



# 啟迪國際有限公司

## TUS International Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 872

INTERIM  
REPORT

# 2017



LIMITED **SPACE**  
FOR UNLIMITED **DREAM**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Ma Chi Kong Karl (*Chairman*)  
Mr. Shen Xiao  
Mr. Yang Ming  
Mr. Du Peng  
Mr. Woo Kar Tung Raymond  
Ms. Cheung Joanna Wai Sze

#### **Non-executive Directors**

Mr. Tsang Ling Biu, Gilbert  
Mr. Sheng Ruzhi  
(resigned on 31 August 2017)

#### **Independent Non-executive Directors**

Hon. Quat Elizabeth (*JP*)  
Mr. Poon Chiu Kwok  
Mr. Chen Jin  
Mr. Wong Yuk Lun, Alan

### **AUTHORISED REPRESENTATIVES**

Mr. Woo Kar Tung Raymond  
Mr. So Yiu Fung

### **COMPANY SECRETARY**

Mr. So Yiu Fung

### **AUDIT COMMITTEE**

Mr. Poon Chiu Kwok  
(*Committee Chairman*)  
Mr. Tsang Ling Biu, Gilbert  
Hon. Quat Elizabeth (*JP*)  
Mr. Chen Jin  
Mr. Wong Yuk Lun, Alan

### **REMUNERATION COMMITTEE**

Mr. Poon Chiu Kwok  
(*Committee Chairman*)  
Mr. Ma Chi Kong Karl  
Mr. Yang Ming  
Hon. Quat Elizabeth (*JP*)  
Mr. Chen Jin  
Mr. Wong Yuk Lun, Alan

### **NOMINATION COMMITTEE**

Mr. Ma Chi Kong Karl  
(*Committee Chairman*)  
Mr. Shen Xiao  
Hon. Quat Elizabeth (*JP*)  
Mr. Poon Chiu Kwok  
Mr. Chen Jin  
Mr. Wong Yuk Lun, Alan

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **WEBSITE OF THE COMPANY**

[www.tus-i.com](http://www.tus-i.com)

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")**

Room KJ02-07, 2nd Floor  
Qidi Ke Jian Building  
Building No. 6  
No.1 Zhongguancun East Road  
Haidian District, Beijing, PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 1301, 13/F., Prosperity Tower  
39 Queen's Road Central  
Central, Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

SMP Partners (Cayman) Limited  
Royal Bank House, 3/F.  
24 Shedden Road, P.O. Box 1586  
Grand Cayman, KYI-1110  
Cayman Islands

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
Shanghai Pudong Development Bank  
Co., Ltd.

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17/F., Hopewell Centre  
183 Queen's Road East  
Hong Kong

**AUDITORS**

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31/F., Gloucester Tower, The Landmark  
11 Pedder Street, Central, Hong Kong

**LEGAL ADVISER**

*As to Hong Kong Law:*  
Herbert Smith Freehills  
23/F., Gloucester Tower  
15 Queen's Road Central  
Hong Kong

*As to Cayman Island Law:*  
Conyers Dill & Pearman, Cayman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KYI-1111  
Cayman Islands

**STOCK CODE**

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

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

For the six months ended 30 June 2017

		Six months ended 30 June	
	Note	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
<b>Revenue</b>	3	<b>84,203,309</b>	131,611,038
<b>Cost of sales</b>		<b>(79,331,105)</b>	(119,868,809)
<b>Gross profit</b>		<b>4,872,204</b>	11,742,229
<b>Other revenue</b>		59,795	8,487
<b>Other loss</b>	5	(74,335)	(4,387,762)
<b>Selling and distribution expenses</b>		(969,724)	(726,105)
<b>Administrative expenses</b>		(32,138,355)	(31,710,104)
<b>Finance costs</b>	6	(5,332,472)	(1,194,492)
<b>Gain on disposal of subsidiaries</b>	21	–	26,107,896
<b>Share of loss of an associate</b>		(1,591,996)	–
<b>Loss before taxation</b>	7	<b>(35,174,883)</b>	(159,851)
<b>Taxation</b>	8	364,312	(1,109,533)
<b>Loss for the period</b>		<b>(34,810,571)</b>	(1,269,384)
<b>Other comprehensive income/(loss) for the period, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		4,897,731	(944,303)
<b>Total comprehensive loss for the period</b>		<b>(29,912,840)</b>	(2,213,687)
<b>Loss for the period attributable to:</b>			
Owners of the Company		(34,506,457)	(354,085)
Non-controlling interests		(304,114)	(915,299)
		<b>(34,810,571)</b>	(1,269,384)
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company		(31,802,741)	(885,644)
Non-controlling interests		1,889,901	(1,328,043)
		<b>(29,912,840)</b>	(2,213,687)
<b>Loss per share</b>			
– Basic and diluted (HK cents)	10	<b>(3.72)</b>	(0.04)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2017*

	<i>Note</i>	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
<b>Non-current assets</b>			
Fixed assets			
– Property, plant and equipment	<i>11</i>	<b>6,952,153</b>	4,836,259
Finance lease receivables	<i>14</i>	<b>42,158,075</b>	29,671,130
Intangible assets		<b>3,855,099</b>	3,855,099
Goodwill		<b>3,380,099</b>	3,380,099
Interests in associates		<b>8,408,004</b>	10,000,000
Available-for-sale investments	<i>12</i>	<b>229,733,696</b>	209,000,000
		<b>294,487,126</b>	260,742,587
<b>Current assets</b>			
Inventories		<b>20,204,865</b>	18,102,688
Trade receivables, prepayments and other receivables	<i>13</i>	<b>129,364,387</b>	115,566,761
Finance lease receivables	<i>14</i>	<b>63,059,614</b>	35,648,588
Pledged bank deposits	<i>15</i>	<b>50,935,354</b>	–
Cash and cash equivalents		<b>390,755,515</b>	143,781,827
		<b>654,319,735</b>	313,099,864
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>62,957,659</b>	25,653,619
Current tax payable		<b>798,635</b>	801,035
Borrowings	<i>17</i>	<b>21,190,463</b>	9,667,984
		<b>84,946,757</b>	36,122,638
<b>Net current assets</b>		<b>569,372,978</b>	276,977,226
<b>Total assets less current liabilities</b>		<b>863,860,104</b>	537,719,813
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>13,841,551</b>	11,202,942
Convertible bonds	<i>18</i>	<b>327,140,626</b>	46,132,190
		<b>340,982,177</b>	57,335,132
<b>Net assets</b>		<b>522,877,927</b>	480,384,681
<b>Capital and reserves</b>			
Share capital	<i>19</i>	<b>9,281,849</b>	9,281,849
Reserves		<b>511,269,350</b>	517,662,384
Equity attributable to owners of the Company		<b>520,551,199</b>	526,944,233
Non-controlling interests		<b>2,326,728</b>	(46,559,552)
<b>Total equity</b>		<b>522,877,927</b>	480,384,681

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2017*

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory surplus reserve	Exchange reserve	Other reserve	Share option reserve	Convertible bonds reserve	Retained profits	Sub-Total			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2016 (Audited)	9,281,849	477,037,709	7,893,657	17,005,189	(46,580,259)	16,173,403	-	60,177,637	540,989,185	(23,362,058)	517,627,127	
Loss for the period	-	-	-	-	-	-	-	(354,085)	(354,085)	(915,299)	(1,269,384)	
Other comprehensive loss for the period, net of income tax:												
Exchange differences on translation of financial statements of foreign operation	-	-	-	(531,559)	-	-	-	-	(531,559)	(412,744)	(944,303)	
Total comprehensive loss for the period	-	-	-	(531,559)	-	-	-	(354,085)	(885,644)	(1,328,043)	(2,213,687)	
Share-based payments	-	-	-	-	-	11,619,236	-	-	11,619,236	-	11,619,236	
Cancellation of share options	-	-	-	-	-	(16,173,403)	-	16,173,403	-	-	-	
Issue of convertible bond	-	-	-	-	-	-	23,474,434	-	23,474,434	-	23,474,434	
Disposal of subsidiaries	-	-	(4,929,416)	(11,582,863)	(3,465,768)	-	-	-	(19,978,047)	(15,803,342)	(35,781,389)	
At 30 June 2016 (Unaudited)	9,281,849	477,037,709	2,964,241	4,890,767	(50,046,027)	11,619,236	23,474,434	75,996,955	555,219,164	(40,493,443)	514,725,721	
At 1 January 2017 (Audited)	<b>9,281,849</b>	<b>477,037,709</b>	<b>2,190,561</b>	<b>4,911,710</b>	<b>(48,988,413)</b>	<b>13,590,585</b>	<b>15,066,157</b>	<b>53,854,075</b>	<b>526,944,233</b>	<b>(46,559,552)</b>	<b>480,384,681</b>	
Loss for the period	-	-	-	-	-	-	-	(34,506,457)	(34,506,457)	(304,114)	(34,810,571)	
Other comprehensive income for the period, net of income tax:												
Exchange differences on translation of financial statements of foreign operation	-	-	-	2,703,716	-	-	-	-	2,703,716	2,194,015	4,897,731	
Total comprehensive income/(loss) for the period	-	-	-	2,703,716	-	-	-	(34,506,457)	(31,802,741)	1,889,901	(29,912,840)	
Share-based payments (note 20)	-	-	-	-	-	6,643,270	-	-	6,643,270	-	6,643,270	
Issue of convertible bond (note 18)	-	-	-	-	-	-	22,178,368	-	22,178,368	-	22,178,368	
Deferred taxation arising on issue of convertible bond	-	-	-	-	-	-	(3,411,931)	-	(3,411,931)	-	(3,411,931)	
Non-controlling interests arising on capital contribution	-	-	-	-	-	-	-	-	-	46,996,379	46,996,379	
At 30 June 2017 (Unaudited)	<b>9,281,849</b>	<b>477,037,709</b>	<b>2,190,561</b>	<b>7,615,426</b>	<b>(48,988,413)</b>	<b>20,233,855</b>	<b>33,832,594</b>	<b>19,347,618</b>	<b>520,551,199</b>	<b>2,326,728</b>	<b>522,877,927</b>	

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2017*

	<b>Six months ended 30 June</b>	
	<b>2017 HK\$ (Unaudited)</b>	2016 HK\$ (Unaudited)
Net cash used in operating activities	<b>(38,316,387)</b>	(85,232,430)
<b>Investing activities</b>		
Purchase of available-for-sale investments	<b>(20,733,696)</b>	(20,000,000)
Increase in pledged bank deposits	<b>(50,935,354)</b>	–
Net cash outflow on disposal of subsidiaries	–	(5,023,127)
Other net cash flow arising from investing activities	<b>(2,464,925)</b>	(685,469)
Net cash used in investing activities	<b>(74,133,975)</b>	(25,708,596)
<b>Financing activities</b>		
Capital contribution from non-controlling interests of a subsidiary	<b>45,153,383</b>	–
Proceeds from issue of convertible bonds	<b>298,500,000</b>	–
Proceeds from borrowings	<b>16,522,479</b>	–
Repayment of borrowings	<b>(5,000,000)</b>	(33,967,780)
Other net cash flow arising from financing activities	<b>(645,666)</b>	–
Net cash generated from/(used in) financing activities	<b>354,530,196</b>	(33,967,780)
Net increase/(decrease) in cash and cash equivalents	<b>242,079,834</b>	(144,908,806)
Effect of foreign exchange rate changes	<b>4,893,854</b>	(2,335,348)
Cash and cash equivalents at 1 January	<b>143,781,827</b>	240,100,479
Cash and cash equivalents at 30 June	<b>390,755,515</b>	92,856,325



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2017*

### 1. Basis of preparation

The 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 (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of interim financial report in conformity with HKAS 34 require 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 2016 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 interim financial report is unaudited, but has been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 December 2016 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. Statutory financial statements for the year ended 31 December 2016 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2017.

## 2. New and revised HKFRSs

The Group has adopted the following revised HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for these interim financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the revised HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

## 3. Revenue

The Group is principally engaged in production and sale of automotive related products, car trading and provision of financing service for leasing motor vehicles and equipment.

Revenue recognised during the period is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2017 HK\$ (Unaudited)</b>	2016 HK\$ (Unaudited)
Sales of automotive safety system components and other automotive components	–	17,489,272
Sales of cars	<b>37,627,491</b>	68,024,524
Finance lease income	<b>46,575,818</b>	46,097,242
	<b>84,203,309</b>	131,611,038

#### 4. Segment information

Information reported to the board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is principally engaged in production and sale of automotive related products, car trading and provision of financing service for leasing motor vehicles and equipment.

The three reportable segments of the Group under HKFRS 8 are as follows:

- (a) Automotive electronic products and safety spare parts – sale of automotive electronic products and safety spare parts in the PRC
- (b) Car trading – sale of premium cars in Hong Kong and sale of cars in the PRC
- (c) Finance lease of motor vehicles and equipment – providing financing service for leasing motor vehicles and equipment in the PRC

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Automotive electronic products and safety spare parts		Car trading		Finance lease of motor vehicles and equipment		Total	
	six months ended 30 June		six months ended 30 June		six months ended 30 June		six months ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	-	17,489,272	37,627,491	68,024,524	46,575,818	46,097,242	84,203,309	131,611,038
Segment results	-	4,632,750	336,480	3,369,914	1,123,239	(52,212)	1,459,719	7,950,452
Unallocated corporate expenses							(29,746,537)	(33,410,528)
Unallocated corporate income							36,403	4,406
Finance costs							(5,332,472)	(812,077)
Gain on disposal of subsidiaries							-	26,107,896
Share of loss of an associate							(1,591,996)	-
Loss before taxation							(35,174,883)	(159,851)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil).

4. Segment information (continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Automotive electronic products and safety spare parts		Car trading		Finance lease of motor vehicles and equipment		Total	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	14,841,053	14,841,053	9,338,039	7,320,333	111,694,469	69,885,302	135,873,561	92,046,688
Segment liabilities	11,287,291	17,897,203	3,122,898	2,092,139	12,216,732	76,327	26,626,921	20,065,669

Reconciliations of reportable segments' assets and liabilities:

	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
<b>Assets</b>		
Total assets of reportable segments	135,873,561	92,046,688
Unallocated headquarters amounts:		
Property, plant and equipment	4,107,105	3,610,762
Interests in associates	8,408,004	10,000,000
Available-for-sale investments	229,733,696	209,000,000
Prepayments and other receivables	128,993,626	115,403,174
Pledged bank deposits	50,935,354	–
Cash and cash equivalents	390,755,515	143,781,827
Consolidated total assets	948,806,861	573,842,451
<b>Liabilities</b>		
Total liabilities of reportable segments	26,626,921	20,065,669
Unallocated headquarters amounts:		
Other payables	55,216,966	14,337,704
Current tax payable	798,635	801,035
Other loans	11,053,989	9,667,984
Convertible bonds	327,140,626	46,132,190
Deferred tax liabilities	5,091,797	2,453,188
Consolidated total liabilities	425,928,934	93,457,770

## 5. Other loss

	Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Impairment loss recognised on other receivables	–	4,387,762
Net foreign exchange loss	74,335	–
	<b>74,335</b>	<b>4,387,762</b>

## 6. Finance costs

	Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Interest expenses on bank loans	256,517	558,016
Interest expenses on other loans	389,151	21,954
Imputed interest expenses on convertible bonds	4,686,804	614,522
	<b>5,332,472</b>	<b>1,194,492</b>

## 7. Loss before taxation

Loss before taxation is arrived at after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories	37,173,554	119,868,809
Depreciation of property, plant and equipment	319,527	1,291,683
Share-based payments	6,643,270	11,619,236
Amortisation of leasehold land held for own use under operating leases	–	51,776
Amortisation of intangible assets		
– Patents	256,353	1,055,426
Impairment loss recognised on other receivables	–	4,387,762

## 8. Taxation

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax:</b>		
PRC Enterprise Income Tax	409,011	361,654
Hong Kong Profits Tax	–	747,879
<b>Deferred tax:</b>		
Credit for the period	(773,323)	–
<b>Total income tax (credited)/charged to profit or loss</b>	<b>(364,312)</b>	<b>1,109,533</b>

Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2017. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2016.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

## 9. Dividends

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil).

## 10. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2017 is based on the loss for the period attributable to owners of the Company of HK\$34,506,457 (six months ended 30 June 2016: HK\$354,085) and the weighted average of 928,184,888 (six months ended 30 June 2016: 928,184,888) ordinary shares in issue during the period.

### (b) Diluted loss per share

During the six months ended 30 June 2017 and 2016, the computation of diluted loss per share does not include the Company's outstanding share options and outstanding convertible bonds because the effect was anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

## 11. Fixed assets

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of HK\$3,786,871 (six months ended 30 June 2016: HK\$685,469). During the six months ended 30 June 2017 and 2016, there were no disposal and written-off of property, plant and equipment.

## 12. Available-for-sale investments

	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
Unlisted equity investments, at cost	229,733,696	209,000,000

- (a) On 13 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 18% of the entire issued share capital of More Cash Limited at a consideration of HK\$73.0 million. More Cash Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn owns 75% equity interests in a company established in the PRC the principal business of which is engaged in estate industry. The principal assets of the PRC company are properties which comprise, among others, car park, shopping mall, office, apartment, hotel and restaurant in a commercial and residential complex located in Guangzhou City, the PRC. The development of such complex has been completed and the sale of which commenced since year 2012. Upon completion, the Group becomes indirectly interested in 18% of the entire issued share capital of More Cash Limited and becomes indirectly interested in 13.5% equity interests in the PRC company.

**12. Available-for-sale investments (continued)**

- (b) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for, among other, acquiring 7.88% of the issued share capital of Sino Partner Global Limited (“Sino Partner”) at a consideration of HK\$136.0 million. Sino Partner is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn wholly owns the entire equity interests in two companies established in Hong Kong and a company established in Japan and 80% equity interests in a company established in Germany. Sino Partner and its subsidiaries are principally engaged in the design, development, manufacturing and sales of high performance supercars under the brand “Apollo” in China, Europe and internationally.
- (c) On 3 March 2017, the Group entered into sale and purchase agreements with independent third parties for acquiring an aggregate of 6% equity interests of the issued share capital of Suzhou Zhihua Automobile Electronics Co., Ltd. (蘇州智華汽車電子有限公司) (“Suzhou Zhihua”) at a total consideration of RMB18.0 million (equivalent to approximately HK\$20.7 million). Suzhou Zhihua is principally engaged in development, production and sales of automotive electronics products. Its main business focuses on advanced driver assistance systems (“ADAS”). Suzhou Zhihua has a wholly owned subsidiary namely, Beijing Yinwo Automobile Technology Company Limited (北京茵沃汽車科技有限公司), which was incorporated in the PRC on 16 September 2015 and is primarily engaged in provision of technical services to Suzhou Zhihua. On 3 March 2017, the Group also entered into a co-operation agreement (the “Co-operation Agreement”) between Suzhou Qiyizhi Management Enterprise Limited (“Suzhou Qiyizhi”), being an indirect wholly-owned subsidiary of the Company, Suzhou Zhihua and Suzhou Yinwo Investment Management Enterprise (Limited Partnership) (蘇州茵沃投資管理企業(有限合夥)) (“Suzhou Yinwo”) in relation to the provision of financial assistance in the total amount of RMB40.0 million by the Group to Suzhou Zhihua, and the grant of an option by Suzhou Zhihua to Suzhou Qiyizhi pursuant to which Suzhou Qiyizhi or its designated nominee shall be entitled to (should it choose to) contribute to the capital increase of Suzhou Zhihua, representing approximately 12.3% equity interests in Suzhou Zhihua (as enlarged by the proposed subscription in the capital increase of Suzhou Zhihua pursuant to the relevant agreements) before 30 September 2017.



**13. Trade receivables, prepayments and other receivables**

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Trade receivables	370,762	163,587
Deposits and prepayments	27,331,813	25,246,446
Other receivables	101,661,812	90,156,728
	<b>129,364,387</b>	115,566,761

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

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Within 3 months	370,762	163,587

**14. Finance lease receivables**

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Current portion	63,059,614	35,648,588
Non-current portion	42,158,075	29,671,130
	<b>105,217,689</b>	65,319,718

Certain of the Group's motor vehicles are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 1 to 3 years.

**15. Pledged bank deposits**

As at 30 June 2017, bank deposits of approximately RMB44.2 million (31 December 2016: HK\$Nil) were pledged to secure general banking facilities granted to Suzhou Zhihua (see note 12 (c)).

**16. Trade and other payables**

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Trade payables	2,645,906	2,589,082
Other payables and accruals	60,311,753	23,064,537
	<b>62,957,659</b>	25,653,619

The ageing analysis of trade payables is as follows:

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Within 3 months	108,369	51,545
Over 3 months but less than 6 months	–	–
Over 6 months but less than 12 months	–	–
Over 12 months	2,537,537	2,537,537
	<b>2,645,906</b>	2,589,082

**17. Borrowings**

	<b>30 June 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Bank loans, unsecured (note (a))	10,136,474	–
Other loans, unsecured (note (b))	11,053,989	9,667,984
	<b>21,190,463</b>	9,667,984

**17. Borrowings (continued)**

As at 30 June 2017 and 31 December 2016, terms of bank and other loans are summarised as follows:

- (a) As at 30 June 2017, the short-term unsecured bank loan of HK\$10,136,474 carried an interest rate of 4.75% per annum. As at 31 December 2016, there was no short-term unsecured bank loan.
- (b) During the six months ended 30 June 2017, other loans of HK\$11,053,989 (31 December 2016: HK\$9,667,984) were obtained from independent third parties, which were unsecured, repayable within one year and carried interest rates of 8% – 8.5% (31 December 2016: 8%) per annum.

**18. Convertible bonds**

	CB 1 (note (a)) HK\$	CB 2 (note (b)) HK\$	Total HK\$
Liability component at 1 January 2016	–	–	–
Add: Liability component on initial recognition at 27 May 2016	42,956,699	–	42,956,699
Add: Imputed interest expense	3,175,491	–	3,175,491
Liability component at 31 December 2016 and 1 January 2017	46,132,190	–	46,132,190
Add: Liability component on initial recognition at 9 June 2017	–	276,321,632	276,321,632
Add: Imputed interest expense	2,707,321	1,979,483	4,686,804
Liability component at 30 June 2017	48,839,511	278,301,115	327,140,626

The convertible bonds – liability component are classified under non-current liabilities.

*Note:*

- (a) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for, among other, acquiring 7.88% of the issued share capital of Sino Partner at a consideration of HK\$136.0 million, of which HK\$61.0 million was settled by the issuance of convertible bond (the “CB 1”). Completion took place on 27 May 2016. The CB 1 initially matures at the third anniversary of the issue date (i.e. 26 May 2019). The initial conversion price was HK\$0.884 per conversion share. The CB 1 contains two components, liability and equity elements. The equity element is presented in equity heading “Convertible bonds reserve”. The effective interest rate of the liability component is 12.400%.

**18. Convertible bonds** (continued)

Note: (continued)

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity in convertible bonds reserve.

CB 1 recognised in the consolidated statement of financial position is as follows:

	<i>HK\$</i>
Fair value of CB 1	61,000,000
Equity component	(18,043,301)
Liability component on initial recognition and amortised cost at 27 May 2016	42,956,699

- (b) On 1 March 2017, the Company entered into a subscription agreement with Tuspark Venture Investment Ltd., Munsun Smart Mobility Fund LP and CM Securities Investment Limited (collectively the "Subscribers") (as subscribers) and CM Securities (Hongkong) Company Limited (as sole lead arranger), pursuant to which (among others) each of the Subscribers conditionally agreed to subscribe the convertible bond (the "CB 2") of HK\$100.0 million and the Company conditionally agreed to issue the convertible bond in an aggregate principal amount of and for a price no more than HK\$300.0 million. Completion took place on 9 June 2017. The CB 2 initially matures at the second anniversary of the issue date (i.e. 8 June 2019). The initial conversion price was HK\$0.9103 per conversion share. The CB 2 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserve". The effective interest rate of the liability component is 12.485%.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity in convertible bonds reserve.

CB 2 recognised in the consolidated statement of financial position is as follows:

	<i>HK\$</i>
Fair value of CB 2	300,000,000
Equity component	(22,178,368)
Less: Commission	(1,500,000)
Liability component on initial recognition and amortised cost as at 9 June 2017	276,321,632

**19. Share capital**

	30 June 2017		31 December 2016	
	<i>Number of shares</i> (Unaudited)	<i>HK\$</i> (Unaudited)	<i>Number of shares</i> (Audited)	<i>HK\$</i> (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000,000	10,000,000,000	100,000,000
<i>Issued:</i>				
At the end of the period/year	928,184,888	9,281,489	928,184,888	9,281,489

**20. Equity-settled share-based transactions*****Equity-settled share option scheme***

On 19 June 2009, an ordinary resolution was proposed at the annual general meeting to approve the adoption of a share option scheme (“Share Option Scheme”) and termination of the operation of the old share option scheme. The resolution was approved by the shareholders and the Share Option Scheme became effective for a period of 10 years commencing on 19 June 2009. Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 5 June 2017, the maximum number of shares which may be issued upon exercise of all options that may be granted was refreshed to 92,818,488 shares.

Under the Share Option Scheme, the consideration paid for each grant of share options will be HK\$1.00. The subscription price shall be determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the Share Option Scheme were summarised and set out in the circular to shareholders dated 29 April 2009.

**20. Equity-settled share-based transactions (continued)****Equity-settled share option scheme (continued)**

The Group granted a total of 39,520,000 and 27,840,000 share options in 22 January 2016 and 12 October 2016 respectively, to Directors and senior management of the Company (“Share Option 1” and “Share Option 2”). The Group granted a total of 1,000,000 share options on 31 March 2017 to senior management of the Company (“Share Option 3”). During the six months ended 30 June 2017, no share options have been exercised or lapsed and the share options granted remained outstanding as at 30 June 2017. Details of specific categories of share options are as follows:

	Date of grant	Exercise period	Exercise price	Number of share options granted
Share Option 1	22 January 2016	22 January 2017 to 21 January 2026	HK\$0.820	39,520,000
Share Option 2	12 October 2016	12 October 2017 to 11 October 2026	HK\$0.822	27,840,000
Share Option 3	31 March 2017	31 March 2018 to 30 March 2027	HK\$0.720	1,000,000

The fair value of the options granted is estimated at the date of grant using Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The fair values of options granted during the six months ended 30 June 2017 and for the year ended 31 December 2016 were estimated on the date of grant using the following assumptions:

	Share Option 1	Share Option 2	Share Option 3
Date of grant	22 January 2016	12 October 2016	31 March 2017
Fair value at measurement date (HK\$)	0.294	0.427	0.324
Share price (HK\$)	0.720	0.780	0.720
Exercise price (HK\$)	0.820	0.822	0.720
Expected volatility (%)	56.121	70.550	73.161
Risk-free interest rate (%)	1.590	1.105	1.666
Expected life (year)	10.000	10.000	10.000
Expected dividends (%)	0.000	0.000	0.000

*Note:*

The valuation of the options is based on the best estimates from the Group by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these options.

**21. Disposal of subsidiaries**

On 1 March 2016, the Company entered into a disposal agreement pursuant to which the Company agreed to dispose of the entire issued share capital of Smooth Ever Limited and its subsidiaries (collectively, the “Smooth Ever Group”) with a consideration of HK\$34.0 million. The disposal was completed on 31 March 2016.

Summary of the effects of the disposal of Smooth Ever Group is as follow:

	<i>HK\$</i>
Net assets disposed of:	
Property, plant and equipment	25,872,798
Construction in progress	7,602,460
Interests in leasehold land held for own use under operating leases	9,641,114
Inventories	9,576,761
Trade receivables, prepayments and other receivables	34,918,421
Cash and cash equivalents	5,023,127
Trade and other payables	(56,655,646)
Deferred tax liabilities	(1,589,822)
Non-controlling interests	(15,803,342)
	18,585,871
Release of exchange reserve	(11,582,867)
Gain on disposal	26,996,996
Consideration for disposal of Smooth Ever Group	34,000,000

Net cash inflow on disposal of Smooth Ever Group:

	<i>HK\$</i>
Consideration received in cash and cash equivalent for disposal of Smooth Ever Group	15,000,000
Less: cash and cash equivalent balances disposed of	(5,023,127)
Net cash inflow	9,976,873

## 22. Fair value measurement of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the condensed consolidated financial statements approximate to their fair values.

### ***Fair value measurements recognised in the condensed consolidated statement of financial position***

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

During the six months ended 30 June 2017 and 2016, there were no transfers of fair value measurement between Levels 1 and 2, and there were no transfers into or out of Level 3 for both financial assets and financial liabilities. There were no transfers between Levels 1 and 2 in both periods.



### 23. Events after the reporting period

- (a) In November 2016, an indirect wholly-owned subsidiary of the Company, Splendid Period Limited, entered into an agreement with Suzhou Qijin Investment Management Company Limited (蘇州麒麟投資管理有限公司) to acquire 14% equity interests in Suzhou Ziguang Innovative Education Development Company Limited (蘇州紫光創新教育發展有限公司) (“Ziguang Innovative”) at a consideration of RMB126.8 million. A deposit of RMB12.7 million was paid upon signing of the agreement in December 2016. The transaction was approved by shareholders in an extraordinary general meeting held on 6 January 2017. On 11 July 2017, the transaction was completed. The Company has further paid RMB36.0 million for settlement of the transaction upon completion, while the remaining RMB78.1 million will be settled on or before 10 July 2018. Ziguang Innovative and its subsidiaries from time to time will be classified as available-for-sale investments in the financial statements of the Group. For more details, please refer to the announcement dated 3 November 2016, and the circular of the Company dated 14 December 2016.
- (b) On 9 August 2017, an indirect wholly-owned subsidiary of the Company, Suzhou Qiyizhi, entered into an equity transfer agreement with Shanghai Dachen Hengsheng Venture Capital Centre (Limited Partnership) (上海達晨恒勝創業投資中心(有限合伙)), for acquiring 10.5039% equity interests in Suzhou Zhihua in consideration of RMB39,914,728.70.

On 25 August 2017, Suzhou Qiyizhi, entered into an equity transfer agreement with another independent third party, for acquiring 7.10% equity interests in Suzhou Zhihua in consideration of RMB30,530,000 with a right of refusal to acquire the remaining equity interests held by the vendor. The proposed acquisition is subject to, among other, obtaining approval from shareholders at the extraordinary general meeting.

As at the date of this report, the abovementioned two equity transfer agreements has not been completed pending the fulfillment of the terms and conditions as stipulated in respective agreements.

Assuming the abovementioned two equity transfer agreements are completed according to their respective terms, subscription of the capital increase of Suzhou Zhihua contemplated under the Co-operation Agreement in relation to the provision of financial assistance by the Group to Suzhou Zhihua, the exercise of the option by Suzhou Zhihua to Suzhou Qiyizhi and the first right of refusal, it is expected that the Group will indirectly hold 38.5194% equity interests (as enlarged by the proposed subscription in the capital increase of Suzhou Zhihua pursuant to the Co-operation Agreement) in Suzhou Zhihua and in which case Suzhou Zhihua will be accounted as an associate of the Company.

Details of the acquisitions were set out in the announcements of the Company dated 9 and 25 August 2017 respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Outlook and Prospects

Looking forward to the second half of this year, continuous growth in the smart mobility industries in China and other parts of the world is expected, and the Group will continue to carry out business transformation and actively seek new investment opportunities in the midst of great technology transformation in the smart mobility industry with a view to generating sustainable and better returns to the shareholders of the Company.

The Company believes that the development of information technology is reshaping the automobile industry in a way that transportation and travelling is moving towards smart and connected vehicles. Backed by Tsinghua University, the Company is driving the core smart and connected vehicle technologies in China's national strategy of "Made in China 2025", strives to become an intelligent driving and solution provider which connects automobiles and the cloud seamlessly, and lead the ecological construction of smart and connected automobile.

As announced in March 2017, with the backing of Tus-Holdings Co., Ltd., the substantial shareholder of the Company, the Group raised HK\$300.0 million via the issuance of convertible bonds, which has been completed in June 2017.

As noted in the past six months, the Group entered into a number of agreements to acquire the equity interests in Suzhou Zhihua Automobile Electronic Co., Ltd. ("Suzhou Zhihua"), which focuses on advanced driver assistance systems ("ADAS"). Further, the issuance of HK\$300.0 million convertible bond indicated that the Company would further increase its stake in Suzhou Zhihua.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Business Outlook and Prospects** *(continued)*

Suzhou Zhihua is principally engaged in development, production and sales of automotive electronics products. Its main business focuses on ADAS, Suzhou Zhihua has abundant reserves in artificial intelligence algorithm and developed a number of competitive ADAS products and is engaged in the production and sales of related products. Suzhou Zhihua and its subsidiary (the “Suzhou Zhihua Group”) has achieved satisfactory development in the around view monitor (AVM, which generates real-time top-view images by processing of multiple-area images by the electronic control unit (ECU), and provides more intuitive auxiliary driving information and reliable blind area display tools), lane departure warning (LDW, which has straight road and curved road measurement ability and high level distance measurement ability), forward collision warning (FCW, by the high degree of mastery in core technologies of hardware design, image recognition, alarm algorithm and other aspects, to conduct differentiated and customised development according to different customer needs), pedestrian detection, night vision, blind spot detection, driver fatigue monitoring and other ADAS-related technologies. Also, Suzhou Zhihua has developed a series of products in areas including vehicle intelligent monitoring and intelligence-aided safe driving. The sales channels to Chinese domestic original equipment manufacturers (OEM) have been established, and the Suzhou Zhihua Group owns a high quality and diverse customer base including major Chinese domestic brands and joint venture brands. We have a deep conviction that the automobile industry is undergoing a transformation and investment in Suzhou Zhihua is significant to the Group since its product is at the core of this paradigm shift, and it is expected that investment in Suzhou Zhihua can provide positive contributions to the Group in the future.

Suzhou Zhihua is a leading and emerging enterprise which has entered the line fit ADAS market with promising development strategies as the shipment volume and penetration rate of ADAS systems in China are increasing. The acquisition will be an important step for the Group to establish the business. On one hand, the Group shall cooperate with Suzhou Zhihua and hopes to lead the development of China’s smart and connected automobile system, transfers the existing auxiliary solutions into multi-sensor comprehensive solutions, develops the millimeter radar product via research and development, and through the international merger and acquisition team of the Company to explore the overseas (especially the United States and Europe) investment opportunities in the automobile industry. On the other hand, the Group will incorporate the “5G+ High Precision Map” national technological innovation strategy. Backed by the reputation of Tsinghua University and through the accumulation of technology to become a core technology provider, the Group will strive to establish the national smart and connected vehicles cloud platform (which is expected to become a core “information infrastructure” in the smart and connected vehicle era) and drive the development of the smart mobility ecological chain.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Business Outlook and Prospects** *(continued)*

The Group also intends to further acquire equity interests in Suzhou Zhihua. Once formal agreements are reached, the Company will disclose relevant transactions in accordance with the Listing Rules.

In June 2016, we entered into an agreement with Suzhou Yadu Environmental Protection Technology Co. Limited (“Yadu Environmental Protection”) and Suzhou Yadu Cloud Technology Co. Limited (“Yadu Cloud”) which is specialised in research and development of car-carried purifiers and related air technology. Please refer to the announcement published by the Company on 30 June 2016 for further details. Although the setting up of the operating company experienced some delay due to prolonged administrative and approval procedure, we have successfully made capital contribution to Yadu Cloud in June 2017 and the formal transfer of the car-carried purifier business from Yadu Environmental Protection to Yadu Cloud was completed shortly afterwards. We expect to have a new segment in relation to car-carried products in the second half of 2017.

### **Financial Review**

For the six months ended 30 June 2017, the Group recorded revenue of approximately HK\$84.2 million, while it was approximately HK\$131.6 million in the same period of last year. Due to the cessation in production of automotive electronic products and safety spare parts, disposal of the entire equity interest of Smooth Ever Limited and its subsidiaries (collectively, the “Smooth Ever Group”) in prior period, the Group did not have any revenue and expenses in relation to automotive safety spare parts in the current period under review. Further, the Group did not record any car trading revenue in Hong Kong for the six months ended 30 June 2017 (corresponding period in 2016: HK\$55.0 million).

On a segmental basis, majority of revenue for the six months ended 30 June 2017 was derived from finance lease of motor vehicles and equipment. Revenue from finance lease of approximately HK\$46.6 million in the first six months of 2017 recorded a mild increase of 1.0% as compared to the same period in 2016 of approximately HK\$46.1 million, despite a slight decrease in interest margin. Finance lease segmental result also reported an approximately HK\$1.1 million profit for the six months ended 30 June 2017 (corresponding period in 2016: loss of approximately HK\$52,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Financial Review *(continued)*

During the six months ended 30 June 2017, revenue for the period decreased by approximately 36.0% to approximately HK\$84.2 million (corresponding period in 2016: approximately HK\$131.6 million) primarily due to the cessation in production of automotive electronic products and safety spare parts, disposal of the entire equity interest of Smooth Ever Group in prior period. The revenue and the average gross profit margin of the Group were approximately HK\$84.2 million and approximately 5.8% respectively, while it was approximately HK\$131.6 million and approximately 8.9% respectively in the same period of last year. The difference was mainly attributable to the cessation in production of the traditional automotive related products. Gross profit for the period decreased by approximately 58.5% to approximately HK\$4.9 million (corresponding period in 2016: approximately HK\$11.7 million) primarily due to decrease in revenue.

During the six months ended 30 June 2017, the Group recorded other loss of approximately HK\$0.1 million, while it was approximately HK\$4.4 million in the same period of last year. The decrease was mainly due to no provision for impairment loss has made in the current period under review.

During the six months ended 30 June 2017, the administrative expenses of the Group were approximately HK\$32.1 million, while it was approximately HK\$31.7 million in the same period of last year. The administrative expenses managed to maintain at similar level as compared to prior period.

During the current period under review, the Group recorded finance costs of approximately HK\$5.3 million, while it was approximately HK\$1.2 million during the first half of 2016. The increase was mainly due to imputed interest, which is a non-cash item, on CB 2 issued during the current period under review and CB 1 issued in May 2016.

During the six months ended 30 June 2016, the Group recorded a one-off gain on disposal of subsidiaries amounting to approximately HK\$26.1 million, arising from the disposal of the entire equity interest of Smooth Ever Limited which was engaged in the production and sales of automotive components in the PRC. No such gain on disposal of subsidiaries was recorded during the current period under review.

During the six months ended 30 June 2017, the Group recorded share of loss of an associate of approximately HK\$1.6 million due to loss realised by the associate, while there was no such loss in the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Financial Review *(continued)*

For the six months ended 30 June 2017, as a result of the above factors, loss for the period increased to approximately HK\$34.8 million (corresponding period in 2016: approximately HK\$1.3 million) and the Group recorded approximately HK\$34.5 million loss attributable to owners of the Company, while it was approximately HK\$0.4 million in the same period of last year. The increase in the loss recorded in the current period under review was mainly due to the decrease in gross profit and no gain on disposal of subsidiaries in the current period under review.

The Group recorded basic loss per share amounted to HK\$3.72 cents for the six months ended 30 June 2017 (corresponding period in 2016: HK\$0.04 cents).

### Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$390.8 million (31 December 2016: approximately HK\$143.8 million) and net current assets of approximately HK\$569.4 million (31 December 2016: approximately HK\$277.0 million). The increase in cash and cash equivalent was mainly due to the issuance of the CB 2 of HK\$300.0 million to the Subscribers during the current period under review. Details of which are set out in note 18 of “Notes to the Condensed Consolidated Financial Statements” section in this interim report. The total non-current assets of the Group was approximately HK\$294.5 million as at 30 June 2017, while it was approximately HK\$260.7 million as at 31 December 2016.

As at 30 June 2017, the Group had non-current liabilities of approximately HK\$341.0 million (31 December 2016: approximately HK\$57.3 million). The increase was mainly due to the issuance of the CB 2 of HK\$300.0 million during the current period under review. Details of which are set out in the announcements of the Company dated 1 March 2017, 10 March 2017, 13 April 2017 and 9 June 2017, and the circular of the Company dated 27 March 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Liquidity, Financial Resources and Capital Structure** *(continued)*

The Group also had short-term borrowings of approximately HK\$21.2 million which included a bank loan with principal amount of approximately HK\$10.1 million with a fixed interest rate of 4.75%, and other loans of approximately HK\$11.1 million which were obtained from independent third parties with fixed interest rates of 8% – 8.5% which were not yet matured on 30 June 2017. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group (31 December 2016: other loans of approximately HK\$9.7 million at a fixed interest rate of 8%).

The Group currently intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a treasury policy and allows the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles.

### **Charge of Group Assets**

As at 30 June 2017, approximately RMB40.0 million financial assistance provided by the Company to Suzhou Zihua was pledged with bank deposits amounting to approximately RMB44.2 million. Save as disclosed herein, there were no pledge of assets by the Group.

### **Gearing Ratio**

As at 30 June 2017, the Group's gearing ratio, which was derived from the total liabilities to total assets, increased to 44.9% from 16.3% as at 31 December 2016 due to the issuance of CB 2 in June 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Contingent Liabilities

As at 30 June 2017, the Group did not have of any material contingent liabilities.

### Material Acquisitions

On 3 March 2017, Suzhou Qiyizhi, being an indirect wholly-owned subsidiary of the Company, entered into (1) an agreement with Shanghai Dachen Hengsheng Venture Capital Centre (Limited Partnership) (“Dachen Hengsheng”), Mr. Xiong Renjie (“Mr. Xiong”) and Suzhou Zhihua pursuant to which Suzhou Qiyizhi agreed to acquire 3.4496% equity interests in Suzhou Zhihua agreed to be sold by Dachen Hengsheng and 1.5504% equity interests in Suzhou Zhihua agreed to be sold by Mr. Xiong in total consideration of RMB15.0 million; (2) an agreement with Suzhou Junqi Shihe Investment Management Enterprise (Limited Partnership) (“Suzhou Junqi”) and Suzhou Zhihua, pursuant to which Suzhou Qiyizhi agreed to acquire 1% equity interests in Suzhou Zhihua from Suzhou Junqi in consideration of RMB3.0 million; and (3) a co-operation agreement with Suzhou Qiyizhi, Suzhou Zhihua and Suzhou Yinwo in relation to the provision of financial assistance in the total amount of RMB40.0 million by the Company to Suzhou Zhihua, and the grant of an option by Suzhou Zhihua to Suzhou Qiyizhi pursuant to which Suzhou Qiyizhi or its designated nominee shall be entitled to (should it choose to) contribute to the capital increase of Suzhou Zhihua (the “Zhihua Option”). Details of which are set out in the announcement of the Company dated 3 March 2017. Subsequently, Suzhou Qiyizhi entered into two equity transfer agreements with Dachen Hengsheng and another independent third party on 9 August 2017 and 25 August 2017, respectively, pursuant to which Suzhou Qiyizhi conditionally agreed to further acquire an aggregate 17.6039% equity interests in Suzhou Zhihua from the above third parties. After completion of the acquisitions, the Group shall hold an aggregate of 23.6039% equity interests in Suzhou Zhihua in which case the Company will become the largest shareholder of Suzhou Zhihua, and the second largest shareholder will be an industrial investment fund in relation to the Automotive Research Institute (Suzhou) of Tsinghua University. In the circumstance that the Company fully exercises the Zhihua Option and the rights of first refusal in respect of the equity interests in Suzhou Zhihua, it is expected that the Group will hold 38.5194% equity interests in Suzhou Zhihua.

### Significant Investment

Save as disclosed herein, there was no significant investment during the period under review.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Foreign Exchange Exposure**

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars, the Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong Dollars, or in the local currency of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

### **Employees and Remuneration Policy**

As at 30 June 2017, the Group employed a total of 57 employees (31 December 2016: 50). Remuneration of employees, including Directors' emoluments was approximately HK\$20.5 million for the six months period under review as compared with that of approximately HK\$20.8 million for the corresponding period of the preceding financial year.

The Group reviews employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance of the employees. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund.

Share options and bonuses are also available to employees of the Group at the discretion of the Board and depending upon the financial performance of the Group.

### **Events after the Reporting Period**

Details of the events after the reporting period of the Group are disclosed in note 23 of "Notes to the Condensed Consolidated Financial Statements" section in this interim report.

Save as disclosed herein, no other subsequent events occurred after 30 June 2017, which may have a significant effect on the assets and liabilities of future operations of the Group.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executives in shares and underlying shares and in debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of director	Capacity	Registered shareholders	Underlying interest (note 1)	Approximate percentage of shareholding (note 2)
Ma Chi Kong Karl	Beneficial Owner	65,100,000	9,280,000	8.01%
Shen Xiao	Beneficial Owner	–	119,133,894	12.84%
Yang Ming	Beneficial Owner	–	9,280,000	1.00%
Du Peng	Beneficial Owner	–	9,280,000	1.00%
Woo Kar Tung Raymond	Beneficial Owner	–	9,280,000	1.00%
Cheung Joanna Wai Sze	Beneficial Owner	–	9,280,000	1.00%
Tsang Ling Biu, Gilbert	Beneficial Owner	–	4,640,000	0.50%
Sheng Ruzhi (note 3)	Beneficial Owner	1,872,000	4,640,000	0.70%

Note:

1. These underlying interests represent the shares options granted to Mr. Ma Chi Kong Karl, Mr. Shen Xiao, Mr. Yang Ming, Mr. Du Peng, Mr. Woo Kar Tung Raymond, Ms. Cheung Joanna Wai Sze, Mr. Tsang Ling Biu, Gilbert and Mr. Sheng Ruzhi pursuant to the Share Option Scheme, and also an interest in the long position of 109,853,894 shares of the Company held by Mr. Shen Xiao.
2. This represents the approximate percentage of the aggregate long positions in shares of the Company to the total issued shares of the Company as at 30 June 2017.
3. Mr. Sheng Ruzhi has resigned as the non-executive director of the Company with effect from 31 August 2017.

**OTHER INFORMATION** *(continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(continued)*

Apart from the foregoing, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

**SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme") for the issuance of in aggregate no more than 10% in the nominal amount of the aggregate of shares in issue on 19 June 2009 ("2009 Share Option Scheme"). Following the refreshment of the scheme mandate limit as approved by shareholders at the general meeting on 5 June 2017, the total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2009 Share Option Scheme was refreshed up to 10% of the number of shares in issue as at 5 June 2017, i.e. 92,818,488 shares. A summary of the principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company issued on 29 April 2009.

The total number of securities available for issue under the 2009 Share Option Scheme as at 30 June 2017 was 92,818,488 shares which represented approximately 10.00% of the issued share capital of the Company as at 30 June 2017.

Eligible participants of the Scheme would be any person or an entity belonging to any of Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The purpose of the Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shareholders as a whole.

On 31 March 2017, the Company granted a total of 1,000,000 share options to senior management of the Group. Details of which are set out in the announcement of the Company published on even date.

**SHARE OPTION SCHEME** *(continued)*

During the six months ended 30 June 2017, certain existing executive Directors and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

Name	Date of grant	Exercise period	Number of share options					As at 30 June 2017	Exercise price per share
			As at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		
<b>Existing Directors</b>									
Ma Chi Kong Karl	12 October 2016	12 October 2017 – 11 October 2026	9,280,000	-	-	-	-	9,280,000	0.822
Shen Xiao	12 October 2016	12 October 2017 – 11 October 2026	9,280,000	-	-	-	-	9,280,000	0.822
Yang Ming	12 October 2016	12 October 2017 – 11 October 2026	9,280,000	-	-	-	-	9,280,000	0.822
Du Peng	22 January 2016	22 January 2017 – 21 January 2026	9,280,000	-	-	-	-	9,280,000	0.820
Woo Kar Tung Raymond	22 January 2016	22 January 2017 – 21 January 2026	9,280,000	-	-	-	-	9,280,000	0.820
Cheung Joanna Wai Sze	22 January 2016	22 January 2017 – 21 January 2026	9,280,000	-	-	-	-	9,280,000	0.820
Tsang Ling Biau, Gilbert	22 January 2016	22 January 2017 – 21 January 2026	4,640,000	-	-	-	-	4,640,000	0.820
Sheng Ruzhi (note)	22 January 2016	22 January 2017 – 21 January 2026	4,640,000	-	-	-	-	4,640,000	0.820
<b>Other eligible participants</b>									
Employees	22 January 2016	22 January 2017 – 21 January 2026	2,400,000	-	-	-	-	2,400,000	0.820
	31 March 2017	31 March 2018 – 30 March 2027	-	1,000,000	-	-	-	1,000,000	0.720
			67,360,000	1,000,000	-	-	-	68,360,000	

Note: Mr. Sheng Ruzhi has resigned as the non-executive director of the Company with effect from 31 August 2017.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2017, the following persons (other than the Directors and chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Note	Capacity	Number of ordinary shares of the Company held	Approximately percentage of total shares of the Company (Note 7)
Tuspark Venture Investment Ltd. ("Tuspark Venture")	1 and 3	Beneficial owner	322,344,696	34.73%
Tus-Holdings Co., Ltd. ("Tus-Holdings")	1	Interests of controlled corporation	322,344,696	34.73%
Tsinghua Holdings Co., Ltd. ("Tsinghua Holdings")	2	Interests of controlled corporation	322,344,696	34.73%
Beijing Baijun Investment Company Limited ("Beijing Baijun")	2	Interests of controlled corporation	322,344,696	34.73%
Wang Jiwu	2	Interests of controlled corporation	322,344,696	34.73%
Tsinghua University	2	Interests of controlled corporation	322,344,696	34.73%
Ideal Team Ventures Limited ("Ideal Team")	4	Beneficial Owner	69,004,524	7.43%
CM Securities Investment Limited ("CMSI")	5	Beneficial Owner	109,853,894	11.84%
China Minsheng Financial Holding Corporation Limited ("CMFHCL")	5	Interests of controlled corporation	109,853,894	11.84%
China Minsheng Investment Corporation Limited	5	Interests of controlled corporation	109,853,894	11.84%
Munsun Smart Mobility Fund LP ("Munsun Smart")	6	Beneficial Owner	109,853,894	11.84%

## **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

*(continued)*

Note:

1. Tuspark Venture is the beneficial owner of 212,490,802 shares. The entire issued share capital of Tuspark Venture is beneficially owned by Tus-Holdings. Tus-Holdings is therefore deemed to be interested in the 212,490,802 shares held by Tuspark Venture pursuant to the SFO.
2. Tus-Holdings is held (i) as to approximately 44.92% by Tsinghua Holdings, which is in turn held as to 100% by Tsinghua University; and (ii) as to approximately 30.08% by Beijing Baijun, which is in turn held as to 100% by Mr. Wang Jiwu.
3. Tuspark Venture is beneficially interested in the convertible bond in the principal amount of HK\$100,000,000 which is convertible into a maximum of 109,853,894 shares at the initial conversion price of HK\$0.9103 per share.
4. Ideal Team is beneficially interested in the convertible bond in the principal amount of HK\$61,000,000 which is convertible into a maximum of 69,004,524 shares at the initial conversion price of HK\$0.884 per share.
5. CMSI is beneficially interested in the convertible bond in the principal amount of HK\$100,000,000 which is convertible into a maximum of 109,853,894 shares at the initial conversion price of HK\$0.9103 per share.

The entire issued share capital of CMSI is beneficially owned by CMFHCL whose shares are listed on main board of the Stock Exchange (Stock Code: 245).

CMFHCL is held by CMI Financial Holding Company Limited, which is wholly owned by Minsheng (Shanghai) Assets Management Company Limited, which is in turn wholly owned by China Minsheng Investment Corporation Limited.

6. Munsun Smart is beneficially interested in the convertible bond in the principal amount of HK\$100,000,000 which is convertible into a maximum of 109,853,894 shares at the initial conversion price of HK\$0.9103 per share.
7. The approximate percentage of shareholding is calculated based on 928,184,888 shares in issue as at 30 June 2017.

### **Short positions in shares of the Company**

So far as the Company is aware, no short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **Short positions in underlying shares of the Company**

So far as the Company is aware, no short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

## **SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

*(continued)*

### **Short positions in underlying shares of the Company *(continued)***

Save as disclosed above, as at 30 June 2017, the Directors or chief executive of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the date of this report, Mr. Ma Chi Kong Karl is a director of Tus-Holdings and Mr. Du Peng is the vice president of Tus-Holdings and a director of Tuspark Venture Investment Ltd.. Tus-Holdings is principally engaged in technology services (incubator services and strategic investments), science park real estate (development and management of science parks) and other technology supporting businesses (such as hotel, education, financial services and media).

In addition, Ms. Cheung Joanna Wai Sze and Mr. Du Peng are directors of TGN Innovation Limited ("TGN"). TGN and its subsidiaries are principally engaged in the business of technology innovation incubator, and the business of shared workspace and services for and investments in small technology enterprises, in Hong Kong and the PRC. As at the date of this report, the Group owns approximately 28.57% of the issued share capital of TGN.

As such, Mr. Ma Chi Kong Karl, Ms. Cheung Joanna Wai Sze and Mr. Du Peng are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the incubator related businesses of the Group pursuant to the Listing Rules.

Save as disclosed above, none of the Directors is interested in any business apart from the above which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### **DIRECTORS' INTERESTS IN CONTRACTS**

During the six months ended 30 June 2017, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had material interest, whether directly or indirectly, subsisted at the end of the period or any time during the six months ended 30 June 2017.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the law in the Cayman Islands.

## **CORPORATE GOVERNANCE CODE**

Save as mentioned below, the Company has complied with all of the code provisions (and the revised code provision on risk management) of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2017.

## **Chairman and Chief Executive Officer**

Under code Provision A.2.1, the roles of both the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Ma Chi Kong Karl, has been appointed as the chairman of the Company (the "Chairman") on 15 July 2016. The role of the CEO has been performed collectively by all executive Directors with the leadership of Mr. Shen Xiao, the president of the Company. The Board considers this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interests of the shareholders of the Company as a whole.

## **Audit Committee**

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules, which can be obtained on the websites of the Company and the Stock Exchange.

The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process, internal control and risk management system of the Group.

The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Hon. Quat Elizabeth (*JP*), Mr. Chen Jin and Mr. Wong Yuk Lun, Alan and a non-executive Director, Mr. Tsang Ling Bui, Gilbert. Mr. Poon Chiu Kwok is the chairman of the Audit Committee.



## **CORPORATE GOVERNANCE CODE** *(continued)*

### **Audit Committee** *(continued)*

There was no change in the composition of the Audit Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2016.

The Audit Committee has reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017. The Audit Committee has also reviewed this interim report and has provided advice and comments thereon to the Board. The Audit Committee is of the opinion that this interim report complied with applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

### **Remuneration Committee**

The Company established a remuneration committee (the “Remuneration Committee”) in November 2005. The terms of reference of the Remuneration Committee can be obtained on the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to assist the Board and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee currently comprises two executive Directors, namely Mr. Ma Chi Kong Karl and Mr. Yang Ming and four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Hon. Quat Elizabeth *(JP)*, Mr. Chen Jin and Mr. Wong Yuk Lun, Alan. Mr. Poon Chiu Kwok is the chairman of the Remuneration Committee.

There was no change in the composition of the Remuneration Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2016.

### **Nomination Committee**

The Company established a nomination committee (the “Nomination Committee”) in November 2005. The terms of reference of the Nomination Committee can be obtained on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to assist the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of Directors.

## **CORPORATE GOVERNANCE CODE** *(continued)*

### **Nomination Committee** *(continued)*

The Nomination Committee currently comprises two executive Directors, namely Mr. Ma Chi Kong Karl and Mr. Shen Xiao and four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Hon. Quat Elizabeth *(JP)*, Mr. Chen Jin and Mr. Wong Yuk Lun, Alan. Mr. Ma Chi Kong Karl is the chairman of the Nomination Committee.

There was no change in the composition of the Nomination Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2016.

### **Adopted 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 Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors of the Company adopted by the Company throughout the six months ended 30 June 2017.

### **Board Composition**

As at the date of this report, the Board comprises six executive Directors, two non-executive Directors and four independent non-executive Directors. The non-executive Directors (including the independent non-executive Directors) have a wide range of experience and calibre and could provide valuable advice to the Board on strategic development and resource management of the Group.

Mr. Sheng Ruzhi has resigned as the non-executive director of the Company with effect from 31 August 2017. Save for the above, there was no change in the composition of the Board subsequent to the publication of the annual report of the Company for the year ended 31 December 2016.

### **Changes in Information of Directors**

Pursuant to Rule 13.51(B) of the Listing Rules, the changes to information of Directors subsequent to the date of the annual report of the Company for the year ended 31 December 2016 are set out below:

- (1) Mr. Poon Chiu Kwok has been appointed as an independent non-executive Director of Honghua Group Limited (Stock Code: 196) and Yanzhou Coal Mining Company Limited (Stock Code: 1171) on 15 June 2017 and 29 June 2017, respectively.
- (2) Mr. Wong Yuk Lun, Alan has been appointed as an independent non-executive Director of Huisheng International Holdings Limited (Stock Code: 1340) on 6 July 2017.

## **CORPORATE GOVERNANCE CODE** *(continued)*

### **Independence of Independent non-executive Directors**

The Company has complied with the requirement to appoint a sufficient number of independent non-executive directors as set out in Rule 3.10(1) of the Listing Rules.

Hon. Quat Elizabeth (*JP*), Mr. Poon Chiu Kwok, Mr. Chen Jin and Mr. Wong Yuk Lun, Alan, being the independent non-executive Directors, are also appointed for a fixed term of three years. All the non-executive Directors and independent non-executive Directors are subject to normal retirement and re-election by shareholders of the Company pursuant to the articles of association of the Company at the annual general meeting or, as the case may be, general meeting of the Company.

Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the certified accounting qualifications possessed by Mr. Poon Chiu Kwok.

By order of the Board  
**TUS International Limited**  
**Ma Chi Kong Karl**  
*Chairman*

Hong Kong, 30 August 2017