



LEADWAY TECH
高維科技

LEADWAY TECHNOLOGY INVESTMENT GROUP LIMITED

高維科技投資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2086

2022

INTERIM REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mai Zhaoping (Co-Chairman)

(appointed on 4 February 2022)

Mr. Zhang Xueqin

(Co-Chairman and Chief Executive Officer)

(appointed on 4 February 2022)

Ms. Mai Qiqi *(appointed on 4 February 2022 as*

non-executive director and re-designated as executive director on 7 March 2022)

Mr. Chan Chun Leung

(appointed on 7 March 2022)

Ms. Xu Tingting *(appointed on 4 February 2022)*

Mr. Wong Chi Ho

Mr. Jiang Hao *(resigned on 26 February 2022)*

Mr. Peng Zhi *(resigned on 26 February 2022)*

Mr. Xu Jie *(resigned on 26 February 2022)*

Mr. Wang Jing *(resigned on 26 February 2022)*

Non-executive Directors

Mr. Mai Ziye *(appointed on 7 March 2022)*

Mr. Xing Yi *(appointed on 5 July 2022)*

Mr. Shum Ngok Wa

(resigned on 5 July 2022)

Independent Non-executive Directors

Dr. Lin Tat Pang

Mr. Lai Chi Leung

(appointed on 4 February 2022)

Mr. Zhang Dingfang

(appointed on 4 February 2022)

Mr. Gu Tianlong *(appointed on 7 March 2022)*

Mr. Guo Dan *(resigned on 26 February 2022)*

Ms. O Wai *(resigned on 26 February 2022)*

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ho

Ms. Lee Ka Man, HKACG, ACG

COMPANY SECRETARY

Ms. Lee Ka Man, HKACG, ACG

AUDIT COMMITTEE

Dr. Lin Tat Pang *(Chairman)*

Mr. Lai Chi Leung

Mr. Zhang Dingfang

Mr. Gu Tianlong

REMUNERATION COMMITTEE

Dr. Lin Tat Pang *(Chairman)*

Mr. Lai Chi Leung

Mr. Zhang Dingfang

Mr. Gu Tianlong

NOMINATION COMMITTEE

Mr. Zhang Dingfang *(Chairman)*

Dr. Lin Tat Pang

Mr. Wong Chi Ho

Mr. Gu Tianlong

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor

registered in accordance with

the Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

REGISTERED OFFICE

P.O. Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 4108–4110, 41st Floor

Manhattan Place, 23 Wang Tai Road

Kowloon Bay

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.leadwayinv.com

STOCK CODE

2086

The board of directors (the "Board") of Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited) (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 together with the comparative unaudited figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

		Unaudited	
		six months ended 30 June	
	Note	2022	2021
		\$'000	\$'000
Revenue	3	45,270	36,250
Cost of sales		(21,768)	(15,981)
Gross profit		23,502	20,269
Other income		1,192	313
Selling and distribution costs		(2,277)	(3,554)
Research and development expenses		(6,594)	(11,031)
Administrative expenses		(15,575)	(16,060)
Profit/(loss) from operations		248	(10,063)
Finance costs	4(a)	(120)	(217)
Profit/(loss) before taxation	4	128	(10,280)
Income tax	5	–	(609)
Profit/(loss) for the period attributable to the equity shareholders of the Company		128	(10,889)
Earnings/(loss) per share	6		
Basic		0.040 cents	(3.407 cents)
Diluted		0.040 cents	(3.407 cents)

The notes on pages 9 to 17 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended 30 June	
	2022	2021
	\$'000	\$'000
Profit/(loss) for the period	128	(10,889)
Other comprehensive income for the period (after tax)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(1,587)	1,544
Total comprehensive income for the period	(1,459)	(9,345)
Attributable to:		
Equity shareholders of the Company	(1,459)	(9,345)

The notes on pages 9 to 17 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Note	Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000
Non-current assets			
Property, plant and equipment	7	5,546	8,122
Intangible assets		5,327	4,165
Defined benefit obligations		240	307
		11,113	12,594
Current assets			
Inventories		22,918	20,202
Trade and other receivables	8	16,866	16,569
Other financial assets		225	231
Current tax recoverable		552	560
Cash and cash equivalents	9	43,731	51,543
		84,292	89,105
Current liabilities			
Trade and other payables	10	11,752	14,467
Lease liabilities		3,345	3,900
		15,097	18,367
		69,195	70,738
Net current assets			
Total assets less current liabilities			
		80,308	83,332
Non-current liabilities			
Lease liabilities		325	1,890
		325	1,890
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	11	31,956	31,956
Reserves		48,027	49,486
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		79,983	81,442

The notes on pages 9 to 17 form part of this unaudited interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Surplus reserve \$'000	Exchange reserve \$'000	Retained profits/ accumulated losses) \$'000	Total equity \$'000
Balance at 1 January 2021	31,956	53,383	4,496	2,490	1,205	7,788	101,318
Changes in equity for the six months ended							
30 June 2021:							
Loss for the period	-	-	-	-	-	(10,889)	(10,889)
Other comprehensive income	-	-	-	-	1,544	-	1,544
Total comprehensive income	-	-	-	-	1,544	(10,889)	(9,345)
Appropriation to surplus reserve	-	-	-	78	-	(78)	-
Balance at 30 June 2021 and							
1 July 2021	31,956	53,383	4,496	2,568	2,749	(3,179)	91,973
Changes in equity for the							
six months ended							
31 December 2021:							
Loss for the period	-	-	-	-	-	(10,434)	(10,434)
Other comprehensive income	-	-	-	-	(439)	342	(97)
Total comprehensive income	-	-	-	-	(439)	(10,092)	(10,531)
Appropriation to surplus reserve	-	-	-	241	-	(241)	-
Balance at 31 December 2021 and							
1 January 2022	31,956	53,383	4,496	2,809	2,310	(13,512)	81,442
Changes in equity for the six months ended							
30 June 2022:							
Profit for the period	-	-	-	-	-	128	128
Other comprehensive income	-	-	-	-	(1,587)	-	(1,587)
Total comprehensive income	-	-	-	-	(1,587)	128	(1,459)
Appropriation to surplus reserve	-	-	-	82	-	(82)	-
Balance at 30 June 2022	31,956	53,383	4,496	2,891	723	(13,466)	79,983

The notes on pages 9 to 17 form part of this unaudited interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

		Unaudited	
	Note	six months ended 30 June 2022	2021
		\$'000	\$'000
Operating activities			
Cash (used in)/generated from operations		(2,277)	2,524
Tax paid		(6)	(61)
Net cash (used in)/generated from operating activities		(2,283)	2,463
Investing activities			
Payment for the purchase of property, plant and equipment		(385)	(581)
Expenditure on development projects capitalised		(2,899)	(2,340)
Other cash flows arising from investing activities		96	223
Net cash used in investing activities		(3,188)	(2,698)
Financing activities			
Capital element of lease rentals paid		(2,119)	(1,972)
Interest element of lease rentals paid		(120)	(217)
Net cash used in financing activities		(2,239)	(2,189)
Net decrease in cash and cash equivalents		(7,710)	(2,424)
Cash and cash equivalents at 1 January		51,543	54,371
Effect of foreign exchange rate changes		(102)	95
Cash and cash equivalents at 30 June	9	43,731	52,042

The notes on pages 9 to 17 form part of this unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim financial report is unaudited but has been reviewed by the audit committee of the Company and it was authorised for issue on 24 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only presented one reportable segment. No operating segments have been aggregated to form the reportable segment. The financial technology and smart living business mainly represents the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2022	2021
	\$'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	45,270	36,250
Disaggregated by geographical location of customers		
– Europe	27,643	19,716
– Asia Pacific	12,727	11,673
– The Americas	3,763	3,895
– Middle East and Africa	1,137	966
	45,270	36,250

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

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

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

	Financial technology and smart living	
For the six months ended	2022	2021
	\$'000	\$'000
Disaggregated by timing of revenue recognition		
Point in time	45,035	36,235
Over time	235	15
Reportable segment revenue	45,270	36,250
Reportable segment profit/(loss) from operations	128	(10,280)
As at 30 June/31 December		
Reportable segment assets	95,405	101,699
Reportable segment liabilities	15,422	20,257

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Interest on lease liabilities	120	217

(b) Other items

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Amortisation of intangible assets	1,738	3,431
Depreciation		
– owned property, plant and equipment	910	1,672
– right-of-use assets	2,026	1,999
Government subsidies income*	(1,039)	(178)
Impairment losses on trade receivables	–	23
(Reversal)/recognition on write down of inventories	(34)	21
Interest income	(96)	(64)

* The government subsidies granted to the Group during the six months ended 30 June 2022 mainly comprised the followings:

- (i) The Group successfully applied for research and development subsidy from Shenzhen Government of The People's Republic of China ("PRC") of \$243,000 (six months ended 30 June 2021: \$162,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria; and
- (ii) The Group successfully applied for 2022 Employment Support Scheme subsidy of \$752,000 (six months ended 30 June 2021: \$nil) granted by the Hong Kong government under the anti-epidemic fund. The purpose of the subsidy is to provide financial support to employers to retain their current employees or even employ more staff when the business revives as soon as the epidemic situation permits.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Current tax – Philippines Income Tax		
Under-provision in respect of prior years	–	45
Deferred taxation	–	564
Income tax expense	–	609

Notes:

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

- (ii) The provision for Philippines Income Tax for the period is calculated at 30% (2021: 30%) of the estimated taxable income or 2% (2021: 2%) on gross income incurred, whichever is higher, in accordance with the National Internal Revenue Code of the Republic of the Philippines.

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

- (a) Logyi Limited (“Logyi”)

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

- (b) ACS Technologies (Shenzhen) Limited (“ACS Shenzhen”)

ACS Shenzhen was granted the “high and new technology enterprise” status and enjoys the preferential corporate income tax rate of 15% for three years between 2021 and 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on profits attributable to ordinary equity shareholders of the Company of \$128,000 (six months ended 30 June 2021: loss of \$10,889,000) and the weighted average of 319,565,000 (six months ended 30 June 2021: 319,565,000) ordinary shares in issue for the six months ended 30 June 2022.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the six months ended 30 June 2022 and 2021 are the same as the basic loss per share as there are no dilutive potential ordinary shares.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2022 and 2021, there were no additions to right-of-use assets as there were no renewal of existing leases nor new leases entered into during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of \$385,000 (six months ended 30 June 2021: \$581,000). Items of plant and machinery with a net book value of \$3,000 (six months ended 30 June 2021: \$31,000) were disposed of during the six months ended 30 June 2022, resulting in a loss on disposal of \$3,000 (six months ended 30 June 2021: gain on disposal of \$46,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES

	30 June 2022 \$'000	31 December 2021 \$'000
Trade receivables, net of loss allowance	12,157	12,499
Prepayments	1,163	945
Deposits paid	2,345	2,390
Other receivables	1,201	735
	16,866	16,569

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

	30 June 2022 \$'000	31 December 2021 \$'000
Within 1 month	6,691	6,691
1 to 2 months	1,742	3,705
2 to 3 months	2,304	1,977
3 to 12 months	1,420	126
	12,157	12,499

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

9 CASH AND CASH EQUIVALENTS

	30 June 2022 \$'000	31 December 2021 \$'000
Cash at bank and on hand	13,467	14,292
Bank deposits maturing within three months when placed	30,264	37,251
Cash and cash equivalents	43,731	51,543

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER PAYABLES

	30 June 2022 \$'000	31 December 2021 \$'000
Trade payables	7,151	9,166
Accruals	2,317	3,687
Receipt in advance from customers	2,284	1,614
	11,752	14,467

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

	30 June 2022 \$'000	31 December 2021 \$'000
Within 1 month	6,085	6,077
1 to 3 months	1,062	3,048
3 months to 1 year	4	41
	7,151	9,166

11 SHARE CAPITAL

Authorised and issued share capital

	30 June 2022		31 December 2021	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.1 each	1,000,000	100,000	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	319,565	31,956	319,565	31,956

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

At 30 June 2022, the fair value of the treasury bills listed outside Hong Kong held by the Group was \$225,000 (31 December 2021: \$228,000). The costs of these financial assets measured at amortised cost are not materially different from their fair values at 30 June 2022 and 31 December 2021. These instruments fall into level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2022 and year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amount of the Group's all other financial instruments carried at costs or amortised costs were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

13 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Short-term employee benefits	2,033	1,503
Post-employment benefits	12	18
	2,045	1,521

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read alongside the unaudited consolidated financial results of the Group for the six months ended 30 June 2022 (the "Interim Period").

FINANCIAL REVIEW

Revenue

Revenue increased by 25%, from HK\$36.3 million for the corresponding period in 2021 to HK\$45.3 million for the Interim Period, fuelled by the increase of products sales. The increase was mainly due to the improvement in global supply of integrated circuit chips, and the relieve of overseas control measures for novel coronavirus disease ("COVID-19") so more national-based government projects resume normal operation.

Gross Profit Margin

Gross profit margin was 52% for the Interim Period (2021: 56%), the decrease was mainly due to the increase of material cost and lower gross profit margin for some old customers in order to maintain the relationship with them during this economic downturn period.

Operating Expenses

Total operating expenses decreased by 20%, from HK\$30.6 million for the corresponding period in 2021, to HK\$24.4 million for the Interim Period. The depreciation of Renminbi against Hong Kong dollar during the Interim Period resulted in a decrease of Renminbi denominated payable balances, whereas appreciation of Renminbi against Hong Kong dollars was noted during the corresponding period in 2021. This led to a decrease in exchange difference of HK\$3.1 million included in operating expenses. Furthermore, depreciation of property, plant and equipment and amortisation of intangible assets decreased by HK\$2.4 million due to the fact that there were less depreciable property, plant and equipment and intangible assets during the Interim Period. Certain effectively cost control measures carried out during the Interim Period also successfully reduced the operating expenses.

Profit for the period

A profit of HK\$0.1 million was recorded for the Interim Period, a turnaround from the loss of HK\$10.9 million for the corresponding period in 2021. The significant improvement in interim results was mainly attributable to the improvement in revenue and gross profit due to increase of products sales, as well as reduction of operating expenses during the Interim Period.

Statement of Financial Position

As at 30 June 2022, the Group's net assets amounted to HK\$80.0 million (31 December 2021: HK\$81.4 million). The decrease of HK\$1.4 million was due to the net profit of HK\$0.1 million offsetted with movement in exchange reserve of HK\$1.5 million for the Interim Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group had a steadily growth in the first half of 2022, despite a turbulent macro backdrop and the ongoing pandemic. During the Interim Period, the Group continued to focus on products development and keep looking for opportunities in developing countries by expanding our market shares. We received positive customer response with the newly launch of ACR350 Payment Terminal for transportation during the Interim Period.

Notwithstanding the above, our business was affected by the geopolitical tensions. Our European customers have tendency putting their purchase plan on-hold due to the war between Russia and Ukraine. Euro currency fluctuations also affect desire of customers to purchase new devices.

In order to better reflect the change of control of the Group, the Company's English name changed to "Leadway Technology Investment Group Limited" and the Company's Chinese name changed to "高維科技投資集團有限公司". The new names provide the Group with a more appropriate corporate image and identity which benefit the Group's future business development and is in the best interests of the Group and its shareholders as a whole.

PROSPECTS

Ongoing geopolitical tensions and the emergence of mutated viruses of COVID-19 will be two of the challenges shaping the year ahead. But the opportunities in terms of the growing trend of contactless payment, diversifying and upgrading our products offering all present opportunities for us.

In the second half of 2022, the Group will launch three new products including:

- ACR40T SIM Card Reader, the next generation small size token reader;
- ACR1252U Walletmate, a new reader supporting Apple VAS application; and
- ACR1581 next generation Dual-Interface Card Reader.

We will also join the 2022 (18th) China International Internet of Thing Exhibition (IoT) in Shenzhen in the second half of 2022 for promoting our products and our corporate image in the industry. In addition, the Group plans to explore new opportunities in new developing countries in South East Asia by introducing our products and services.

The global economy remains volatile and uncertain against a backdrop of inflationary pressures and geopolitical tensions. The Group stays resilient amidst these challenging times. We will continue to put efforts in enhanced promotion, excellence of products and service, development of innovative products as well as excellent customer relationship management and talent management in smart card related technology.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 30 June 2022, the Group's cash and cash equivalents amounted to HK\$43.7 million (31 December 2021: HK\$51.5 million). There was no borrowing as at 30 June 2022, hence the Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to owners of the Company as at 30 June 2022, was 0% (31 December 2021: 0%).

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 outflow in operating activities of HK\$2.3 million (2021: net cash inflow of HK\$2.5 million) for the Interim Period, the amount turned from inflow to outflow was mainly due to more cash consumed in daily operations such as purchase of inventories and settlement of trade payable during the Interim Period. The Group recorded net cash outflow in investing activities of HK\$3.2 million (2021: HK\$2.7 million) for the Interim Period, the amount increased as a result of more capital expenditures spent on development projects during the Interim Period. The Group recorded net cash outflow in financing activities of HK\$2.2 million (2021: HK\$2.2 million) for the Interim Period, which was due to the capital and interest elements of lease rentals paid.

DISPOSALS AND ACQUISITIONS

The Group did not have any material disposals or investments of subsidiaries and affiliated companies during the Interim Period.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 30 June 2022, 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 exposures.

PLEDGE OF ASSETS

As at 30 June 2022, the Group did not pledge any of its material assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2022, the Company had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 112 full time employees. Staff costs recognised in profit or loss for the Interim Period amounted to HK\$16.5 million (2021: HK\$17.3 million). Remuneration polices and packages for the Group's employees are based on individual qualifications, performance, experience and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.



ADDITIONAL INFORMATION

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

As at 30 June 2022, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Note	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2022
Mr. Mai Zhaoping (麥照平先生)	(i)	Interest in controlled corporation	239,215,679	74.85%
Mr. Zhang Xueqin (張學勤先生)	(i)	Interest in controlled corporation	239,215,679	74.85%

Note:

- (i) Mr. Mai Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to an acting in concert deed dated 12 January 2022.

Save as disclosed above, as at 30 June 2022, to the best knowledge of the directors of the Company, none of the directors or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code or as otherwise notified to the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

ADDITIONAL INFORMATION

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

As at 30 June 2022, so far as is known to the directors or chief executive of the Company, the following shareholders (excluding directors and chief executive of the Company) had interests and short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Notes	Capacity	Long position in ordinary shares of HK\$0.10 each	
			Total number of shares held	Approximate percentage of the Company's issued share capital as at 30 June 2022
HNA EcoTech Pioneer Acquisition	(i)	Beneficial owner	238,889,669	74.75%
Mars Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Mars Enterprise Holdings Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore International Innovation Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Zhong Zhao Investment Holdings Limited (中兆投資控股有限公司)	(i)	Interest in controlled corporation	239,215,679	74.85%
Premium Financial Limited (永實物業按揭有限公司)	(ii)	Security Interest	238,889,669	74.75%
Sun Speed Holdings Limited (日迅控股有限公司)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%
Mr. Qiu Yong (邱用先生)	(ii)	Security Interest in controlled corporation	238,889,669	74.75%

ADDITIONAL INFORMATION

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

(continued)

Notes:

- (i) HNA EcoTech Pioneer Acquisition is held as to 60% by Mars Development Limited and 40% by Megacore Development Limited. Mars Development Limited is held as to 100% by Mars Enterprise Holdings Limited which in turn is held as to 100% by Mr. Mai Zhaoping. Megacore Development Limited is held as to 100% by Megacore International Innovation Limited which in turn is held as to 100% by Zhong Zhao Investment Holdings Limited. Zhong Zhao Investment Holdings Limited is held as to 100% by Mr. Zhang Xueqin. Mr. Mai Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to an acting in concert deed dated 12 January 2022. Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin are therefore deemed to be interested in shares held by HNA EcoTech Pioneer Acquisition under the SFO.
- (ii) On 27 August 2019, HNA EcoTech Pioneer Acquisition, the controlling shareholder (as defined in the Listing Rules) of the Company entered into a share charge agreement with Premium Financial Limited, pursuant to which HNA EcoTech Pioneer Acquisition agreed to pledge 238,889,669 shares in the issued share capital of the Company in favour of Premium Financial Limited, for the purpose of securing a loan granted by independent third parties of the Company to HNA EcoTech Pioneer Acquisition.

Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Premium Financial Limited, Sun Speed Holdings Limited and Mr. Qiu Yong are interested in 238,889,669 shares as security interest; and (ii) interest in 238,889,669 shares held by HNA EcoTech Pioneer Acquisition, Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin were provided as security to a person other than a qualified lender.

Save as disclosed above, as at 30 June 2022 and to the best knowledge of the directors and chief executives of the Company, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept under Section 336 of the SFO.

ADDITIONAL INFORMATION

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

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

CORPORATE GOVERNANCE

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

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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 CG Code as set out in Appendix 14 of the Listing Rules. However, the Board believes that vesting the roles of both co-chairman and 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, the co-chairman and executive director of the Company, 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

ADDITIONAL INFORMATION

AUDIT COMMITTEE

The audit committee of the Company is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing the Company's financial controls, internal controls and risk management systems; and reviewing the financial statements of the Company. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2022 and discussed the financial related matters with the management of the Group.

The audit committee currently comprises 4 members, namely Dr. Lin Tat Pang (being the chairman of the audit committee), Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of director's information of the Company since the date of the 2021 annual report is as follows:

Dr. Lin Tat Pang, the independent non-executive director of the Company, has been appointed as an independent non-executive director of CT Vision S.L. (International) Holdings Limited (stock code: 994) with effect from 30 June 2022, the shares of which listed on the Stock Exchange.

By order of the Board

Leadway Technology Investment Group Limited

Mai Zhaoping

Zhang Xueqin

Co-chairmen

Hong Kong, 24 August 2022