and economic downturns in some of our core market geographies. However, capitalising our innovative technology and excellence in pursuing products and services, and by quickly adapting to new environment through adjusting our services and market strategies we are confident to cope with the imminent economic challenges.

Financial Technology and Smart Living

Financial technology and smart living segment mainly included smart card and related products business. The Group kept making significant progress with its Automatic Fare Collection ("AFC") business, and we were selected for various AFC projects in the United States, Fiji and the Philippines.

Given our solid business foundation, the financial technology and smart living operation continued to record a profit in 2018. During the year, the Group actively explored new market opportunities of end-to-end solutions and boosted efficiency. Following the success of AFC project for public transport in Fiji in 2017, we were requested to provide 10 units of Ticket Vending Machines, which provide the benefits of offloading disposable card sales with more sales channels, automate repetitive services and 24/7 self-service. Ticket Vending Machines is a project driven by the Fiji government to support the whole national population on public transport.

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

Advanced Card Systems Limited ("ACS"), 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. During the year, around 600 units of newly customised ACR330 bus validators have been supplied by the Group under this project. The local bus operator will install the devices onto around 600 buses in 2019, which are then expected to serve millions of commuters within Johor, Malaysia as well as the bus routes between Malaysia and Singapore.

Moving forward, the Group intend to expand our market share and business footprints to other Pacific Islands and the countries covered by One Belt and One Road Initiative. We will also strive to provide better products and services, such as enhancement of features on existing products.

Products launched

During the year, the Group launched the below three main products:

1. ACR1311U-P Bluetooth Top-up Terminal is mainly installed in crowded places such as bus stations, train stations and supermarkets. It allows users to connect their mobile phones with ACR1311U-P automatically by scanning the QR code or other means. Card top-up can be done with a mobile application as when it connects to ACR1311U-P.

2. ACOS5-EVO is the latest addition to the ACOS5 series. It is compliant with international standards for PKI (Public Key Infrastructure) smart cards, making it ideal for public-key based applications such as digital signing, email security, online log-on, network log-in, blockchain applications, and others.

3. AMR220-C1 Secure Bluetooth mPOS Reader is primarily designed to meet major payment and security standards, such as Mastercard Contactless, Visa payWave and EMV Level 1 & Level 2. It is Apple Pay and Android Pay ready.

Events and awards

The Group remains active in industry activities. In 2018, it participated in several key industry events such as Securing Federal Identity 2018 in Washington D.C., the United States. This event highly focused on the future of the federal government of the United States policies and technology developments for securing federal identity and access control of facilities and network systems. Experts from the federal government and the security industry filled the conference agenda and exhibition area to present the future direction of the government's efforts to manage identities and control access across all federal agencies. The event provides valuable learning, discussion and networking opportunities among suppliers, technological experts, government officials and other industry players. During the event, ACS had showcased mainly its new e-government readers including the USB type smart card readers and the Bluetooth interface readers. Our showcase allowed government attendees to visit and learn more about our innovative identity products and services enabling secure federal identities today and in the future.

Also, we participated in Trustech 2018 in Cannes, France. This event encompasses all secure and trusted solutions, from smart cards and secure documents through to artificial intelligence and embedded hardware and software for the IoT (Internet of Things). ACS showcased its latest products of various smart card readers and smart card solutions that provides excellent support for AFC systems, stringent payment standards and complex payment applications.

ACS was awarded the Asia's Most Innovative Smart Card Solutions of the Year on 20 December 2018 in the Leaders of Innovation 2019 in Hong Kong. Leaders of Innovation 2019 is organised by Corphub, an integrated digital platform that focuses on business and finance insight. It recognizes outstanding achievements of Hong Kong enterprises in pursuit of innovative and smart technologies. All winners were selected by a judging panel, formed by an elite group of business leaders, committee members of chambers, and professionals from various fields, according to a set of principles including corporate management and governance, financial performance and market competitiveness, product innovativeness, and social responsibility.

Financial services and investment

The Group built a team to develop the financial services and investment businesses in the second half of 2017 and conducted certain transactions in 2017. However, macro environment deteriorated rapidly since the beginning of 2018, with a sharp decrease of Chinese investment in overseas technology companies, especially in United States, our core target market. At the same time, one of the controlling shareholders of the Group, HNA Group Co., Ltd. which 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. As a result, we decided to scale back the financial services and investment business since early 2018 and carry more stringent costs saving procedures to continue to run this segment with minimal costs.

PROSPECTS

Financial Technology and Smart Living

In 2019, the Group will keep exploring opportunities for two AFC projects which are in Maldives and Algeria. Going forward, the Group will continue to expand our market share by focusing on upgrading existing products and services, such as enhancement of features on existing products, as well as developing potential new products, so as to catch up with the latest market trends and rapid changes in technologies.

Financial Services and Investment

The management is of the view that the several unfavorable macro-factors of the Group's financial services and investment business will remain for 2019, and the management decided to scale back its financial services and investment business to save costs. There was no revenue recognised for the financial services and investment segment in 2018, and the management had carried out costs saving procedures in the past and would further reduce costs incurred by 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 eyeing for the right opportunities in the future.

RISK FACTORS

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

Operation Risk

Reliance on a limited number of large customers

Sales to the top five customers accounted for 23% of the Group's revenue for the year ended 31 December 2018 (2017: 37%). The drop in the percentage of total sales indicated that there is reduction on the reliance of big customers, thereby limiting the risks of relying on limited number of customers. We keeps maintaining a pool of customers to minimize the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, results of operations of the Group may be adversely affected.

Reliance on certain independent manufacturers for manufacturing smart card related products

The Group does not own any production facilities. It subcontracts substantially all of its production activities to external manufacturers in the PRC. During the year ended 31 December 2018, the Group engaged three (2017: three) manufacturers for smart card, two of which were engaged by the Group for at least over 5 years. The Group maintained one (2017: two) manufacturer for smart card reader because of lacking competitiveness of another manufacturer in terms of production costs and delivery schedule. The Group has been closely monitoring the production situation of this manufacturer for smart card reader to ensure the Group's ability to meet product delivery schedule. In addition, the Group will start to look for another new manufacturer for smart card reader.

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

Reliance on ability to attract and retain skilled engineers

The performance of the Group depends, to a significant extent, on the continued services and performance of its research, development and deployment teams. As at 31 December 2018, 49% (2017: 53%) of full-time employees of the Group are engineers for research, development and deployment and 38% (2017: 37%) of them served the Group for over 5 years. Competition for employees with the requisite skills, qualifications and experience in the industry is intense. If the Group is unable to attract, retain and motivate skilled engineers in the future, the operations of the Group may be adversely affected.

Business Risk

Rapid changes in technology

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

Substantial capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences may require substantial capital expenditure. During the year ended 31 December 2018, the Group recorded an addition of HK$7.7 million (2017: an addition of HK$11.0 million) on development costs of new products and services. The reason for the decrease is that developing new products takes time and uncertainty, so in current year, our strategy is to focus more on existing products enhancement thus less costs are spent on developing new products. As at 31 December 2018, balance of development costs of new products and services amounted to HK$42.8 million (2017: HK$45.5 million). The substantial capital expenditure may have an adverse impact on the financial resources of the Group. In the event the new products and services do not achieve market acceptance or there is substantial delay in the process, the results of operations and growth prospects of the Group may be adversely affected.

Financial Risk

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 31 December 2018, the Group's cash and cash equivalents amounted to HK$27.9 million (31 December 2017: HK$29.6 million). The Group repaid all outstanding bank borrowings in 2017, resulting in nil balance of bank borrowings as at 31 December 2018 and 31 December 2017. The Group's net asset as at 31 December 2018 was HK$127.9 million (31 December 2017: HK$153.7 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. During the year, the Group recorded net cash inflow in operating activities of HK$9.1 million (2017: HK$17.1 million), the amount decreased as a result of decline in sales performance during the year. The Group recorded net cash outflow in investing activities of HK$10.7 million (2017: HK$13.5 million) during 2018, the amount decreased as a result of less capital expenditures were spent on development projects as more focus was spent on enhancing existing projects during the year. The Group recorded a net cash outflow in financial activities of HK$14.4 million in 2017 for settlement of all outstanding bank loans, and there was no further net cash inflow nor outflow in financial activities in 2018.

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2018, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 31 December 2018, the Group did not have any capital commitment related to acquisition of 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 HK$ is pegged to US$, exchange risk arising from United States dollars does not have significant financial impact to the Group. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the year ended 31 December 2018, no forward foreign exchange or hedging contracts had been entered by the Group (2017: nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not pledge any of its material assets (2017: nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Company had no significant contingent liabilities (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 182 (2017: 205) full time employees. Staff costs recognised in profit or loss amounted to HK$56.3 million (2017: HK$49.7 million). Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience, and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

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

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

CORPORATE GOVERNANCE CODE

During the year, 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. Saved as disclosed below, the directors are of the opinion that the Company has compiled with the code provisions set out in the CG Code during the year ended 31 December 2018.

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. On 15 March 2019, Ms. O Wai was appointed as an independent non-executive director and a member of the audit committee.

As a result, 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.

Details of the Company's corporate governance principles and processes will be disclosed in the 2018 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions by the directors adopted by the Company throughout the year ended 31 December 2018.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Guo Dan, Dr. Lin Tat Pang and Ms. O Wai.

The audit committee has reviewed the annual results of the Group for the year ended 31 December 2018 with the management and recommended its adoption by the Board. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of this announcement can be found on the Company's website (www.hnatechinv.com) and the Stock Exchange's website (www.hkexnews.hk). The 2018 annual report will be despatched to all shareholders and made available on the respective website of the Company and the Stock Exchange in due course.

By order of the Board of
HNA Technology Investments Holdings Limited
CUI Yijun
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the Board 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, Dr. Lin Tat Pang and Ms. O Wai.