Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2021 decreased by 13% to HK$98.1 million (2020: HK$112.7 million).
- Gross profit of the Group for the year ended 31 December 2021 decreased by 5% to HK$52.3 million (2020: HK$55.2 million).
- The Group recorded a loss for the year of HK$21.3 million (2020: HK$20.2 million) for the year ended 31 December 2021.
- The Board did not recommend payment of the final dividend for the year ended 31 December 2021.

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 2021 together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Notes	2021 $'000	2020 $'000
Continuing operations			
Revenue	3	**98,114**	112,747
Cost of sales and services		**(45,797)**	(57,534)
Gross profit		**52,317**	55,213
Other income	4	**457**	3,652
Selling and distribution costs		**(4,259)**	(11,610)
Research and development expenses		**(32,937)**	(33,018)
Administrative expenses		**(34,986)**	(33,794)
Loss from operations		**(19,408)**	(19,557)
Finance costs	5(a)	**(387)**	(318)
Loss before taxation	5	**(19,795)**	(19,875)
Income tax	6	**(1,528)**	(320)
Loss from continuing operations		**(21,323)**	(20,195)
Discontinued operation			
Loss for the year from discontinued operation, net of tax		**–**	(28)
Loss for the year attributable to the equity shareholders of the Company		**(21,323)**	(20,223)
Loss per share	7		
From continuing operations			
Basic		**(6.673 cents)**	(6.320 cents)
Diluted		**(6.673 cents)**	(6.320 cents)
From discontinued operation			
Basic		**–**	(0.009 cents)
Diluted		**–**	(0.009 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	2021	2020
	$'000	*$'000*
Loss for the year	**(21,323)**	(20,223)
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**342**	(237)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**1,105**	2,995
Total comprehensive income for the year	**(19,876)**	(17,465)
Attributable to:		
Equity shareholders of the Company	**(19,876)**	(17,465)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021 (Expressed in Hong Kong dollars)

	Notes	**2021**	2020
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**8,122**	14,982
Intangible assets		**4,165**	17,449
Deferred tax assets		**–**	1,925
Defined benefits obligations		**307**	–
		12,594	34,356
Current assets			
Inventories		**20,202**	19,602
Trade and other receivables	8	**16,569**	12,220
Other financial assets		**231**	326
Current tax recoverable		**560**	583
Cash and cash equivalents		**51,543**	54,371
		89,105	87,102
Current liabilities			
Trade and other payables	9	**14,467**	10,179
Lease liabilities		**3,900**	4,008
		18,367	14,187
Net current assets		**70,738**	72,915
Total assets less current liabilities		**83,332**	107,271
Non-current liabilities			
Defined benefit obligations		**–**	303
Lease liabilities		**1,890**	5,650
		1,890	5,953
NET ASSETS		**81,442**	101,318

	2021	2020
	$'000	*$'000*
CAPITAL AND RESERVES		
Share capital	**31,956**	31,956
Reserves	**49,486**	69,362
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**81,442**	101,318

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 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 2021 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 following amendments to HKFRSs for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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

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.

	2021	2020
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
– Sale of smart card products and provision of related services	**98,114**	112,747

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

The Group's customer base is diversified. None of the customers (2020: None) individually contributed over 10% of the Group's revenues.

(b) Segment reporting

Upon the discontinuance of the segment of financial services and investment on 31 March 2020, the Group manages its business as a single unit and, accordingly, the segment of financial technology and smart living is considered to be the only reportable segment for the Group thereafter. All of the Group's activities are considered to be primarily the development, sales and distribution of smart card products, software and hardware and the provision of smart card related 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 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 2021 and 2020 is set out below:

	Financial technology and smart living		**Financial services and investment**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**97,857**	112,744	**N/A**	–	**97,857**	112,744
Over time	**257**	3	**N/A**	–	**257**	3
Reportable segment revenue	**98,114**	112,747	**N/A**	–	**98,114**	112,747
Reportable segment loss from continuing operations	**(19,795)**	(17,182)	**N/A**	–	**(19,795)**	(17,182)
Reportable segment loss from discontinued operation	**–**	–	**N/A**	(28)	**–**	(28)
Depreciation and amortisation for the year	**(18,550)**	(18,731)	**N/A**	(7)	**(18,550)**	(18,738)
Impairment losses of						
– trade and other receivables	**(581)**	(425)	**N/A**	–	**(581)**	(425)
– property, plant and equipment	**(716)**	–	**N/A**	–	**(716)**	–
– intangible assets	**(2,462)**	(5,721)	**N/A**	–	**(2,462)**	(5,721)
Reportable segment assets	**101,699**	121,458	**N/A**	–	**101,699**	121,458
Reportable segment liabilities	**20,257**	20,140	**N/A**	–	**20,257**	20,140
Additions to non-current segment assets during the year	**1,666**	15,891	**N/A**	–	**1,666**	15,891

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

The reported results of segment revenue, segment assets and segment liabilities are same as the consolidated revenue, total assets and total liabilities. Reconciliation of reportable segment profit or loss is set out as follows:

	2021	2020
	$'000	*$'000*
Profit or loss		
Reportable segment loss from continuing operations	**(19,795)**	(17,182)
Interest income	**–**	110
Finance costs	**–**	(58)
Unallocated head office and corporate expenses	**–**	(2,745)
Consolidated loss before taxation	**(19,795)**	(19,875)

(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	
	2021	2020	2021	2020
	$'000	*$'000*	*$'000*	*$'000*
The People's Republic of China ("PRC"), Hong Kong, Macau and Taiwan (country of domicile)	**18,923**	18,633	**12,287**	30,198
Turkey	**13,693**	9,177	**–**	–
United States of America ("U.S.")	**10,882**	18,673	**–**	–
Germany	**6,303**	4,974	**–**	–
The Russian Federation	**4,885**	1,667	**–**	–
Republic of the Philippines ("Philippines")	**741**	1,804	**–**	2,233
Other countries	**42,687**	57,819	**–**	–
	79,191	94,114	**–**	2,233
	98,114	112,747	**12,287**	32,431

4 OTHER INCOME

	2021	2020
	$'000	*$'000*
Continuing operations		
Government subsidies*	**247**	3,204
Interest income	**125**	276
Sundry income	**85**	172
	457	3,652

* The government subsidies granted to the Group mainly comprised the followings:

(i) The Group successfully applied for Distance Business Programme subsidy during 2021 and $91,000 was granted by the Hong Kong Productivity Council. The purpose of the subsidy is to support enterprises to adopt IT solutions to continue their business and services during the epidemic.

(ii) The Group successfully applied for research and development subsidy from Shenzhen Government of PRC of $162,000 (2020: $260,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

(iii) The Group successfully applied for Employment Support Scheme subsidy during 2020 and $2,917,000 was granted by the Hong Kong Government under the anti-epidemic fund. The purpose of the subsidy was to provide financial support to employers to retain employees who might otherwise be made redundant.

5 LOSS BEFORE TAXATION

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

	2021	2020
	$'000	*$'000*
(a) Finance costs:		
Continuing operations		
Interest on lease liabilities	**387**	318

	2021	2020
	$'000	*$'000*

(b) Staff costs:

Continuing operations

	2021	2020
Contributions to defined contribution retirement plans	**1,764**	1,124
Net expenses/(income) recognised in respect of a defined benefit retirement plan	**142**	(1,821)
Total retirement costs/(returns)	**1,906**	(697)
Salaries, wages and other benefits	**35,416**	43,744
	37,322	43,047
Less: amount capitalised into development costs	**(498)**	(3,346)
	36,824	39,701

	2021	2020
	$'000	*$'000*

(c) Other items:

Continuing operations

	2021	2020
Amortisation of intangible assets	**11,421**	11,237
Depreciation		
– property, plant and equipment	**3,113**	3,244
– right-of-use assets	**4,016**	4,250
Impairment losses		
– property, plant and equipment	**716**	–
– trade receivables	**581**	425
– intangible assets	**2,462**	5,721
Auditors' remuneration	**1,302**	1,179
Net gain on disposal of property, plant and equipment	**(35)**	(40)
Net foreign exchange loss	**1,498**	2,756
Cost of inventories	**45,219**	56,680

Discontinued operation

	2021	2020
Depreciation – property, plant and equipment	**–**	7
Auditors' remuneration	**–**	11
Net foreign exchange loss	**–**	7

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021	2020
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	8
Under-provision in respect of prior years	**–**	16
	–	24
Current tax – Philippines Income Tax		
Provision for the year	**12**	51
Under/(over)-provision in respect of prior years	**45**	(176)
	57	(125)
Current tax – Other jurisdictions		
Provision for the year	**–**	253
Deferred tax		
Origination and reversal of temporary differences	**1,471**	168
Income tax expense	**1,528**	320

Notes:

(i) No provision for Hong Kong Profits Tax has been made in the financial statements for the 2021 as the Group has sustained losses for taxation purpose.

The provision for Hong Kong Profits Tax for 2020 was calculated at 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 were taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(ii) The provision for Philippines Income Tax for 2021 is calculated at 25% (2020: 30%) of the estimated taxable income or 1% (2020: 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 2021 and 2023.

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

7 LOSS PER SHARE

From continuing operations

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of $21,323,000 (2020: $20,195,000) and the weighted average of 319,565,000 (2020: 319,565,000) ordinary shares in issue for the year ended 31 December 2021.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2021 and 2020 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

From discontinued operation

(c) Basic loss per share

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

(d) Diluted loss per share

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

8 TRADE AND OTHER RECEIVABLES

	2021	2020
	$'000	*$'000*
Trade receivables, net of loss allowance	**12,499**	8,721
Prepayments	**945**	951
Deposits paid	**2,390**	1,670
Other receivables	**735**	878
	16,569	12,220

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 $1,327,000 (2020: $1,259,000). 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:

	2021	2020
	$'000	*$'000*
Within 1 month	**6,691**	4,096
1 to 2 months	**3,705**	2,992
2 to 3 months	**1,977**	793
3 to 12 months	**126**	840
	12,499	8,721

Trade receivables are generally due within 7 days to 3 months from the date of billing.

9 TRADE AND OTHER PAYABLES

	2021	2020
	$'000	*$'000*
Trade payables	**9,166**	3,650
Accruals	**3,687**	2,719
Receipt in advance from customers	**1,614**	3,810
	14,467	10,179

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

	2021	2020
	$'000	*$'000*
Within 1 month	**6,077**	1,929
1 to 3 months	**3,048**	1,721
3 months to 1 year	**41**	–
	9,166	3,650

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

DIVIDEND

The Board did not recommend payment of the final dividend, for the year ended 31 December 2021 (2020: 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 2021, the Group's revenue decreased by 13% to HK$98.1 million (2020: HK$112.7 million); gross profit was HK$52.3 million (2020: HK$55.2 million) with a gross profit margin of 53% (2020: 49%). Loss for the year was HK$21.3 million (2020: HK$20.2 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) recorded loss of HK$0.9 million (2020: loss of HK$0.8 million). Basic loss per share for the year was HK6.673 cents (2020: HK6.329 cents).

Revenue

The COVID-19 pandemic has continued since its worldwide outbreak from the beginning of 2020. The operation and results of our business during the year were inevitably affected. Revenue of the Group for the year amounted to HK$98.1 million, representing a decline of 13% as compared to HK$112.7 million in 2020. Such decrease was mainly due to (i) the drop of sales orders affected by delay of national-base government projects due to the effect of COVID-19; (ii) declining sales orders from our customers due to the trade war between the PRC and the U.S.; and (iii) the delay of material supply especially integrated circuit ("IC") chips due to the global shortage of raw materials.

Gross Profit Margin

Gross profit margin improved from 49% in 2020 to 53% in 2021, which was mainly due to the decrease in write-down of inventories of HK$4.1 million (2021: HK$2.9 million, 2020: HK$7.0 million) included in cost of sales. Excluding this factor, the gross profit margin in 2021 was 56% (2020: 55%) with no material fluctuation noted for both years.

Operating Expenses

Total operating expenses decreased by 8% from HK$78.5 million in 2020 to HK$72.2 million in 2021, which is mainly due to the drop in staff costs of HK$2.9 million and drop in impairment loss on development costs of HK$3.3 million, as well as other effective costs control measures.

Statement of Financial Position

Property, plant and equipment decreased by 46%, from HK$15.0 million at 31 December 2020 to HK$8.1 million at 31 December 2021, mainly due to depreciation of HK$7.1 million and impairment loss of HK$0.7 million, offset by additions of HK$0.9 million during the year.

Intangible assets decreased by 76%, from HK$17.4 million at 31 December 2020 to HK$4.2 million at 31 December 2021, mainly due to amortisation of HK$11.4 million and impairment loss of HK$2.5 million, offset by additions of HK$0.6 million during the year.

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 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

The Group is principally engaged in financial technology and smart living by providing smart cards, contactless readers and related products.

During the year, the Group had faced a number of challenges that imposed adverse impacts on the demand for products and the Group's production capacity and efficiencies. Firstly, the current business environment was severely affected by the trade war between PRC and U.S. The U.S. trade restrictions on "Made in Hong Kong" have a great impact on the Group's sales in the U.S.

In addition, the global COVID-19 pandemic become a public health crisis all over the world, and brought challenges to the global economic environment. The COVID-19 pandemic during the year persistently interrupted the Group's sale activities, which adversely affected the Group's business performance.

The above two unfavourable macro-economic factors, as a result, have disrupted the global supply chain for IC chips. The shortage of global IC chips has seriously affected our shipment schedule.

Nevertheless, we were unyielding and level-headed when facing this turbulent business condition during the year. We introduced several cost reduction measures which effectively narrowed the loss for the year.

In the meantime, the Group has actively taken chance to join industry activities when the pandemic situation was gradually brought under control in the PRC. During the year, a PRC subsidiary of the Group, exhibited at 2021 (16th) China International Internet of Thing Exhibition (IoTE) in Shenzhen to showcase our latest product offerings. Our Bluetooth Contactless Automatic Add Value Reader ACR1311U-P3 was awarded "The Best Product Award" at the event that represents the recognition of its product value by partners and market.

Subsequent to the year end 31 December 2021, there was a change of controlling shareholders of the Group in January 2022. 6 directors resigned in February 2022 and 9 new directors were appointed during February to March 2022. The new controlling shareholders of the Group intend to keep stable for existing operation and current business of the Group. Leveraging on the experience of the new shareholders and directors in business development and management and their respective investments in technology related companies, we strive to explore possible business opportunities for the Group's business and operations with a view to enhance the value of the Group.

PROSPECTS

The economic downturn caused by impact of COVID-19 and the effect of trade war have brought about uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and trade war and to evaluate their impacts on the Group's financial position, cash flows and operating results.

In response to the global shortage of IC chips, the Group keeps close connection and communications with major suppliers of IC chips for recovery plan and extension for materials preparation to over 12 months so as to increase our flexibility for future supply.

We believe that with the growth of contactless payment systems, the spread of mobile technologies and the establishment of virtual banks have speed up the development of digital payment infrastructure, cashless payment become the trend. In order to seize the opportunity, the Group will continue to spend effort in research and development on upgrading our core product lines with new technologies advancement and seek for new customers and sales channels in coming year. Moreover, the Group will continue to pursue and maintain a conservative but proactive approach, focusing on product innovations, gains on market share, geographical expansion, operational excellence and exploration on new opportunities in Fast Identity Online (FIDO) products market, so as to bring better returns for the shareholders and ensure the Group stays competitive in the market.

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 21% of the Group's revenue for the year ended 31 December 2021 (2020: 23%). 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 2021, the Group engaged three (2020: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group maintained one (2020: 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. To reduce risk of depending on one manufacturer, the Group has already started sourcing new manufacturers for smart card readers. Business cooperation discussion with new potential manufacturers are undergoing.

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 2021, 43% (2020: 45%) of full-time employees of the Group are engineers for research, development and deployment and 61% (2020: 51%) 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.

Relatively high 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 substantial capital expenditure. During the year ended 31 December 2021, the Group recorded HK$0.6 million (2020: HK$3.9 million) on development costs of new products and services. 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 2021, the Group's cash and cash equivalents amounted to HK$51.5 million (31 December 2020: HK$54.4 million). The Group's net assets as at 31 December 2021 was HK$81.4 million (31 December 2020: HK$101.3 million).

The Group's equity capital and the cash generated from operating activities, has been applied to fund its working capital and other operational needs. The Group recorded net cash inflow in operating activities of HK$2.8 million (2020: HK$19.1 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$1.2 million (2020: HK$6.1 million) during the year, the amount decreased as a result of less capital expenditures spent on development projects during the year. The Group recorded net cash outflow in financing activities of HK$4.4 million (2020: HK$4.3 million) during the year, which was due to the capital and interest elements of lease rentals paid.

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 31 December 2021, was 0% (2020: 0%).

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2021, 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 2021, the Group did not have any capital commitment related to acquisition of property, plant and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollars, 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 2021, the Group did not pledge any of its material assets (2020: nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Company had no significant contingent liabilities (2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 107 (2020: 126) full time employees. Staff costs recognised in profit or loss for the year amounted to HK$36.8 million (2020: HK$39.7 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.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 12 January 2021, HNA Technology Group (HK) Co., Limited, an indirect parent of the Group, entered into a sale and purchase agreement with Mars Development Limited and Megacore Development Limited (the "Agreement"). Pursuant to the Agreement, Mars Development Limited and Megacore Development Limited acquired 60% and 40% of the shareholding of HNA EcoTech Pioneer Acquisition (the immediate parent of the Group) respectively, details of which are set out in the announcements of the Company dated 12 January 2022 and 4 February 2022.

Immediately after the transaction and pursuant to a deed of concert parties signed between Mr. Mai Zhaoping and Mr. Zhang Xueqin (being the ultimate beneficial owners of Mars Development Limited and Megacore Development Limited respectively), the ultimate controlling parties of the Group were changed to Mr. Mai Zhaoping and Mr Zhang Xueqin, who were also appointed as executive directors of the Company on 4 February 2022.

(ii) On 24 February 2022, an armed conflict broke out between the Russian Federation and Ukraine. Several countries have invoked trade sanctions on the Russian Federation and removed major Russian banks from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system.

Due to the uncertainty of continuing business with the customers in the region, the directors will continue to closely monitor the situation in the region.

During the year ended 31 December 2021, sales to customers in Russian Federation amounted to HK$4,885,000. At 31 December 2021, outstanding trade receivables from those customers amounted to HK$1,944,000, of which HK$1,711,000 were settled as of the date of this announcement.

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

During the year ended 31 December 2021, 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 2021, 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 of the Company are of the opinion that the Company has compiled with the code provisions set out in the CG Code for the time being in force during the year ended 31 December 2021.

From 1 January 2022, certain amendments to the CG Code (the "New CG Code") come into effect and the requirements under the New CG Code will apply to all listed issuers for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the New CG Code as set out in Appendix 14 of the Listing Rules. Code Provision C.2.1 of the New CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. Zhang Xueqin performs the roles of both co-chairman and chief executive officer, the Company has deviated from this Code Provision from 26 February 2022. However, the Board believes that vesting the roles of both the co-chairman and the chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies and will enable the Board to function more effectively when Mr. Mai Zhaoping is not available to attend the Board meeting in person. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the New CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

Details of the Company's corporate governance principles and processes will be available in the 2021 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 2021.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2021 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 2021 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) and the Stock Exchange's website (www.hkexnews.hk). The 2021 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
Mai Zhaoping **Zhang Xueqin**
Co-chairmen

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Mai Zhaoping, Mr. Zhang Xueqin, Ms. Mai Qiqi, Mr. Chan Chun Leung, Ms. Xu Tingting and Mr. Wong Chi Ho, two non-executive directors, namely Mr. Mai Ziye and Mr. Shum Ngok Wa and four independent non-executive directors, namely Dr. Lin Tat Pang, Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.