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

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2020 decreased by 32% to HK\$112.7 million (2019: HK\$165.7 million).
- Gross profit of the Group for the year ended 31 December 2020 decreased by 40% to HK\$55.2 million (2019: HK\$91.4 million).
- The Group recorded a loss for the year of HK\$20.2 million (2019: HK\$8.3 million) for the year ended 31 December 2020.
- The Board did not recommend payment of the final dividend for the year ended 31 December 2020.

**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 2020 together with the comparative figures for the corresponding period in 2019.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***for the year ended 31 December 2020 (Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b><i>Continuing operations</i></b>			
<b>Revenue</b>	3	<b>112,747</b>	165,727
Cost of sales and services		<u>(57,534)</u>	<u>(74,365)</u>
<b>Gross profit</b>		<b>55,213</b>	91,362
Other income	4	<b>3,652</b>	1,220
Selling and distribution costs		<b>(11,610)</b>	(15,342)
Research and development expenses		<b>(33,018)</b>	(36,956)
Administrative expenses		<u><b>(33,794)</b></u>	<u>(37,891)</u>
<b>(Loss)/profit from operations</b>		<b>(19,557)</b>	2,393
Finance costs	5(a)	<u><b>(318)</b></u>	<u>(322)</u>
<b>(Loss)/profit before taxation</b>	5	<b>(19,875)</b>	2,071
Income tax	6	<u><b>(320)</b></u>	<u>(1,225)</u>
<b>(Loss)/profit from continuing operations</b>		<b>(20,195)</b>	846
<b><i>Discontinued operation</i></b>			
Loss for the year from Discontinued operation, net of tax		<u><b>(28)</b></u>	<u>(9,105)</u>
<b>Loss for the year attributable to the equity shareholders of the Company</b>		<u><b>(20,223)</b></u>	<u>(8,259)</u>
<b>(Loss)/earnings per share</b>	7		
<b><i>From continuing operations</i></b>			
Basic		<b>(6.320 cents)</b>	0.265 cents
Diluted		<u><b>(6.320 cents)</b></u>	<u>0.265 cents</u>
<b><i>From Discontinued operation</i></b>			
Basic		<b>(0.009 cents)</b>	(2.849 cents)
Diluted		<u><b>(0.009 cents)</b></u>	<u>(2.849 cents)</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
<b>Loss for the year</b>	<b>(20,223)</b>	<b>(8,259)</b>
<b>Other comprehensive income for the year (after tax)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligations	(237)	(595)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>2,995</u>	<u>(237)</u>
<b>Total comprehensive income for the year</b>	<b><u>(17,465)</u></b>	<b><u>(9,091)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b><u>(17,465)</u></b>	<b><u>(9,091)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020 (Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>14,982</b>	10,400
Intangible assets		<b>17,449</b>	30,527
Deferred tax assets		<b>1,925</b>	1,940
		<u>34,356</u>	<u>42,867</u>
<b>Current assets</b>			
Inventories		<b>19,602</b>	30,760
Trade and other receivables	8	<b>12,220</b>	24,811
Other financial assets		<b>326</b>	316
Current tax recoverable		<b>583</b>	1,663
Cash and cash equivalents		<b>54,371</b>	45,449
		<u>87,102</u>	<u>102,999</u>
<b>Current liabilities</b>			
Trade and other payables	9	<b>10,179</b>	20,724
Lease liabilities		<b>4,008</b>	3,045
Current tax payable		<b>–</b>	118
		<u>14,187</u>	<u>23,887</u>
<b>Net current assets</b>		<u>72,915</u>	<u>79,112</u>
<b>Total assets less current liabilities</b>		<u>107,271</u>	<u>121,979</u>
<b>Non-current liabilities</b>			
Defined benefit obligations		<b>303</b>	2,026
Lease liabilities		<b>5,650</b>	1,170
		<u>5,953</u>	<u>3,196</u>
<b>NET ASSETS</b>		<u>101,318</u>	<u>118,783</u>

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>31,956</b>	31,956
Reserves	<b>69,362</b>	86,827
	<hr/>	<hr/>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>	<b>101,318</b>	118,783
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## 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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The consolidated financial statements for the year ended 31 December 2020 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 HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 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 accounting period 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 Group has applied the amendment to HKFRS 16, *Covid-19-Related Rent Concessions* issued by the HKICPA for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amended HKFRS 16 is discussed below:

#### **Amendment to HKFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

### 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 and provision of related services.

##### (i) *Disaggregation of revenue*

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

	2020 \$'000	2019 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
<i>Continuing operations</i>		
Disaggregated by major product or service lines		
– Sale of smart card products and provision of related services	<u>112,747</u>	<u>165,727</u>

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 (2019: None) individually contributed over 10% of the Group's revenues.

##### (ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is \$nil (2019: \$nil).

#### (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.

At 31 March 2020, the Group discontinued the segment of financial services and investment. All of the assets, liabilities and items in the consolidated statement of profit or loss attributable to this segment were transferred to the remaining parts of the Group at 31 March 2020, and financial technology and smart living is the only reportable segment for the Group thereafter. Further details on the Discontinued operation are disclosed in note 10.

(i) *Segment results, assets and liabilities*

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

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

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

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

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



Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Financial technology and smart living		Financial services and investment		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	112,744	165,599	-	-	112,744	165,599
Over time	3	128	-	-	3	128
<b>Reportable segment revenue</b>	<b>112,747</b>	<b>165,727</b>	<b>-</b>	<b>-</b>	<b>112,747</b>	<b>165,727</b>
<b>Reportable segment (loss)/profit from continuing operations</b>	<b>(17,182)</b>	<b>14,476</b>	<b>-</b>	<b>-</b>	<b>(17,182)</b>	<b>14,476</b>
<b>Reportable segment loss from Discontinued operation</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>(9,105)</b>	<b>(28)</b>	<b>(9,105)</b>
Depreciation and amortisation for the year	(18,731)	(20,957)	(7)	(118)	(18,738)	(21,075)
Impairment losses of						
– trade and other receivables	(425)	(1,752)	-	(8,000)	(425)	(9,752)
– intangible assets	(5,721)	-	-	-	(5,721)	-
<b>Reportable segment assets</b>	<b>121,458</b>	<b>121,795</b>	<b>-</b>	<b>200</b>	<b>121,458</b>	<b>121,995</b>
<b>Reportable segment liabilities</b>	<b>20,140</b>	<b>25,560</b>	<b>-</b>	<b>22,864</b>	<b>20,140</b>	<b>48,424</b>
<b>Additions to non-current segment assets during the year</b>	<b>15,891</b>	<b>6,721</b>	<b>-</b>	<b>-</b>	<b>15,891</b>	<b>6,721</b>

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

	2020 \$'000	2019 \$'000
<i>Revenue</i>		
Reportable segment revenue	<u>112,747</u>	<u>165,727</u>
Consolidated revenue	<u><u>112,747</u></u>	<u><u>165,727</u></u>
	2020 \$'000	2019 \$'000
<i>Profit or loss</i>		
Reportable segment (loss)/profit from continuing operations	(17,182)	14,476
Interest income	110	252
Finance costs	(58)	(322)
Unallocated head office and corporate expenses	<u>(2,745)</u>	<u>(12,335)</u>
Consolidated (loss)/profit before taxation	<u><u>(19,875)</u></u>	<u><u>2,071</u></u>
	2020 \$'000	2019 \$'000
<i>Assets</i>		
Reportable segment assets	121,458	121,995
Elimination of inter-segment receivables	<u>–</u>	<u>(21,818)</u>
	121,458	100,177
Unallocated head office and corporate assets	<u>–</u>	<u>45,689</u>
Consolidated total assets	<u><u>121,458</u></u>	<u><u>145,866</u></u>
	2020 \$'000	2019 \$'000
<i>Liabilities</i>		
Reportable segment liabilities	20,140	48,424
Elimination of inter-segment payables	<u>–</u>	<u>(21,818)</u>
	20,140	26,606
Unallocated head office and corporate liabilities	<u>–</u>	<u>477</u>
Consolidated total liabilities	<u><u>20,140</u></u>	<u><u>27,083</u></u>

(iii) *Geographic information*

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

	Revenue from external customers		Specified non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Mainland China, Hong Kong, Macau and Taiwan	<u>18,633</u>	<u>19,916</u>	<u>30,198</u>	<u>39,552</u>
United States of America ("U.S.")	18,673	35,876	–	–
Japan	11,833	20,266	–	–
Turkey	9,177	12,654	–	–
Republic of Fiji	2,443	7,755	–	–
Republic of the Philippines ("Philippines")	1,804	3,646	2,233	1,321
The Russian Federation	1,667	5,749	–	–
Other countries	<u>48,517</u>	<u>59,865</u>	<u>–</u>	<u>54</u>
	<u>94,114</u>	<u>145,811</u>	<u>2,233</u>	<u>1,375</u>
	<u>112,747</u>	<u>165,727</u>	<u>32,431</u>	<u>40,927</u>

4 OTHER INCOME

	2020 \$'000	2019 \$'000
<i>Continuing operations</i>		
Government subsidies*	3,204	908
Interest income	276	252
Sundry income	<u>172</u>	<u>60</u>
	<u>3,652</u>	<u>1,220</u>

\* The government subsidies granted to the Group during the year ended 31 December 2020 mainly comprised the followings:

- (i) The Group successfully applied for Employment Support Scheme subsidy of \$2,917,000 (2019: \$nil) granted by the Hong Kong government under the anti-epidemic fund upon the outbreak of novel coronavirus ("COVID-19") in early 2020. The purpose of the subsidy is to provide financial support to employers to retain employees who may otherwise be made redundant.

- (ii) The Group successfully applied for research and development subsidy from Shenzhen Government of The People's Republic of China ("PRC") of \$260,000 (2019: \$904,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

## 5 (LOSS)/PROFIT BEFORE TAXATION

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

	2020 \$'000	2019 \$'000
<b>(a) Finance costs:</b>		
<i>Continuing operations</i>		
Interest on lease liabilities	<u>318</u>	<u>322</u>
	2020 \$'000	2019 \$'000
<b>(b) Staff costs:</b>		
<i>Continuing operations</i>		
Contributions to defined contribution retirement plans	1,124	1,917
Net (income)/expenses recognised in respect of a defined benefit retirement plan	<u>(1,821)</u>	<u>328</u>
Total retirement (returns)/costs	(697)	2,245
Salaries, wages and other benefits	<u>43,744</u>	<u>52,607</u>
	43,047	54,852
Less: amount capitalised into development costs	<u>(3,346)</u>	<u>(588)</u>
	<u>39,701</u>	<u>54,264</u>
<i>Discontinued operation</i>		
Salaries, wages and other benefits	<u>-</u>	<u>17</u>

	2020 \$'000	2019 \$'000
<i>(c) Other items:</i>		
<i>Continuing operations</i>		
Amortisation of intangible assets	11,237	13,863
Depreciation		
– property, plant and equipment	3,244	3,000
– right-of-use assets	4,250	4,094
Provision for impairment losses		
– trade receivables	425	1,720
– other receivables	–	32
– intangible assets	5,721	–
Auditors' remuneration	1,179	1,142
Net (gain)/loss on disposal of property, plant and equipment	(40)	62
Gain on lease modification	–	(5)
Net foreign exchange loss/(gain)	2,756	(664)
Cost of inventories	<u>56,680</u>	<u>73,226</u>
<i>Discontinued operation</i>		
Depreciation – property, plant and equipment	7	118
Provision for impairment loss on trade receivables	–	8,000
Auditors' remuneration	11	44
Net loss on disposal of property, plant and equipment	–	6
Net foreign exchange loss	<u>7</u>	<u>–</u>

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

Taxation in the consolidated statement of profit or loss represents:

	2020 \$'000	2019 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	8	–
Under-provision in respect of prior years	16	1
	<u>24</u>	<u>1</u>
<b>Current tax – Philippines Income Tax</b>		
Provision for the year	51	257
Over-provision in respect of prior years	(176)	–
	<u>(125)</u>	<u>257</u>
<b>Current tax – Other jurisdictions</b>		
Provision for the year	253	191
Over-provision in respect of prior years	–	(27)
	<u>253</u>	<u>164</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>168</u>	<u>803</u>
Income tax expense	<u><u>320</u></u>	<u><u>1,225</u></u>

*Notes:*

- (i) The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision of Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

- (ii) The provision for Philippines Income Tax for 2020 is calculated at 30% (2019: 30%) of the estimated taxable income or 2% (2019: 2%) on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Philippines.

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

(a) Logyi Limited ("Logyi")

Logyi was granted the "small and micro sized enterprise" status and enjoys the preferential corporate income tax rate of 10% from 2018 onwards.

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

ACS Shenzhen was granted the "high and new technology enterprise" status and enjoys the preferential corporate income tax rate of 15% for three years between 2018 and 2020.

(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

### From continuing operations

(a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share is based on loss attributable to ordinary equity shareholders of the Company of \$20,195,000 (2019: profits of \$846,000) and the weighted average of 319,565,000 (2019: 319,565,000) ordinary shares in issue for the year ended 31 December 2020.

(b) *Diluted (loss)/earnings per share*

Diluted (loss)/earnings per share for the year ended 31 December 2020 and 2019 are the same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares.

### From Discontinued operation

(a) *Basic loss per share*

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of \$28,000 (2019: \$9,105,000) and the weighted average of 319,565,000 (2019: 319,565,000) ordinary shares in issue for the year ended 31 December 2020.

(b) *Diluted loss per share*

Diluted loss per share for the year ended 31 December 2020 and 2019 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

## 8 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 \$'000	2019 \$'000
Trade receivables, net of loss allowance	(i)	8,721	20,601
Prepayments		951	1,146
Deposits paid		1,670	1,752
Other receivables		878	854
Amounts due from other fellow subsidiaries		–	407
Amounts due from immediate holding company		–	51
		<u>12,220</u>	<u>24,811</u>

### *Note:*

- (i) Included in trade receivables is an amount due from a fellow subsidiary with a gross balance (before loss allowance) of \$12,000,000 (2019: \$12,000,000). The amount is unsecured, interest-free and past due for more than one year.

Given the time elapsed since this amount has been overdue, and upon evaluating the uncertainties as to its recoverability, the Group recorded a provision of expected credit loss of \$12,000,000 as at 31 December 2019. As at 31 December 2020, the provision for expected credit loss remained at \$12,000,000 (2019: \$12,000,000), which represented the entire gross balance past due.

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 \$1,259,000 (2019: \$121,000). 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:

	2020 \$'000	2019 \$'000
Within 1 month	4,096	12,495
1 to 2 months	2,992	4,134
2 to 3 months	793	2,102
3 to 12 months	840	1,505
Over 1 year	–	365
	<u>8,721</u>	<u>20,601</u>

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.



## 9 TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 \$'000	2019 \$'000
Trade payables	(i)	3,650	8,847
Accruals		2,719	7,212
Receipt in advance from customers		3,810	4,336
Amount due to immediate holding company		—	329
		<u>10,179</u>	<u>20,724</u>

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

	2020 \$'000	2019 \$'000
Within 1 month	1,929	4,853
1 to 3 months	1,721	3,876
3 months to 1 year	—	94
Over 1 year	—	24
	<u>3,650</u>	<u>8,847</u>

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

## 10 DISCONTINUED OPERATION

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

The results of the Discontinued operation are presented below:

	2020 \$'000	2019 \$'000
Administrative expenses	(28)	(9,105)
<b>Loss from the Discontinued operation for the year attributable to the equity shareholders of the Company</b>	<u>(28)</u>	<u>(9,105)</u>

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

	2020 \$'000	2019 \$'000
Net cash (used in)/generated from operating activities	(201)	1,279
<b>Net cash (outflow)/inflow</b>	<u>(201)</u>	<u>1,279</u>

## **DIVIDEND**

The Board did not recommend payment of the final dividend, for the year ended 31 December 2020 (2019: 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 2020, the Group's revenue decreased by 32% to HK\$112.7 million (2019: HK\$165.7 million); gross profit was HK\$55.2 million (2019: HK\$91.4 million) with a gross profit margin of 49% (2019: 55%). Loss for the year was HK\$20.2 million (2019: HK\$8.3 million). Basic loss per share for the year was HK6.329 cents (2019: HK2.584 cents).

#### **Revenue**

Revenue was heavily affected by COVID-19. The decrease in revenue was mainly due to the global impact of COVID-19 since the beginning of 2020, which has led to restrictions on economic activities, and the Group's business related to public utilities were severely affected. On the other hand, the China-U.S. trade war and the U.S. trade restrictions on "Made in Hong Kong" products have also had a great impact on the Group's sales in the U.S..

#### **Gross Profit Margin**

Gross profit margin dropped from 55% in 2019 to 49% in 2020, which was mainly due to the increase in write down of inventories of HK\$6.2 million (2020: HK\$7.0 million, 2019: HK\$0.8 million) included in cost of sales. Excluding this factor, the gross profit margin in 2020 was 55%, similar to 56% in 2019.

#### **Operating Expenses**

Total operating expenses decreased 21% from HK\$99.3 million in 2019 to HK\$78.5 million in 2020, which is mainly due to the decrease in Group's headcount and decrease in staff costs of HK\$14.6 million, mainly due to the cost control strategy timely adopted by the Group.

## **Statement of Financial Position**

Intangible assets decreased by 43%, from HK\$30.5 million at 31 December 2019 to HK\$17.5 million at 31 December 2020, mainly due to amortisation of HK\$11.2 million and impairment loss recognised of HK\$5.7 million, offset by additions of HK\$3.9 million during the year.

Due to strict management and control of receivables during the year, trade receivables balance has been greatly reduced, which is also in line with the decrease in revenue during the year. Trade receivables decreased by 58%, from HK\$20.6 million at 31 December 2019 to HK\$8.7 million at 31 December 2020.

## **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 of directors of the Company (the “Board”) shall take into account, inter alia, the following factors:

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

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

## **BUSINESS REVIEW**

### **Financial Technology and Smart Living**

2020 was a tough year. The outbreak of COVID-19 has brought unprecedented challenges and has dealt a heavy blow to the economies of all parts of the world. In order to prevent the further spread of COVID-19, most countries in the world have implemented home quarantine and social distance measures, and are in a state of lockdown, which has brought economic activities to a halt. As a result, sales of our products have decreased and delivery time has also been affected. During this difficult economic period, the Group did not release new products in 2020, and all planned exhibitions and events have been cancelled.

The Group's financial technology and smart living segment mainly included smart card and related products business. This segment recorded a revenue of HK\$112.7 million during the year of 2020, a decrease of 32% as comparing to HK\$165.7 million of 2019. The decline was attributable to the drop in sales which was mainly caused by the serious COVID-19 pandemic globally.

In the meantime, the China-U.S. trade conflict has also created a turbulent business environment for us. The U.S. government has imposed trade restrictions on "Made in Hong Kong" products, which has a greater impact on the Group's sales in the U.S..

### **Financial Services and Investment**

At 31 March 2020, the Group discontinued the segment of financial services and investment. No revenue was recorded and only minimal expenses of HK\$28,000 were incurred during the year.

## **PROSPECTS**

COVID-19 has rapidly spread from a public health crisis to a global economic crisis. Declining productivity, loss of lives, business closures, trade disruptions, and the suspension of tourism have severely hit the global economy. The unfavourable macro-economic environment and the trade war between China and U.S. are the challenges that we are facing today. With the implementation of home isolation and compulsory quarantine measures under COVID-19, the introduction of vaccines, and the new trend of cashless payments, in anticipation of the recovery of the global economy, the Group will keep to look for opportunities in developing countries by expanding our market shares and strive to provide better products and services, such as enhancement of features on existing products. We plan to release an upgrade version of bus validator (ACR350) in the second half of 2021, which is a higher-end version with more functionalities than the current version (ACR330) that we are supplying.

## **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 2020 (2019: 28%). The risk of relying on limited number of customers is not high. We keep maintaining a pool of customers to minimise the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, performance of the Group may be adversely affected.

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

The Group does not own any production facilities. We subcontract substantially all of our production activities to external manufacturers in China. During the year ended 31 December 2020, the Group engaged three (2019: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group maintained one (2019: one) manufacturer for manufacturing smart card reader. The Group has been closely monitoring the production situation of this manufacturer for manufacturing smart card reader to ensure the Group's ability to meet product delivery schedule.

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

#### ***Reliance on ability to attract and retain skilled engineers***

The performance of the Group depends, to a significant extent, on the continued services and performance of its research, development and deployment teams. As at 31 December 2020, 45% (2019: 49%) of full-time employees of the Group are engineers for research, development and deployment and 51% (2019: 41%) 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 of the Group failing to adapt successfully to such changes, the performance and growth prospects of the Group may be adversely affected.

### ***Relative high level of capital expenditure on new products and services***

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require relative high level of capital expenditure. During the year ended 31 December 2020, the Group recorded additions of HK\$3.9 million (2019: HK\$0.7 million) on development costs of new products and services. The increase is mainly due to the development of the product ACR350, an upgrade of the existing product ACR330. The relative high level of capital expenditure may have an adverse impact on the financial resources of the Group. In the event that the new products and services do not achieve market acceptance or there is substantial delay in the process, the performance and growth prospects of the Group may be adversely affected.

## **Financial Risk**

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

At all times the Group maintains a healthy liquidity position. As at 31 December 2020, the Group's cash and cash equivalents amounted to HK\$54.4 million (31 December 2019: HK\$45.4 million). The Group's net assets as at 31 December 2020 was HK\$101.3 million (31 December 2019: HK\$118.8 million).

The Group's equity capital and the cash generated from operating activities, has been applied to fund its working capital and other operational needs. The Group recorded net cash inflow in operating activities of HK\$19.1 million (2019: HK\$25.5 million) during the year, the amount decreased as a result of declined financial performance and less cash receipts from customers were collected during the year. The Group recorded net cash outflow in investing activities of HK\$6.1 million (2019: HK\$3.8 million) during the year, the amount increased as a result of

more capital expenditures spent on development projects during the year. The Group recorded net cash outflow in financing activities of HK\$4.3 million (2019: HK\$4.3 million) during the year, which was due to the capital and interest elements of lease rentals paid.

## **DISPOSALS AND ACQUISITIONS**

During the year ended 31 December 2020, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

## **FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS**

As at 31 December 2020, the Group did not have any capital commitment related to acquisition of property, plant and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATIONS**

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

## **PLEDGE OF ASSETS**

As at 31 December 2020, the Group did not pledge any of its material assets (2019: nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Company had no significant contingent liabilities (2019: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 126 (2019: 178) full time employees. Staff costs recognised in profit or loss for the year amounted to HK\$39.7 million (2019: HK\$54.3 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.

## **NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

- (i) On 11 November 2020, HNA EcoTech Pioneer Acquisition, the immediate parent of the Group, has entered into a memorandum of understanding with a third party regarding the possible sale and purchase of certain shares in HNA EcoTech Pioneer Acquisition. If the transaction is materialised, it may lead to a change in control of the Group. Up to the date of issue of these financial statements, the transaction is still in negotiation. No formal and legally binding sale and purchase agreement has been entered by HNA EcoTech Pioneer Acquisition.
- (ii) On 10 February 2021, HNA Group Co., Ltd., an intermediate parent of the Group, has received a civil ruling letter from Hainan High People’s Court (“the Court”). According to the civil ruling letter, the Court ruled HNA Group Co., Ltd. to reorganise.

Further on 15 March 2021, HNA EcoTech Group Co., Ltd., another intermediate parent of the Group, has received a civil ruling letter from the Court. According to the civil ruling letter, the Court ruled HNA EcoTech Group Co., Ltd. to reorganise.

Up to the date of issue of this announcement, the reorganisations have not been completed.

As the Group is independent from the parents in terms of business, assets, institutions and finances, the directors believe the reorganisations have no material adverse impact on the Group’s operations and financial performance. However, these reorganisations may have impacts on the shareholding structure of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2020, 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 ended 31 December 2020, the Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors are of the opinion that the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2020.

Details of the Company’s corporate governance principles and processes will be available in the 2020 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 for the year ended 31 December 2020.

## **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 2020 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 2020 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**

This announcement can be found on the Company's website ([www.hnatechinv.com](http://www.hnatechinv.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 annual report will be despatched to all shareholders and made available on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 24 March 2021

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Jiang Hao, Mr. Peng Zhi, Mr. Xu Jie, Mr. Wang Jing and Mr. Wong Chi Ho, one non-executive director, namely Mr. Kwan Kin Man Keith and three independent non-executive directors, namely Mr. Guo Dan, Dr. Lin Tat Pang and Ms. O Wai.*