



啟迪國際有限公司

TUS International Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 872

INTERIM REPORT 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ma Chi Kong Karl (*Chairman*)
Mr. Du Peng
Mr. Shen Xiao

Non-executive Directors

Mr. Tsang Ling Biu, Gilbert
Mr. Qin Zhiguang
Mr. Hu Bo (appointed with effect
from 29 April 2019)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Lee Chi Yung

AUTHORISED REPRESENTATIVES

Mr. Shen Xiao
Mr. Lee Chi Yung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Poon Chiu Kwok
(*Committee Chairman*)
Mr. Ma Chi Kong Karl
Hon. Quat Elizabeth (*JP*)
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

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

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Qidi Ke Jian Building
Building No.6
No.1 Zhongguancun East Road
Haidian District, Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

(With effect from 6 September 2019)
Room 707-711, 7/F.
TusPark Workhub
118 Wai Yip Street
Kwun Tong
Hong Kong

CORPORATE INFORMATION *(continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House, 3/F
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

AUDITORS

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

LEGAL ADVISERS

As to Hong Kong Law:

Sidley Austin
39/F, Two International Finance Centre
Central, Hong Kong

As to Cayman Island Law:

Conyers Dill & Pearman, Cayman
SIX, 2nd Floor, Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

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

STOCK CODE

Stock Code: 00872.HK

The unaudited consolidated interim results for the six months ended 30 June 2019 of the Company and its subsidiaries (collectively the “Group”), together with comparative figures for the previous period, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$ (Unaudited)	2018 HK\$ (Restated) (Unaudited)
Continuing operations:			
Revenue	3	375,824,550	225,058,460
Cost of sales		(310,544,460)	(202,834,703)
Gross profit		65,280,090	22,223,757
Other revenue		1,360,559	2,184,283
Other gain and loss		(3,313,244)	(493,975)
Research and development expenses		(30,368,158)	(7,619,702)
Selling and distribution expenses		(7,713,246)	(5,837,806)
Administrative expenses		(62,728,747)	(39,379,106)
Finance costs	5	(36,964,254)	(23,438,686)
Share of loss of an associate		–	(1,017,009)
Share of loss of a joint venture		(587,468)	(846,488)
Loss before taxation	6	(75,034,468)	(54,224,732)
Taxation	7	(906,993)	330,600
Loss for the period from continuing operations		(75,941,461)	(53,894,132)
Loss for the period from discontinued operations	22	(2,076,368)	(1,822,391)
Loss for the period		(78,017,829)	(55,716,523)
Other comprehensive loss for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		(7,343,794)	(15,541,517)
Change in fair value of financial assets at fair value through other comprehensive income		(5,983,032)	–
		(13,326,826)	(15,541,517)
Total comprehensive loss for the period		(91,344,655)	(71,258,040)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$ (Unaudited)	2018 HK\$ (Restated) (Unaudited)
Loss for the period attributable to:			
Owners of the Company			
– from continuing operations		(68,399,029)	(48,705,977)
– from discontinued operation		(1,058,948)	(929,419)
		(69,457,977)	(49,635,396)
Non-controlling interests			
– from continuing operations		(7,542,432)	(5,188,155)
– from discontinued operation		(1,017,420)	(892,972)
		(8,559,852)	(6,081,127)
		(78,017,829)	(55,716,523)
Total comprehensive loss for the period attributable to:			
Owners of the Company			
– from continuing operations		(82,519,366)	(62,566,680)
– from discontinued operation		(1,058,948)	(929,419)
		(83,578,314)	(63,496,099)
Non-controlling interests			
– from continuing operations		(6,748,921)	(6,868,969)
– from discontinued operation		(1,017,420)	(892,972)
		(7,766,341)	(7,761,941)
		(91,344,655)	(71,258,040)
Loss per share attributable to owners of the Company:			
From continuing and discontinued operations	9		
– Basic and diluted <i>(HK cents)</i>		(3.86)	(5.26)
From continuing operations			
– Basic and diluted <i>(HK cents)</i>		(3.80)	(5.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2019*

	<i>Note</i>	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	<i>10</i>	41,086,482	26,050,469
Right-of-use assets		13,928,309	–
Construction in progress		8,850,025	8,186,268
Deposit	<i>12</i>	–	45,539,400
Finance lease receivables	<i>13</i>	13,113,496	16,689,888
Intangible assets		599,658,974	84,179,470
Goodwill		687,340,720	164,772,765
Interests in an associate		–	–
Interests in a joint venture		509,118	1,096,586
Financial assets at fair value through other comprehensive income	<i>11</i>	308,448,928	314,616,087
		1,672,936,052	661,130,933
Current assets			
Inventories		94,096,490	91,767,498
Trade and bills receivables, prepayments and other receivables	<i>12</i>	330,390,416	304,983,330
Finance lease receivables	<i>13</i>	55,105,073	76,729,195
Pledged bank deposits	<i>14</i>	3,215,306	50,344,939
Cash and cash equivalents		44,397,696	53,653,443
		527,204,981	577,478,405
Assets of discontinued operation classified as held for sales	<i>22</i>	84,279,228	–
		611,484,209	577,478,405

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(continued)**As at 30 June 2019*

	<i>Note</i>	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Current liabilities			
Trade and bills payables and other payables	<i>15</i>	515,010,096	234,954,138
Contract liabilities		28,123,023	29,754,161
Lease liabilities		2,793,574	–
Current tax payable		8,903,871	969,505
Borrowings	<i>16</i>	52,925,162	133,335,973
Convertible bonds	<i>17</i>	300,000,000	58,282,301
		907,755,726	457,296,078
Net current (liabilities)/assets		(296,271,517)	120,182,327
Total assets less current liabilities		1,376,664,535	781,313,260
Non-current liabilities			
Lease liabilities		11,455,645	–
Borrowings	<i>16</i>	294,669,375	–
Other payables		175,517	–
Deferred tax liabilities		124,332,560	4,450,766
Convertible bond	<i>17</i>	88,467,209	329,443,363
		519,100,306	333,894,129
Net assets		857,564,229	447,419,131
Capital and reserves			
Share capital	<i>18</i>	20,636,153	13,231,849
Reserves		815,303,124	404,795,989
Equity attributable to owners of the Company		835,939,277	418,027,838
Non-controlling interests		21,624,952	29,391,293
Total equity		857,564,229	447,419,131

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Exchange reserve	Other reserve	Financial assets at fair value through other comprehensive income reserve	Share option reserve	Convertible bonds reserves	Warrants	Accumulated losses	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2018 (Audited)	9,281,849	477,037,709	2,190,561	6,278,029	(47,369,209)	-	23,457,860	33,337,594	5,040,560	(21,135,253)	488,119,700	44,880,394	533,000,094
Loss for the period	-	-	-	-	-	-	-	-	-	(49,635,396)	(49,635,396)	(6,081,127)	(55,716,523)
Other comprehensive loss for the period, net of income tax:													
Exchange differences on translation of financial statements of foreign operations	-	-	-	(13,860,703)	-	-	-	-	-	-	(13,860,703)	(1,680,814)	(15,541,517)
Total comprehensive loss for the period	-	-	-	(13,860,703)	-	-	-	-	-	(49,635,396)	(63,496,099)	(7,761,941)	(71,258,040)
Share-based payments (note 19)	-	-	-	-	-	-	754,809	-	-	-	754,809	-	754,809
Lapse of share option (note 19)	-	-	-	-	-	-	(6,690,871)	-	-	6,690,871	-	-	-
Issue of shares (note 18)	2,950,000	149,485,591	-	-	-	-	-	-	-	-	152,435,591	-	152,435,591
Issue of convertible bond (note 17)	-	-	-	-	-	-	-	20,418,727	-	-	20,418,727	-	20,418,727
Deferred taxation of convertible bonds	-	-	-	-	-	-	-	(3,906,931)	-	-	(3,906,931)	-	(3,906,931)
Changes in ownership interest in a subsidiary	-	-	-	-	(35,440,158)	-	-	-	-	-	(35,440,158)	3,095,524	(32,344,634)
At 30 June 2018 (Unaudited)	12,231,849	626,523,300	2,190,561	(7,582,674)	(82,809,367)	-	17,521,798	49,849,390	5,040,560	(64,079,778)	538,885,639	40,213,977	599,099,616
At 1 January 2019 (Audited)	13,231,849	679,223,299	-	(43,655,477)	(13,776,079)	(92,634,319)	19,201,992	50,387,231	5,040,560	(198,991,218)	418,027,838	29,391,293	447,419,131
Impact on initial application of HKFRS 16 (note 2)	-	-	-	-	-	-	-	-	-	(222,011)	(222,011)	-	(222,011)
At 1 January 2019 (Restated)	13,231,849	679,223,299	-	(43,655,477)	(13,776,079)	(92,634,319)	19,201,992	50,387,231	5,040,560	(199,213,229)	417,805,827	29,391,293	447,197,120
Loss for the period	-	-	-	-	-	-	-	-	-	(69,457,977)	(69,457,977)	(8,539,852)	(78,017,829)
Other comprehensive loss for the period, net of income tax:													
Exchange differences on translation of financial statements of foreign operations	-	-	-	(8,137,365)	-	-	-	-	-	-	(8,137,365)	793,511	(7,343,794)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	184,127	-	(6,167,159)	-	-	-	-	(5,983,032)	-	(5,983,032)
Total comprehensive loss for the period	-	-	-	(7,953,178)	-	(6,167,159)	-	-	-	(69,457,977)	(83,578,314)	(7,746,341)	(91,344,655)
Issue of shares (note 18)	6,714,259	401,781,241	-	-	-	-	-	-	-	-	408,495,500	-	408,495,500
Issue of convertible bond (note 17)	-	-	-	-	-	-	-	39,923,669	-	-	39,923,669	-	39,923,669
Deferred taxation of convertible bonds	-	-	-	-	-	-	-	(6,587,405)	-	-	(6,587,405)	-	(6,587,405)
Issue of shares upon conversion of convertible bonds	690,045	75,376,111	-	-	-	-	-	(15,066,156)	-	-	61,000,000	-	61,000,000
Transaction cost attributable to issue of shares and convertible bonds	-	(1,120,000)	-	-	-	-	-	-	-	-	(1,120,000)	-	(1,120,000)
At 30 June 2019 (Unaudited)	20,636,153	1,155,260,651	-	(51,608,655)	(13,776,079)	(98,801,478)	19,201,992	68,657,339	5,040,560	(268,671,206)	835,939,277	21,624,952	857,564,229

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2019*

	Six months ended 30 June	
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Net cash (used in)/generated from operating activities	(48,047,532)	27,692,773
Investing activities		
Purchase of available-for-sale investments	–	(59,276,823)
Acquisition of non-controlling interest	–	(32,344,635)
Purchase of intangible assets	(167,199,219)	(16,598,880)
Net cash outflow from acquisition of subsidiaries (note 23)	(515,529,040)	–
Decrease in pledged bank deposits	47,129,633	3,111,508
Other net cash flow arising from investing activities	(1,673,606)	(5,451,375)
Net cash used in investing activities	(637,272,232)	(110,560,205)
Financing activities		
Proceeds from issue of shares	381,117,500	114,488,412
Proceeds from issue of convertible bonds	89,882,500	–
Payment for transaction costs attributable to issue of shares and convertible bonds	(1,120,000)	(5,979,411)
Proceeds from borrowings	304,225,000	92,838,411
Repayment of borrowings	(62,588,436)	(29,183,646)
Other net cash flow arising from financing activities	(24,869,775)	6,609,275
Repayment of lease liabilities	(2,918,171)	–
Net cash generated from financing activities	683,728,618	178,773,041
Net (decrease)/increase in cash and cash equivalents	(1,591,146)	95,905,609
Effect of foreign exchange rate changes	(7,159,667)	(11,145,007)
Cash and cash equivalents at 1 January	53,653,443	63,446,857
Cash and cash equivalents at 30 June	44,902,630	148,207,459
From continuing operations	44,397,696	148,207,459
From discontinued operation classified as held for sales (note 22)	504,934	–
	44,902,630	148,207,459

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. Basis of preparation

The interim financial statements have 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 2018.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial statements is in conformity with HKAS 34 which 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 statements contain 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 2018 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 statements are unaudited, but have been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial statements 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. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (“Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

2. New and revised HKFRSs

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the Annual Report 2018, except for the impact of the adoption of the new and revised HKASs, HKFRSs, amendments and interpretations described below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of the adoption of HKFRS 16 Leases on the Group's interim condensed consolidated financial statements were stated below.

The other newly adopted standards did not have a material impact on the Group's policies and did not require retrospective adjustments.

Impacts and changes in accounting policies of application of HKFRS 16 Lease

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.58%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

2. New and revised HKFRSs (continued)

New and amended standards adopted by the Group (continued)

	<i>HK\$</i>
Operating lease commitments disclosed as at 31 December 2018	7,595,170
Discounted using the lessee's incremental borrowing rate as of the date of initial application	13,970,222
Lease liabilities recognised as at 1 January 2019	13,970,222
Of which are:	
Current lease liabilities	4,629,843
Non-current lease liabilities	9,340,379
	13,970,222

The associated right-of-use assets for the Company car and properties leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets <i>HK\$</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	13,748,211
By Class:	
Properties	13,748,211

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***3. Revenue**

The Group is principally engaged in production and sale of advanced driving assistance system (ADAS) products and other automotive components, car trading and provision of financing service for leasing motor vehicles and equipment.

Revenue recognised during the period from continuing operations is analysed as follows:

	Six months ended 30 June	
	2019 HK\$	2018 HK\$
	(Unaudited)	(Restated) (Unaudited)
Continuing operations:		
Revenue from contracts with customers recognised at a point in time:		
Sales of ADAS products and other automotive components	341,724,233	172,535,022
Sales of cars	–	2,126,167
	341,724,233	174,661,189
Revenue from other source:		
Finance lease income	34,100,317	50,397,271
	375,824,550	225,058,460

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

4. Segment information

Information reported to the Board 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 ADAS products and other automotive components, 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) ADAS products and other automotive components – sale of ADAS products and other automotive components in the People’s Republic of China (“PRC”);

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

4. Segment information (continued)

- (b) Car trading – sale of cars in the PRC; and
- (c) Finance lease of motor vehicles and equipment – provision of financing service for leasing motor vehicles and equipment in the PRC.

For car-carried purifiers – sales of car-carried purifiers in the PRC, the management considered that it is an operating segment and is presented as discontinued operation of the Group.

For more detail on the discontinued operations, please refer to Note 22.

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

	Continuing operations							
	ADAS products and other automotive components six months ended 30 June		Car trading six months ended 30 June		Finance lease of motor vehicles and equipment six months ended 30 June		Total six months ended 30 June	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	341,724,233	172,535,022	–	2,126,167	34,100,317	50,397,271	375,824,550	225,058,460
Segment results	(27,141,807)	(10,333,364)	(30,578)	83,612	4,062,930	5,930,027	(23,109,455)	(4,319,725)
Unallocated corporate expenses							(20,449,057)	(29,691,301)
Unallocated corporate income							1,164,846	1,694,361
Finance costs							(32,053,334)	(20,044,570)
Share of loss of an associate							–	(1,017,009)
Share of loss of a joint venture							(587,468)	(846,488)
Loss before taxation							(75,034,468)	(54,224,732)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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

	Continuing operations						Discontinued operation			
	ADAS products and other automotive components		Car trading		Finance lease of motor vehicles and equipment		Car-carried purifiers		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	1,566,033,025	453,572,896	85,304	5,473,393	182,729,996	173,391,131	84,279,228	80,597,340	1,833,128,353	713,034,760
Segment liabilities	844,642,572	240,755,451	3,370	9,999	30,865,152	32,733,706	–	–	875,511,094	273,499,156

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***4. Segment information** *(continued)*

Reconciliations of reportable segments' assets and liabilities:

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Assets		
Total assets of reportable segments	1,833,128,353	713,034,760
Unallocated and other corporate assets:		
Prepayments and other receivables	73,873,093	131,861,729
Financial assets at fair value through other comprehensive income	308,448,928	314,616,087
Cash and cash equivalents	6,769,813	75,105,586
Office equipment and motor vehicles	61,690,956	2,894,590
Interests in associates	–	–
Interests in a joint venture	509,118	1,096,586
Consolidated total assets	2,284,420,261	1,238,609,338
Liabilities		
Total liabilities of reportable segments	875,511,094	273,499,156
Unallocated and other corporate liabilities:		
Other payables	69,591,763	78,303,245
Borrowings	28,447,735	46,241,870
Convertible bonds	388,467,209	387,725,664
Deferred tax liabilities	55,934,360	4,450,766
Current tax payable	8,903,871	969,506
Consolidated total liabilities	1,426,856,032	791,190,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***5. Finance costs**

	Six months ended 30 June	
	2019 HK\$	2018 HK\$ (Restated)
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest expenses on bank loans	11,864,368	3,027,976
Interest expenses on other loans	4,082,209	2,610,258
Imputed interest expenses on convertible bonds	20,705,910	17,800,452
Imputed interest expenses on lease liabilities	311,767	–
	36,964,254	23,438,686

6. Loss before taxation

Loss before taxation is arrived at after charging the following:

	Six months ended 30 June	
	2019 HK\$	2018 HK\$ (Restated)
	(Unaudited)	(Unaudited)
Continuing operations:		
Cost of inventories consumed	282,943,097	161,915,168
Depreciation of property, plant and equipment	1,925,331	1,229,315
Depreciation of right-of-use assets	2,705,303	–
Share-based payments	–	754,809
Amortisation of intangible assets	107,027	757,499

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***7. Taxation**

	Six months ended 30 June	
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Current tax:		
PRC Enterprise Income Tax	899,804	880,224
Hong Kong Profits Tax	–	–
Deferred tax:		
Expenses/(credit) for the period	7,189	(1,210,824)
Total income tax expenses/(credit) to profit or loss	906,993	(330,600)

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 2019 and 2018. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2019 and 2018.

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.

8. Dividends

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

9. Loss per share

(a) **Basic loss per share**

Continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations for the six months ended 30 June 2019 is based on the loss for the period attributable to owners of the Company from continuing and discontinued operations of HK\$69,457,977 (six months ended 30 June 2018: HK\$49,635,396) and the weighted average of 1,799,318,219 (30 June 2018: 942,934,888) ordinary shares in issue during the period.

Continuing operations

The calculation of the basic loss per share for the six months ended 30 June 2019 from continuing operations are based on the loss for the period attributable to ordinary equity holders of the Company from continuing operations of HK\$68,399,029 (six months ended 30 June 2018: HK\$48,705,977) and the weighted average number of ordinary shares of 1,799,318,219 (30 June 2018: 942,934,888) during the period.

Discontinued operation

The calculation of the basic loss per share for the six months ended 30 June 2019 from discontinued operation are based on loss for the period attributable to ordinary equity holders of the Company from discontinued operations of HK\$1,058,948 (six months ended 30 June 2018: HK\$929,419) and the weighted average number of ordinary shares of 1,799,318,219 (30 June 2018: 942,934,888) during the period.

(b) **Diluted loss per share**

Continuing and discontinued operations

During the six months ended 30 June 2019 and 2018, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***10. Fixed assets**

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of HK\$1,009,849 (six months ended 30 June 2018: HK\$5,520,489). During the six months ended 30 June 2019 and 2018, there were no disposal and written-off of property, plant and equipment.

11. Financial assets at fair value through other comprehensive income

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Unlisted equity investments (Notes (a) – (f))	308,448,928	314,616,087

Notes:

- (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 interest in a company established in the PRC of which is principally 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 interest in the PRC company.
- (b) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for acquiring 7.88% of the entire 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 interest in two companies established in Hong Kong and a company established in Japan and 80% equity interest 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

11. Financial assets at fair value through other comprehensive income (continued)

Notes: (continued)

- (c) On 3 November 2016, the Group entered into a sale and purchase agreement with Suzhou Qijun Investment Management Company Limited* (蘇州騏駿投資管理有限公司) for acquiring 14% of the entire issued share capital of Suzhou Ziguang Innovative Education Development Company Limited* (蘇州紫光創新教育發展有限公司) (“Suzhou Ziguang”, and together with its subsidiaries the “Suzhou Ziguang Group”) at a consideration of approximately RMB126.8 million (equivalent to approximately HK\$145.4 million). Among the various businesses operations, Suzhou Ziguang Group, through the west zone of Suzhou TUS Modern Science City (蘇州啟迪時尚科技城), is primarily engaged in the research and development of new technology and the provision of innovation hubs by leasing office spaces to newly set-up companies in return for rental incomes. The transaction was completed during the year ended 31 December 2017.
- (d) On 18 November 2017, TusStar Incubator Investment Ltd. (“TusStar”), of which Tus-Holdings Co., Ltd is the holding company, the regents of the University of Michigan (“MICHIGAN”) and the Company have entered into a gap fund agreement in relation to the proposed establishment of the gap fund with a proposed size of up to USD1.0 million (equivalent to approximately HK\$7.78 million), which will be principally engaged in advancing the commercialisation potential of MICHIGAN research discoveries. On 29 August 2018, the Company further invested USD100,000 in the gap fund. As at 31 December 2018, USD200,000 (equivalent to approximately HK\$1,556,000) has been injected in the gap fund.
- (e) Through the acquisition of Suzhou Zhihua Automobile Electronics Co., Ltd and Beijing Yinwo Automobile Technology Company Limited (collectively, “Suzhou Zhihua Group”) during the year 31 December 2017, the Group has acquired the unlisted equity investments of HK\$1,192,911 and HK\$1,181,100 which represented 7.9% and 9.8% of the registered capital of the two companies incorporated in the PRC respectively which are principally engaged in development, production and sale of ADAS products.
- (f) On 9 March 2018 and 14 March 2018, the Group and certain leading enterprises of the industry (including automotive original equipment manufacturers (OEMs) and mobility service providers) jointly entered into a capital contribution agreement of the National Innovation Center, pursuant to which, the contract parties agreed to jointly establish the National Innovation Center of Intelligent Connected Vehicles (the “Center”). Each party will contribute RMB50.0 million (equivalent to approximately HK\$59.3 million) in cash and hold approximately 8.33% of the Center’s equity interests.

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***12. Trade and bills receivables, prepayments and other receivables**

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Non-current:		
Deposit (Note (i))	–	45,539,400
Current:		
Trade receivables	200,114,970	106,881,719
Bills receivables	16,547,684	27,680,625
Deposits and prepayments	12,058,689	78,872,643
Other receivables	101,669,073	91,548,343
	330,390,416	304,983,330

Note:

- (i) As at 31 December 2018, deposit represents refundable deposit paid for acquisition of car-carried purifiers business.

Ageing analysis

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

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Within 3 months	174,537,100	98,560,529
Over 3 months but less than 6 months	19,650,624	4,109,961
Over 6 months but less than 12 months	41,101	3,073,072
Over 12 months	5,886,145	1,138,157
	200,114,970	106,881,719

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***13. Finance lease receivables**

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Current portion	55,105,073	76,729,195
Non-current portion	13,113,496	16,689,888
	68,218,569	93,419,083

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.

14. Pledged bank deposits

As at 30 June 2019, bank deposits of approximately RMB2.8 million (31 December 2018: RMB48.1 million) were pledged to secure general banking facilities granted to Suzhou Zhihua Automobile Electronics Co., Ltd (蘇州智華汽車電子有限公司) ("Suzhou Zhihua"), a subsidiary of the Group and HK\$1,707,728 (31 December 2018: HK\$3,986,933) were pledged to bills payables.

15. Trade and bills payables and other payables

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Trade payables	95,549,971	103,225,264
Bills payables	14,231,299	15,415,087
Other payables and accruals	405,228,826	116,313,787
	515,010,096	234,954,138

The ageing analysis of trade payables is as follows:

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Within 3 months	92,823,601	99,212,152
Over 3 months but less than 6 months	1,814,893	3,296,550
Over 6 months but less than 12 months	776,147	581,232
Over 12 months	135,330	135,330
	95,549,971	103,225,264

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***16. Borrowings**

	30 June 2019 HK\$ (Unaudited)	31 December 2018 HK\$ (Audited)
Bank loans (Note (a), (b) and (c))	323,286,973	83,678,648
Other loans (Note (d))	24,307,564	49,657,325
	347,594,537	133,335,973
Secured (Note (a), (b) and (c))	323,286,973	77,986,221
Unsecured (Note (a) and (d))	24,307,564	55,349,752
	347,594,537	133,335,973
Carrying amount repayable:		
On demand or within one year	347,594,537	133,335,973
Less: amounts classified as current liabilities	(52,925,162)	(133,335,973)
	294,669,375	–

As at 30 June 2019 and 31 December 2018, terms of bank and other loans are summarised as follows:

- (a) As at 30 June 2019, the short-term secured bank loans of HK\$21,061,973 (31 December 2018: HK\$77,986,221) carries interest rate of 5.66% – 6.80% (2018: 4.75% – 5.66%) per annum and bank loans of HK\$Nil (31 December 2018: HK\$5,692,427) were obtained from bank, which were unsecured, repayable within one year and carries interest rate of Nil% (31 December 2018: 5.66%) per annum.
- (b) As at 30 June 2019, the long-term secured bank loans of HK\$302,225,000 carries interest rate of LIBOR + 2.45%, effective interest rate of 4.84% per annum.
- (c) As at 30 June 2019, HK\$17,646,518 (31 December 2018: HK\$29,031,377) bank loans were secured by personal guarantee given by a director of the subsidiary.
- (d) As at 30 June 2019, other loans of HK\$24,307,564 (31 December 2018: HK\$49,657,325) were obtained from independent third parties, which were unsecured, repayable within one year and carries interest rate of 4.4% – 10.0% (31 December 2018: 4.35% – 11.0%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

17. Convertible bonds

	CB 1 (Note (a)) HK\$	CB 2 (Note (b)) HK\$	CB 3 (Note (c)) HK\$	CB 4 (Note (d)) HK\$	Total HK\$
Liability component at 1 January 2018 (audited)	51,852,581	282,499,645	-	-	334,352,226
Add: Liability component on initial recognition at 21 June 2018	-	-	33,281,273	-	33,281,273
Add: Imputed interest expense	6,429,720	29,899,737	1,762,708	-	38,092,165
Less: Interest charged	-	(18,000,000)	-	-	(18,000,000)
Liability component at 31 December 2018 and 1 January 2019 (audited)	58,282,301	294,399,382	35,043,981	-	387,725,664
Add: Liability component on initial recognition at 27 February 2019	-	-	-	49,958,833	49,958,833
Add: Imputed interest expense	2,717,699	14,523,816	1,733,125	1,731,270	20,705,910
Less: Interest charged	-	(8,923,198)	-	-	(8,923,198)
Less: Conversion of convertible bonds	(61,000,000)	-	-	-	(61,000,000)
Liability component at 30 June 2019 (unaudited)	-	300,000,000	36,777,106	51,690,103	388,467,209

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

Notes:

- (a) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for 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 reserves”. The effective interest rate of the liability component is 12.40%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***17. Convertible bonds (continued)**Notes: *(continued)*(a) *(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 reserves.

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

During the period ended 30 June 2019, the principal amount of the CB 1 was HK\$61,000,000 was converted at the conversion price of HK\$0.884 per ordinary share and an aggregate of 69,004,524 shares were allotted and issued. Interest expense on the CB 1 is calculated using the effective interest method by applying the effective interest rate of 12.40% (31 December 2018: 12.40%) to the liability component.

- (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 CB 2 bears interest of 6% per annum and payable every six months in arrears on the interest payment date. The initial conversion price is HK\$0.9103 per conversion share. Assuming full conversion of the outstanding CB 2 based on the initial conversion price, a maximum number of approximately 329,560,000 shares will be allotted and issued by the Company. The CB 2 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves". The effective interest rate of the liability component is 12.49%.

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 reserves. On 25 April 2019, the Company and the Subscribers entered into a supplementary agreement to extend the conversion period to 9 June 2020. Interest of 6% per annum will be paid every six months until the CB 2 are converted or redeemed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

17. Convertible bonds (continued)

Notes: (continued)

(b) (continued)

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

As at 30 June 2019 and 31 December 2018, the outstanding principal amount of the CB 2 was HK\$300,000,000. Interest expense on the CB 2 is calculated using the effective interest method by applying the effective interest rate of 12.49% (31 December 2018: 12.49%) to the liability component.

- (c) On 17 April 2018, the Company and the subscribers entered into a subscription agreement, pursuant to which the Company conditionally agreed to allot and issue to the subscribers, and the subscribers severally and conditionally agreed to subscribe for, (i) a total of 395,000,000 subscription shares at the subscription Price of HK\$0.537 per subscription share (the "Subscription Price") and the total consideration of HK\$212,115,000 (comprising payment by cash in the amount of HK\$168,188,412 and by set off in the amount of HK\$43,926,588); and (ii) the 0% coupon convertible bonds due 21 June 2023 (the "CB 3") in the aggregate principal amount of HK\$53,700,000 (by set off in the amount of HK\$53,700,000) which may be converted into 100,000,000 conversion shares at the initial conversion price of HK\$0.537 (subject to adjustment) (the "Conversion Price"). Partial completion took place on 21 June 2018 which a total of 295,000,000 subscription shares were duly allotted and issued to the relevant subscribers at the Subscription Price and all the convertible bonds were duly converted and issued to the relevant subscribers at the Conversion Price. The CB 3 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves".

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 reserves.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***17. Convertible bonds (continued)**Notes: *(continued)*(c) *(continued)*

CB 3 recognised in the consolidated statement of financial position is as follows:

	<i>HK\$</i>
Fair value of CB 3	53,700,000
Equity component	(20,418,727)
Liability component on initial recognition and amortised cost at 21 June 2018	33,281,273

As at 30 June 2019 and 31 December 2018, the outstanding principal amount of the CB 3 was HK\$53,700,000. Interest expense on the CB 3 is calculated using the effective interest method by applying the effective interest rate of 10.04% (31 December 2018: 10.04%) to the liability component.

- (d) On 27 February 2019, (i) a total of 671,425,871 subscription shares were duly allotted and issued by the Company to the relevant subscribers at the subscription price of HK\$0.6084 per share, including as to (a) 239,345,003 new shares to Tuspark Venture pursuant to the Tuspark Subscription Agreement; (b) 387,080,868 new shares to E-Town pursuant to the E-Town Subscription Agreement; and (c) 45,000,000 new shares to Dawin pursuant to the Dawin Subscription Agreement, and (ii) the 0% coupon convertible bonds (the "CB 4") in the aggregate principal amount of HK\$89,882,500, which may be converted into 147,735,865 conversion shares at the initial conversion price of HK\$0.6084 per share (subject to adjustments), were duly issued to Tuspark Venture pursuant to the Tuspark Subscription Agreement. The CB 4 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves". The effective interest rate of the liability component is 10.28%.

CB 4 recognised in the condensed consolidated statement of financial position is as follows:

	<i>HK\$</i>
Fair value of CB 4	89,882,500
Equity component	(39,923,669)
Liability component on initial recognition and amortised cost at 27 February 2019	49,958,831

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***18. Share capital**

	30 June 2019		31 December 2018	
	<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>				
As at 1 January	1,323,184,888	13,231,849	928,184,888	9,281,849
Subscription of shares (Note (i))	671,425,871	6,714,259	395,000,000	3,950,000
Issue of shares upon conversion of CB1 (Note (ii))	69,004,524	690,045	-	-
At the end of period/year	2,063,615,283	20,636,153	1,323,184,888	13,231,849

Note:

- (i) On 30 January 2019 and 27 February 2019, the Company completed the allotment and issue of shares to subscribers for a total of 45,000,000 and 626,425,871 subscription shares respectively at the subscription price of HK\$0.6084 per subscription share.
- (ii) On 31 May 2019, the Company issued 69,004,524 shares of HK\$0.01 each upon conversion of the CB 1 at a conversion price of HK\$0.884 per conversion share.

19. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

19. Equity-settled share-based transactions (continued)

Equity-settled share option scheme (continued)

A summary of the share option scheme of the Company is set out in the section headed "Share Option Scheme" in the Other Information of this interim report.

During the six months ended 30 June 2019, no share options (30 June 2018: 10,280,000) were granted to directors and senior management of the Company. Details of specific categories of share options are as follows:

	Date of grant	Exercisable 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
Share Option 4	18 April 2018	18 April 2019 to 17 April 2028	HK\$0.620	10,280,000

During the six months ended 30 June 2019, no share option was cancelled or exercised.

The particulars of the changes of the share options under the scheme during the six months ended 30 June 2019 are as follows:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1 January 2019	Granted during the period	Lapsed during the period	At 30 June 2019
Directors	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	13,920,000	-	-	13,920,000
Employees	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	1,400,000	-	-	1,400,000
Directors	12 October 2016	1 year	12 October 2017 to 11 October 2026	0.822	18,560,000	-	-	18,560,000
Employee	31 March 2017	1 year	31 March 2018 to 30 March 2027	0.720	1,000,000	-	-	1,000,000
Directors	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	9,280,000	-	-	9,280,000
Employee	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	1,000,000	-	-	1,000,000
Others (Note)	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	13,920,000	-	-	13,920,000
					59,080,000	-	-	59,080,000
Exercisable at the end of the period								59,080,000
Weighted average exercise price (HK\$)					0.784	-	-	0.784

Note:

These options were granted to Ms. Cheung Joanna Wai Sze and Mr. Sheng Ruzhi who have resigned as the executive Director and non-executive Director of the Company with effect from 23 July 2018 and 31 August 2017 respectively. Afterwards, they both hold position as a consultant within the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

19. Equity-settled share-based transactions (continued)

Equity-settled share option scheme (continued)

During the six months ended 30 June 2018, no share option was cancelled or exercised. A total of 18,560,000 share options were lapsed during the six months ended 30 June 2018.

The particulars of the changes of the share options under the scheme during the six months ended 30 June 2018 are as follows:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1 January 2018	Granted during the period	Lapsed during the period	At 30 June 2018
Directors	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	32,480,000	-	(9,280,000)	23,200,000
Employees	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	1,400,000	-	-	1,400,000
Directors	12 October 2016	1 year	12 October 2017 to 11 October 2026	0.822	27,840,000	-	(9,280,000)	18,560,000
Employee	31 March 2017	1 year	31 March 2018 to 30 March 2027	0.720	1,000,000	-	-	1,000,000
Directors	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	-	9,280,000	-	9,280,000
Employee	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	-	1,000,000	-	1,000,000
Others (Note)	22 January 2016	1 year	22 January 2017 to 21 January 2026	0.820	4,640,000	-	-	4,640,000
					67,360,000	10,280,000	(18,560,000)	59,080,000
Exercisable at the end of the period								59,080,000
Weighted average exercise price (HK\$)					0.819	0.620	0.821	0.784

Note:

These options were granted to Mr. Sheng Ruzhi who has resigned as non-executive Director of the Company with effect from 31 August 2017. Afterwards, he holds the position as a consultant within the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***19. Equity-settled share-based transactions (continued)*****Equity-settled share option scheme (continued)***

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 2019 and for the year ended 31 December 2018 were estimated on the date of grant using the following assumptions:

	Share Option 1	Share Option 2	Share Option 3	Share Option 4
Date of grant	22 January 2016	12 October 2016	31 March 2017	18 April 2018
Fair value at measurement date (HK\$)	0.294	0.427	0.324	0.324
Share price (HK\$)	0.720	0.780	0.720	0.620
Exercise price (HK\$)	0.820	0.822	0.720	0.620
Expected volatility (%)	56.121	70.550	73.161	57.105
Risk-free interest rate (%)	1.590	1.105	1.666	2.101
Expected life (year)	10.000	10.000	10.000	10.000
Expected dividends (%)	0.000	0.000	0.000	0.000

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

During the six months ended 30 June 2018, the total fair value of the share options granted was HK\$3,332,995.

20. Fair value

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

20. Fair value (continued)

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

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable data (unobservable inputs).

During the six months ended 30 June 2019 and 2018, 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.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 30 June 2019 and 31 December 2018:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2019	31 December 2018		
Financial assets				
Financial assets at FVTOCI				
– Unlisted equity investments	308,448,928	314,616,087	Level 3	Discounted cash flow analysis

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***20. Fair value (continued)*****Fair value measurements using significant unobservable inputs (level 3)***

Specific valuation techniques used to value level 3 financial instruments include techniques such as discounted cash flow analysis. There are no changes in valuation techniques during the six months ended 30 June 2019 and year ended 31 December 2018.

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2019:

	Unlisted equity investments <i>HK\$</i>
As at 1 January 2018 – HKFRS 9 (audited)	365,661,491
Additions	59,545,525
Fair value change of financial assets at FVTOCI	(100,700,755)
Exchange adjustment	(9,890,174)
As at 31 December 2018 – HKFRS 9 (audited)	314,616,087
Fair value change of financial assets at FVTOCI	(6,167,159)
As at 30 June 2019 – HKFRS 9 (unaudited)	308,448,928

The key unobservable assumptions used in the valuation of the unlisted equity investments are:

Valuation techniques	Unobservable inputs	As at 30 June 2019	As at 31 December 2018
Discounted cash flow Analysis	Discount rate	9.63%-18.03%	9.67%-18.03%
	Terminal growth rate	3.00%	3.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2019

21. Events after the reporting period

Subsequent to the end of the reporting period and up to 29 August 2019, save as disclosed herein, there were no significant events affecting the Group.

22. Discontinued operations

On 12 April 2019, an indirect wholly owned subsidiary of the Company, Suzhou Qiyixin Enterprise Management Co., Ltd entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Suzhou Yadu Cloud Technology Co. Limited (蘇州亞都雲科技有限公司) to Yadu Technology Group Co., Ltd. (亞都科技集團有限公司) at a consideration of RMB40.8 million (equivalent to approximately HK\$46.1 million). The date on which filing in relation to the change in the shareholding in Suzhou Yadu Cloud Technology Co. Limited with relevant industry and commerce administration authorities is completed shall be regarded as the date of completion of the disposal.

The loss for the six months ended 30 June 2019 and 2018 from discontinued operations is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and the unaudited condensed consolidated statement of comprehensive income have been restated to represent the car-carried purifiers business as a discontinued operation.

Analysis of the results of the discontinued operation is set out below:

	Six months ended 30 June	
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other revenue	805	4,053
Administrative expenses	(2,077,173)	(1,826,444)
Loss before taxation	(2,076,368)	(1,822,391)
Taxation	–	–
Loss for the period from discontinued operation	(2,076,368)	(1,822,391)
Loss for the period attributable to:		
Owners of the Company	(1,058,948)	(929,419)
Non-controlling interests	(1,017,420)	(892,972)
	(2,076,368)	(1,822,391)
Loss per share attributable to owners of the Company from discontinued operation:		
– Basic and diluted (HK cents per share)	(0.06)	(0.10)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2019***22. Discontinued operations** *(continued)*

The major classes of assets of the discontinued operation classified as held for sales as at 30 June 2019 are as follow:

	30 June 2019 HK\$ (Unaudited)
Intangible assets	32,541,696
Deposit	45,539,400
Other receivables	5,692,425
Cash and cash equivalents	504,934
Current tax recoverable	773
Assets classified as held for sales	84,279,228
Net assets directly associated with the disposal of subsidiary	84,279,228

Loss before taxation from discontinued operation is arrived at after charging the following:

	Six months ended 30 June	
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Amortisation of intangible assets	2,056,793	1,795,756

23. Acquisition of subsidiaries

Name of subsidiaries	Principal activity	Date of acquisition	Proportion of shares acquired
Titan Automotive Solutions N.V and its subsidiaries (the "Titan Group")	Development, manufacture and sales of auto grade cellular module	27 February 2019	100%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

23. Acquisition of subsidiaries (continued)

	Titan Group HK\$
Property, plant and equipment	14,026,164
Intangible assets	479,554,266
Inventory	4,830,520
Trade and bill receivables, prepayments and other receivables	187,834,888
Cash and cash equivalents	14,871,776
Trade and bill payables and other payables	(482,295,348)
Current tax payables	(328,720)
Deferred tax	(114,092,220)
Net assets acquired	104,401,326

Goodwill arising on acquisition:

	<i>HK\$</i>
Consideration	530,400,816
Less: fair value of identifiable net assets acquired	(104,401,326)
Goodwill arising on acquisition	425,999,490

Net cash outflow on acquisition of subsidiaries:

	Titan Automotive Group HK\$
Consideration paid	530,400,816
Less: cash and cash equivalent balances acquired	(14,871,776)
Net cash outflow	515,529,040

Impact of acquisition on the results of the Group

Included in the loss for the period is approximately HK\$11,941,445 loss attributable to the additional business arising by Titan Group. Revenue for the period includes HK\$216,859,922 generated from Titan Group.

Had the acquisition been completed on 1 January 2019, total Group's revenue for the period would have been approximately HK\$441,610,881, and loss for the period would have been HK\$110,902,065. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in production and sale of advanced driving assistance system (“ADAS”) products, car trading and provision of financing service for leasing motor vehicles and equipment. ADAS products, ranging on the spectrum active (control) and passive (warning), include around view monitoring, lane departure warning, forward collision warning, pedestrian detection, night vision, blind spot detection, driver fatigue monitoring and other ADAS-related technologies. The Group is also actively developing the cloud control platform for intelligent and connected vehicles and application and working closely with other founding members of the National Innovation Center of Intelligent Connected Vehicles (the “National Innovation Center”) to promote the project of the national big data cloud control platform for intelligent connected vehicles.

Business Review

The Group is dedicated to developing autonomous driving systems based on highly integrated multi-sensors, vehicle cloud computing and deep learning artificial intelligence and is committed to provide full-stack autonomous driving solutions. ADAS, as a transitional technology to complete autonomous driving, comprises several control points, among others, sensors, connectivity, mapping, processors and software algorithms.

Notwithstanding the decrease in vehicles sales in China of 12.4% in the first six months of 2019, ADAS and autonomous driving industry is a fast-growing industry. The global market size of ADAS and autonomous driving industry is expected to achieve US\$67.4 billion by 2025 with compound annual growth rate (“CAGR”) of 19.0% in accordance with Grand View Research’s report published in 2018. The major factors driving growth of the ADAS market are, among others, stringent government regulations for road safety, higher safety demand from customers, increased adoption from the automotive sector and growing awareness of driver assistance system. It is expected that the ADAS market has huge potential for growth in China which is expected to reach US\$3.1 billion in 2019 due to possibility of upcoming mandatory regulations in basic safety systems and the current low penetration rate in China. The ADAS segment of the Group includes intelligent connected vehicles business, radar-based ADAS business, software algorithms business and auto-grade wireless communication module business (“Wireless Business Group”).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

The Group has tapped into intelligent connected vehicles business since 2017 through 44.7538% equity interest in Suzhou Zhihua Automobile Electronics Co., Ltd (“Suzhou Zhihua”) and Beijing Yinwo Automobile Technology Company Limited (collectively, “Suzhou Zhihua Group”). Suzhou Zhihua Group is principally engaged in production and sales of ADAS products, which possesses competitive advantage in camera-based ADAS solutions with strong client base in China. In the event that the Company fully exercises the option granted by Suzhou Zhihua in favour of Suzhou Qiyizhi Management Enterprise Limited (“Suzhou Qiyizhi”), a subsidiary of the Company, it is expected that the Company will indirectly hold an aggregate of approximately 51.5384% equity interests in Suzhou Zhihua Group. With solid track record in ADAS products based on product quality and affordable price together with one of the early movers in pre-installed ADAS market, completion of the acquisition in Suzhou Zhihua Group helped/would help the Group in establishing a solid foundation in automotive business, and developing new business opportunities in smart mobility sector.

For radar-based ADAS business, Kymati GmbH, a joint venture which is held as to approximately 75.28% by an indirect wholly-owned subsidiary of the Company, was formed for the development, production and international marketing of automotive millimeter wave radar sensor components and sensor systems for environment recognition, distance and position measuring, measuring of objects and performance of related services. Millimeter wave radar is an essential sensor for ADAS and autonomous driving systems and the combined use of cameras and millimeter wave radars for sensor fusion could strengthen the functionality of the Company’s products. The Group has contributed EUR18,821 and EUR1.0 million to the joint venture as share capital and capital reserve respectively in 2018. Additional EUR1.8 million in the form of capital reserve will be provided to the joint venture in accordance with the shareholders’ agreement in 2019. The Group intends to leverage existing camera-based ADAS’s business relationships in China to promote the radar solution from the joint venture and strengthen the functionality of its products by the combined use of cameras and millimeter wave radars for sensor fusion. During the six months ended 30 June 2019 (the “Period”), the radar-based ADAS is in the initial research stage and contributed revenue of approximately HK\$80,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

For software algorithms business, the Company has established TUS Cloud Control (Beijing) Technology Limited (“TUS Cloud Control”) with registered share capital of RMB100 million of which 70% was contributed by the Group to develop intelligent and connected vehicles big data cloud platform technology and related business. TUS Cloud Control aims to connect all vehicles, infrastructure, pedestrians into a holistic mobility system, facilitate intelligent data exchange among mobility system and motion control, and provide big data and cloud artificial intelligence services.

In 2018, each of TUS Cloud Control and certain leading enterprises of the industry including automotive original equipment manufacturers and mobility service providers, contributed an aggregate of RMB50.0 million, jointly established the National Innovation Center which was positioned as the core source of forward-looking and common cross key technologies, core public platform of research and development, transformation of technological achievements, innovation and development of the industry, and the base in gathering and cultivating high-end talents. As of 30 June 2019, there were 18 members in the National Innovation Center with registered share capital of RMB900.0 million (including unpaid registered capital of RMB70.0 million) of which 5.55% was contributed by the Group.

In May 2019, TUS Cloud Control released the Shanghai Cloud Control Demonstration Project and Cooperation Program for L3/L4 China Standard to build a Chinese-charactered intelligent vehicle industry based on cloud control. The Shanghai Cloud Control Demonstration Project is a comprehensive demonstration project of “vehicle-road-cloud computing autonomous driving solutions” based on the intelligent vehicle cloud control basic platform. This project is awarded by National Development Reform Commission (“NDRC”) as “Made-in-China Core Competence Enhancing Project 2019”. The Shanghai Cloud Control Demonstration Project includes city road of 51.8 km in Jiading District Shanghai and expressway of 20 km from Hongqiao Airport to Shanghai Auto City. The project is expected to be completed in December 2019. The Group will standardize the design, construction, implementation and commercial operation of the cloud control infrastructure platform system after completing this demonstration project. The Group will promote such standard and provide support for the innovation of industrial form and business model, and builds an integrated intelligent automobile industry ecosystem. During the Period, the software algorithms is in the research stage and did not bring any revenue. The Company is now considering to collaborate with different strategic partners in order to strengthen its technological capabilities and share investment risks in software algorithms business.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

In July 2018, the Group entered into vehicle connectivity market by acquiring the Wireless Business Group at the aggregate consideration of US\$105.0 million. The Wireless Business Group is one of the major suppliers of automotive connectivity module globally which supplies electronic modules connecting cars and infrastructure via wireless communication such as cellular networks (2G, 3G, 4G/LTE, LTE-A and in the future 5G technology) as well as per vehicle to vehicle V2X communication schemes. The Wireless Business Group has research and development centres in France, Belgium and Israel and its major customers are mainly blue-chip OEMs and tier one suppliers. The Wireless Business Group does not have its own production facilities and outsources the electronic manufacturing process to a leading semiconductor packaging and testing services provider. The Group plans to continue expanding its customer base, in particular in China, and its promotion of new LTE/V2X/5G modules and solutions by collaborating with software algorithms business.

The acquisition of the Wireless Business Group was completed on 27 February 2019 and the results of the Wireless Business Group have been consolidated into the consolidated financial statement of the Company upon completion of the acquisition on 27 February 2019. Based on the preliminary results of the completion audit of the Wireless Business Group which has not yet been completed as of the date of this report, the Wireless Business Group contributed revenue of approximately of HK\$216.9 million for the Period. Goodwill arising from acquisition as of the date of completion amounted to approximately HK\$426.0 million.

Other Businesses

After years of transition, the Company has successfully transformed to cloud control and intelligent autonomous driving service providers and become one of the most influential players in the intelligent connected vehicles industry in China. The Company further expanded its business to Europe, North America and Asia Pacific this year through acquisition of the Wireless Business Group. As a result, segments of car-carried purifiers, car trading, and finance lease of motor vehicles and equipment became non-core businesses of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Other Businesses *(continued)*

On 3 January 2019, the Group entered into a memorandum of understanding in relation to the potential disposal of 51% equity interest in Suzhou Yadu Cloud Technology Co. Limited* (蘇州亞都雲科技有限公司) (“Suzhou Yadu”) to Yadu Technology Group Co., Ltd. (亞都科技集團有限公司) as a result of adjustments on business strategies of the Group and the unsatisfactory business performance of Suzhou Yadu.

On 12 April 2019, the Group entered into a disposal agreement to dispose 51% of the equity interest of Suzhou Yadu at the consideration of RMB40.8 million (equivalent to approximately HK\$46.1 million) (the “Suzhou Yadu Disposal”). An extraordinary general meeting was held on 26 June 2019 and the resolution was passed by way of poll. Further details of the Suzhou Yadu Disposal are set out in the announcements of the Company dated 7 January 2019, 12 April 2019 and 26 June 2019, and the circular of the Company dated 10 June 2019.

Upon completion of the Suzhou Yadu Disposal, the Group will cease the operation of car-carried purifiers business and the Company also suspended its business in car trading segment during the Period as a result of the strategic transformation of the Group’s business as mentioned above. The Company will continue its businesses in ADAS segment and finance lease of motor vehicles and equipment segment and will monitor the business performance and adjust the strategies for those segments as and when appropriate.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review

The revenue and gross profit of the Group for the Period increased by approximately 66.9% and 194.1% to approximately HK\$375.8 million and HK\$65.3 million respectively (2018: HK\$225.1 million and HK\$22.2 million respectively). Such increase was primarily due to the acquisition of automotive-grade connectivity module business which was completed on 27 February 2019. The results of the Wireless Business Group have been consolidated into the consolidated financial statements of the Company upon completion of such acquisition on 27 February 2019. Despite such increase in revenue and gross profit, the net loss for the Period increased by 40.0% to approximately HK\$78.0 million (2018: HK\$55.7 million). It was primarily due to the significant increase in research and development expenses, finance costs and administrative expenses by 300.0%, 58.1% and 59.3% respectively to approximately HK\$30.4 million, HK\$37.0 million and HK\$59.1 million respectively (2018: HK\$7.6 million, HK\$23.4 million and HK\$39.4 million respectively).

ADAS Products and other automotive components

Revenue of ADAS products and other automotive components (“ADAS Segment”) is mainly generated from sales of camera modules, around view monitoring systems, lane departure warning systems and digital video recorders (“camera-based ADAS”), radar-based ADAS and auto-grade wireless communication module. Major customers of ADAS segment comprise mainstream automakers in China and blue-chip OEMs and tier one suppliers in Europe, the US and Asia Pacific such as Guangzhou Automobile, Dongfeng Nissan, Geely Automobile, Continental Automotive, Bosch Automotive and Tesla Motors. Revenue and gross profit of ADAS Segment grew by 98.1% and 366.7% to approximately HK\$341.7 million and HK\$58.8 million respectively for the Period (2018: HK\$172.5 million and HK\$12.6 million) as a result of completion of acquisition of the Wireless Business Group in February 2019. The ADAS Segment recorded gross profit margin of 17.2% for the Period (2018: 7.3%).

Car-carried Purifiers

The Group has adjusted its overall strategy to focus on cloud control and intelligent autonomous driving services since 2017. In addition, the haze control measures in Beijing are more effective than expected, resulting in a sharp decline in market demand for car-carried purifiers. As such, there was no revenue and gross profit for the car-carried purifiers segment during the Period (2018: nil and nil respectively).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Car Trading

Car trading segment business has been suspended during the Period due to the changes of the Company's overall strategy since 2017 and the Group intended to focus its resources to develop ADAS's business segment. As a result, there was no revenue and gross profit for the car trading during the Period (2018: HK\$2.1 million and HK\$0.1 million respectively).

Finance Lease of Motor Vehicles and Equipment

The revenue and gross profit of finance lease of motor vehicles and equipment business dropped by 32.3% and 28.6% to approximately HK\$34.1 million and HK\$6.5 million respectively during the Period (2018: HK\$50.4 million and HK\$9.1 million). It is expected that the revenue of the segment will be decreasing as the Group had focused its resources to develop cloud control and intelligent autonomous driving services since 2017.

Other Revenue

During the Period, other revenue of the Group decreased to approximately HK\$1.4 million (2018: HK\$2.2 million) which mainly included bank interest income of approximately HK\$1.4 million (2018: HK\$0.9 million).

Other Gain and Loss

During the Period, other losses increased to approximately HK\$3.3 million (2018: HK\$0.5 million) which primarily due to impairment of trade and other receivables.

Research and Development Expenses

During the Period, research and development expenses before capitalisation amounted to approximately HK\$84.2 million (2018: HK\$7.6 million) in which approximately HK\$53.8 million (2018: nil) was capitalised as intangible assets. Research and development expenses after capitalisation for the Period surged by 300.0% to approximately HK\$30.4 million (2018: HK\$7.6 million). Such increase was primarily due to completion of acquisition of the Wireless Business Group in February 2019 which has approximately 92 research and development staff in France, Belgium and Israel. As of the date of this report, the Group also has 181 research and development staff in Suzhou and Beijing for the development of camera-based ADAS and intelligent and connected vehicles big data cloud platform technology and related business.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Selling and distribution expenses

During the Period, selling expenses and distribution expenses, representing 2.1% of the Group's revenue (2018: 2.6%), grew by 32.8% to approximately HK\$7.7 million (2018: HK\$5.8 million). Such increase was primarily due to completion of acquisition of the Wireless Business Group in February 2019.

Administrative Expenses

During the Period, administrative expenses, representing 16.7% of the Group's revenue (2018: 17.5%), rose by 59.1% to approximately HK\$62.7 million (2018: HK\$39.4 million) which was primarily due to the completion of acquisition of the Wireless Business Group in February 2019.

Finance Costs

During the Period, finance costs grew by 58.1% to approximately HK\$37.0 million (2018: HK\$23.4 million) as a result of the increase in imputed interests on convertible bonds, interest expenses on bank borrowings and other loans from approximately HK\$17.8 million and HK\$5.6 million for the six months ended 30 June 2018 to approximately HK\$20.7 million and HK\$16.3 million respectively for the Period.

Share of loss of an associate

There was no share of loss of an associate for the Period (2018: HK\$1.0 million).

Share of loss of a joint venture

Share of loss of a joint venture for the Period amounted to approximately HK\$0.6 million (2018: HK\$0.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Taxation

Certain subsidiaries of the Company in the PRC generated net profit and the Group recorded PRC income tax expense amounting to approximately HK\$0.9 million for the Period (2018: HK\$0.9 million). As a result, the Group recorded income tax of approximately HK\$0.9 million during the Period (2018: income tax credit of HK\$0.3 million).

Net loss attributable to shareholders

As a result of the factors discussed above, the Group's net loss for the Period widened to approximately HK\$78.0 million (2018: HK\$55.7 million).

Basis Loss per Share

The Group recorded basic loss per share of HK\$3.86 cents for the Period (2018: HK\$5.26 cents).

Financial assets at fair value through other comprehensive income

The investments which are held as long-term strategic investments and not expected to be sold in the short to medium term are classified under financial assets at fair value through other comprehensive income ("FVTOCI"). Changes in fair value would be recognised in other comprehensive income ("OCI") and would not be recycled to profit and loss, even if the asset is sold or impaired.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**Financial Review** (continued)**Financial assets at fair value through other comprehensive income** (continued)

As at 30 June 2019, investments of HK\$308.4 million were classified under FVTOCI (31 December 2018: HK\$314.6 million) and impairment loss of HK\$6.2 million (2018: nil) was recognised due to changes in fair value of investments during the Period. Details of the investments are as follows:

	30 June 2019 (unaudited) HK\$ million	Impairment loss recognised through OCI during the Period HK\$ million	Exchange differences HK\$ million	Investments acquired during the Period HK\$ million	31 December 2018 (Audited) HK\$ million
18% equity interest in More Cash Limited	70.0	(1.1)	–	–	71.1
2.46% equity interest in Sino Partner Global Limited	39.1	–	–	–	39.1
14% equity interest in Suzhou Ziguang Innovative Education Development Company Limited (“Suzhou Ziguang”)	146.9	(3.9)	–	–	150.8
5.55% equity interest in National Innovation Centre of Intelligent Connected Vehicles (“the National Innovation Center”)	50.1	(1.1)	–	–	51.2
Gap fund with TusStar and MICHIGAN (note)	0.7	(0.1)	–	–	0.8
9.8% equity interest in Suzhou Udas Automotive Technology Co., Ltd* (蘇州優達斯汽車科技有限公司) (“Suzhou Udas”)	1.6	–	–	–	1.6
7.92% equity interest in Sichuan Zhihua Dunken Electronic Technology Co., Ltd* (四川智華盾肯電子科技有限公司) (“Sichuan Zhihua”)	–	–	–	–	–
Total	308.4	(6.2)	–	–	314.6

* For identification purposes only

Note: On 18 November 2017, TusStar Incubator Investment Ltd. (“TusStar”), of which Tus-Holdings Co., Ltd is the holding company, the Regents of the University of Michigan (“MICHIGAN”) and the Company entered into a gap fund agreement in relation to a proposed establishment of the gap fund with a proposed size of up to USD1.0 million (approximately HK\$7.78 million), which will be principally engaged in advancing the commercialisation potential of MICHIGAN research discoveries.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Financial Review** *(continued)***Financial assets at fair value through other comprehensive income** *(continued)*

The value of the input, the valuation methodology and reasons for subsequent changes in value of input and assumptions or changes in the valuation methodology from those previously adopted are disclosed as below:

As at 30 June 2019 and 31 December 2018

	Value of input (e.g. the projected cash flow, discount rate and growth rate) used in the valuations together with the basis and assumptions	Valuation methodology	Reasons for subsequent changes in value of input and assumptions or changes in the valuation methodology from those previously adopted
18% equity interest in More Cash Limited	Weight average cost of capital ("WACC"): 9.63% (31 December 2018: 9.09%); Discount for lack of control: 9.7%; Long term growth rate: 3.00%	Income approach – discount cash flow	N/A
2.46% equity interest in Sino Partner Global Limited	WACC: Supercar segment 18.03% and Electric vehicle segment 23.90%; Discount for lack of marketability: 25.00%; Discount for lack of control: 5.00%; Long term growth rate: 2.00%	Income approach – discount cash flow	N/A
14% equity interest in Suzhou Ziguang	No unobservable inputs	Asset approach	N/A
5.55% equity interest in the National Innovation Center	No unobservable inputs	Asset approach	N/A
Gap fund with TusStar and MICHIGAN	No unobservable inputs	Asset approach	N/A
9.8% equity interest in Suzhou Udas	WACC: 15.49% (31 December 2018: 14.66%); Discount for lack of control: 22.60%; Long term growth rate: 3.00%	Income approach	N/A
7.92% equity interest in Sichuan Zhihua	WACC: 14.66%; Long term growth rate: N/A	Income approach	N/A

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Use of Net Proceeds of the Allotment and Issue of shares

References are made to the announcements of the Company dated 11 January 2019, 15 January 2019, 30 January 2019 and 27 February 2019 and the circular of the Company dated 15 January 2019 in relation to the issuance of shares and convertible bonds by the Company. On 11 January 2019, the Company and Tuspark Venture Investment Ltd. (“Tuspark Venture”) entered into a subscription agreement (the “Tuspark Subscription Agreement”) to allot and issue 239,345,003 new shares at the subscription price of HK\$0.6084 per share and the 0% coupon convertible bonds due 2025 in the aggregate principal amount of HK\$89,882,500 at the total consideration representing 100% of the principal amount which may be converted into 147,735,865 conversion shares at the initial conversion price of HK\$0.6084 per share (the “Tuspark Subscription”). On 11 January 2019, the Company and E-Town International Holding (Hong Kong) Co., Limited (“E-Town”) entered into a subscription agreement (the “E-Town Subscription Agreement”) to allot and issue, 387,080,868 new shares at the subscription price of HK\$0.6084 per share (the “E-Town Subscription”). Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), each of the Tuspark Subscription and the E-Town Subscription was subject to shareholders’ approval and the Tuspark Subscription also constituted a connected transaction of the Company. The net proceeds were approximately HK\$470.0 million, all of which were used for settlement of the consideration for the acquisition of Telit Automotive Solutions NV. Completion of the Tuspark Subscription and the E-Town Subscription took place on 27 February 2019.

References are made to the announcements of the Company dated 30 January 2019 and 27 February 2019. The Company, Dawin (H.K.) Limited (“Dawin”) and Mr. Piao Xingfeng, the ultimate beneficial owner of entire issued share capital of Dawin (“Mr. Piao”) entered into a subscription agreement (the “Dawin Subscription Agreement”), pursuant to which Dawin conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 45,000,000 new shares at the subscription price of HK\$0.6084 per share under general mandate at the total consideration of HK\$27,380,000, which was settled by way of set off against the equivalent amount of the outstanding loan amount of the unsecured loan facilities of up to US\$8 million granted by Mr. Piao to the Company pursuant to the loan agreement dated 7 June 2018 entered into between the Company as borrower and Mr. Piao as lender, as amended and supplemented by the supplemental agreements dated 14 September 2018 and 28 January 2019 entered into by the same parties. Thus, no cash proceeds were received by the Company from such subscription. Completion of such subscription by Dawin took place on 27 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Funding and Treasury Policy

Liquidity and Financial Resources

As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$47.6 million (31 December 2018: HK\$104.0 million). The decrease in cash and cash equivalent was mainly due to acquisition of the Wireless Business Group during the Period amounting to approximately HK\$824.3 million. It was offset by the net proceeds from the allotment and issue of shares and convertible bonds to Tuspark Venture and E-Town for a total of 626,425,871 subscription shares at the subscription price of HK\$0.6084 per subscription share and convertible bonds amounting to approximately HK\$470.0 million during the Period.

The Group recorded a net loss of approximately HK\$78.0 million for the Period (2018: HK\$55.7 million) and net current liabilities of approximately HK\$296.3 million as of 30 June 2019 (31 December 2018: net current assets of approximately HK\$120.2 million) which may have a considerable impact on the liquidity position of the Group. Nevertheless, the management of the Company considers the liquidity position of the Group is sufficient to operate as a going concern in the foreseeable future as the Group maintains a healthy financial position as of 30 June 2019 with cash and cash equivalents and net assets value of approximately HK\$47.6 million and HK\$857.6 million respectively. In particular, the management of the Company has given consideration to the following steps taken which are expected to strengthen the Group's financial position:

- 1) the Company obtained equity and debt financing of an aggregate of HK\$470.0 million through the issuance of shares and convertible bonds under the Tuspark Subscription and E-Town Subscription for settlement of the consideration for acquisition of the Wireless Business Group;
- 2) the Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations; and
- 3) the Group has received a written confirmation dated 15 August 2019 from Tuspark Venture, one of the major shareholders of the Company, that it will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group.

Based on the measures as outlined above, the management of the Company considers that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future and the Group has maintained a strong and healthy liquidity position as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Funding and Treasury Policy *(continued)*

Net Borrowing Position

The total borrowings, including borrowings and convertible bonds, as at 30 June 2019 increased by approximately 41.3% to approximately HK\$736.1 million (31 December 2018: HK\$521.1 million). The change in total borrowings was mainly attributable to a new banking facility of US\$38.5 million for the purpose of acquisition of the Wireless Business Group, which was partly offset by the conversion of all of the 0% coupon convertible bonds due May 2019 in the aggregate principal amount of HK\$61.0 million during the Period. In addition, cash and bank balances and pledged deposits as at 30 June 2019 decreased by 54.2% to approximately HK\$47.6 million (31 December 2018: HK\$104.0 million). As such, the net borrowings increased by 65.1% to approximately HK\$688.5 million (31 December 2018: HK\$417.1 million).

Structure of Interest-Bearing Borrowings and Net Borrowing Position

As at 30 June 2019, the Group had short-term borrowings and long-term borrowings of approximately HK\$52.9 million (31 December 2018: HK\$133.3 million) and HK\$294.7 million (31 December 2018: nil) respectively which included bank loans in an aggregate principal amount of approximately HK\$323.3 million (31 December 2018: HK\$83.6 million) with floating and fixed interest rates of 4.84% – 6.80% (31 December 2018: 4.79% – 5.66%), and other loans of approximately HK\$24.3 million (31 December 2018: HK\$49.7 million) which were obtained from independent third parties with fixed interest rates of 4.4% – 14.0% (31 December 2018: 4.4% – 14.0%) and were repayable on demand as of 30 June 2019. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group. Approximately HK\$21.1 million and HK\$302.2 million of the bank loans were denominated in Renminbi and US dollar as at 30 June 2019 (31 December 2018: approximately HK\$83.6 million and nil). As for the other loans, approximately HK\$8.2 million, HK\$12.7 million and HK\$3.4 million were denominated in US dollar, Hong Kong dollar and Renminbi respectively as at 30 June 2019 (31 December 2018: approximately HK\$34.6 million, HK\$10.7 million and HK\$4.4 million respectively).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Funding and Treasury Policy *(continued)*

Structure of Interest-Bearing Borrowings and Net Borrowing Position (continued)

As at 30 June 2019, the Group had convertible bonds of approximately HK\$388.5 million (31 December 2018: HK\$387.7 million) in which approximately HK\$300.0 million (31 December 2018: HK\$58.3 million) was classified under current liabilities and approximately HK\$88.5 million (31 December 2018: HK\$329.4 million) was classified under non-current liabilities. During the Period, all of the HK\$61 million 0% coupon bond due 2019 was converted into 69,004,524 shares on 27 May 2019. In addition, HK\$300.0 million 6% coupon bond due 2019 (the "CB2") in which the Company exercised its right to extend the maturity date to 9 June 2020 during the Period was reclassified from non-current liabilities to current liabilities. As such, convertible bonds classified under current liabilities as at 30 June 2019 increased to approximately HK\$300.0 million (31 December 2018: HK\$58.3 million).

Turnover Days, Liquidity Ratios and Gearing Ratios

Credit terms, normally not more than 90 days from the date of billing, are granted to customers, depending on their credit worthiness and business relationships with the Group. Trade receivable turnover days (trade receivable over revenue excluding finance lease of motor vehicles and equipment segment) for the Period is approximately 115 days (31 December 2018: 149 days). Trade payable turnover days and inventory turnover days for the Period are approximately 70 days and 60 days respectively (31 December 2018: 149 days and 115 days respectively). The decrease in turnover days of trade receivables, trade payables and inventory was primarily due to the consolidation of results of the Wireless Business Group into the consolidated financial statement of the Company since February 2019.

The current ratio and quick ratio as at 30 June 2019 decreased to approximately 0.67 (31 December 2018: 1.26) and 0.57 (31 December 2018: 1.06) respectively. Such decrease was primarily due to reclassification of CB2 from non-current liabilities to current liabilities during the Period. Gearing ratio which was derived from total of debts (i.e. total of borrowings and convertible bonds) to total equity and total of debts was approximately 0.46 (31 December 2018: 0.54).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Funding and Treasury Policy *(continued)*

Treasury Policy

The Group intends to principally finance its operations and investing activities, with among others, 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. However, in order to execute the strategies of the Group, the Directors will continue to monitor both the equity and debt capital markets to replenish funds, as and when appropriate, for future expansion and creation of shareholders' value. The Group adopts a treasury policy which allows the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollar, Korean Won, Euro and US dollar. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 June 2019, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes (31 December 2018: nil).

Charge of Assets

As at 30 June 2019, bills payables were pledged with bank deposits and bills receivables amounting to approximately HK\$1.7 million and HK\$10.8 million respectively (31 December 2018: approximately HK\$4.0 million and HK\$8.2 million respectively). In addition, all shares of the Wireless Business Group were pledged for the banking facilities of US\$38.5 million (31 December 2018: nil). Save as disclosed herein, the Group had no pledge of assets as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

Future Plans and Prospects

In the short run, the Group will maintain the competitiveness through capturing the market share in camera-based ADAS business in China and leveraging on the synergistic effect with the radar business, automotive-connectivity modules business and autonomous driving algorithm business to diversify its product mix and enhance its capability in developing high value added products and new applications through in-house research and development efforts.

In the long run, the Group will strengthen its market position by leveraging on its research and development capabilities and collaborating with members of National Innovation Center of Intelligent Connected Vehicles in the development and commercialisation of various forward looking and common technologies.

Significant Investment

Save as disclosed herein, there was no significant investment during the Period.

Material Acquisitions and Disposals

Very Substantial Acquisition in relation to the Acquisition of the Entire Issued Share Capital of Telit Automotive Solutions NV

References are made to the announcements of the Company dated 12 July 2018, 31 October 2018, 11 December 2018, 29 January 2019, 1 February 2019, 20 February 2019 and 27 February 2019 and the circular of the Company dated 26 December 2018 in relation to, among others, the acquisition of Telit Automotive Solutions NV.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Material Acquisitions and Disposals *(continued)*

Very Substantial Acquisition in relation to the Acquisition of the Entire Issued Share Capital of Telit Automotive Solutions NV (continued)

On 12 July 2018, the Company entered into an acquisition agreement to buy all the issued shares of Telit Automotive Solutions NV at the aggregate consideration of US\$105.0 million (equivalent to approximately HK\$824.25 million), subject to adjustments with reference to the aggregate cash, debt and working capital of Telit Automotive Solutions NV at completion of the sale and purchase of all the issued shares of Telit Automotive Solutions NV (“Completion”) and the relevant transfer costs. The consideration was settled by the Company in cash upon Completion and was funded by equity and debt financing by issuing 626,425,871 new shares of the Company, the 0% coupon convertible bonds due 2025 in the aggregate principal amount of HK\$89,882,500 and bank borrowings in the principal amount of US\$38.5 million. The acquisition constituted a very substantial transaction of the Company under Chapter 14 of the Listing Rules. Completion took place on 27 February 2019, upon which Telit Automotive Solutions NV became a wholly-owned subsidiary of the Company.

The Directors believe the acquisition of Telit Automotive Solutions NV is beneficial to the Group, creating synergy in terms of customer relationships, complementary technologies and research and development capabilities.

Foreign Exchange Exposure

The Group mainly operates in the PRC, the US, Europe, and Asia Pacific with approximately 42.3% of the revenue denominated in Renminbi while approximately 57.7% of the revenue denominated in Korean Won, Euro and US dollar. During the Period, the Group did not carry out any hedging activity against foreign currency risk (2018: nil). Any substantial exchange rate fluctuation of foreign currencies against Renminbi, Korean Won, Euro and US dollar may have a financial impact on the Group’s operations in the PRC and Europe.

Employees and Remuneration Policy

As at 30 June 2019, the Group employed 521 staff in the PRC, the US, Europe, Asia Pacific and Hong Kong (31 December 2018: 424). Remuneration of employees including Directors’ emoluments was approximately HK\$30.3 million for the Period (2018: HK\$22.2 million).

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 when warranted. 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 depend upon the performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Events after the Reporting Period

Retirement of President of the Company

On 9 July 2019, Mr. Shen Xiao has retired as the president of the Company following expiry of his term of appointment as the president of the Company but he remains as an executive director and authorized representative (as defined under Rule 3.05 of the Listing Rules) of the Company. The Company is in the process of considering suitable candidate to be appointed as the president of the Company and will make further announcement(s) in relation to such appointment as and when appropriate.

Details of the events after the reporting period of the Group are disclosed in Note 21 of “Notes to the Condensed Consolidated Financial Statements” section in this report.

Save as disclosed herein, no other subsequent events occurred after 30 June 2019 and up to the date of this report, 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 2019, 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	210,718,000	109,280,000	15.51%
Du Peng	Beneficial Owner	–	13,920,000	0.67%
Shen Xiao	Beneficial Owner	50,000,000	123,773,894	8.42%
Tsang Ling Bui, Gilbert	Beneficial Owner	–	4,640,000	0.22%

Note:

- These underlying interests represent the shares options granted to Mr. Ma Chi Kong Karl, Mr. Du Peng, Mr. Shen Xiao and Mr. Tsang Ling Bui, Gilbert pursuant to the Share Option Scheme, and also an interest in the long position of 100,000,000 and 109,853,894 shares of the Company held by Mr. Ma Chi Kong Karl and Mr. Shen Xiao respectively. Mr. Shen Xiao has an interest in the long position of 109,853,894 shares underlying the 6% coupon convertible bond due 2019 issued by the Company on 9 June 2017.
- 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 2019.

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.

OTHER INFORMATION *(continued)*

SHARE OPTION SCHEMES

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 principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company issued on 29 April 2009. A new share option scheme (the “2019 Share Option Scheme”) was adopted by the Company at the annual general meeting on 21 May 2019 and the total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2019 Share Option Scheme was up to 10% of the number of shares in issue as at 21 May 2019, i.e. 199,461,075.

The total number of securities available for issue under the 2019 Share Option Scheme as at 30 June 2019 was 199,461,075 shares which represented approximately 9.67% of the issued share capital of the Company as at 30 June 2019.

Eligible participants of the Scheme would be any person or 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 shares for the benefit of the Company and its shareholders as a whole.

Unless approved by the shareholders, the total number of shares issued and to be issued upon the exercise of share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the number of the shares of the Company in issue.

The 2019 Share Option Scheme was effective on 21 May 2019 and unless otherwise cancelled or amended, will remain valid and effective for the period of 10 years from that date.

OTHER INFORMATION *(continued)*

SHARE OPTION SCHEMES *(continued)*

The exercise price for the options shall be determined by the Board which must be at least the higher of:

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (3) the nominal value of the shares.

During the Period, certain existing 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 as below:

Name	Date of grant	Exercise period	As at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 30 June 2019	Exercise price per share
Existing Directors									
Ma Chi Kong Karl	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
	18 April 2018	18 April 2019 – 17 April 2028	4,640,000	-	-	-	-	4,640,000	0.620
Shen Xiao	12 October 2016	12 October 2017 – 11 October 2026	9,280,000	-	-	-	-	9,280,000	0.822
	18 April 2018	18 April 2019 – 17 April 2028	4,640,000	-	-	-	-	4,640,000	0.620
Tsang Ling Bui, Gilbert	22 January 2016	22 January 2017 – 21 January 2026	4,640,000	-	-	-	-	4,640,000	0.820
Other eligible participants									
Employees	22 January 2016	22 January 2017 – 21 January 2026	1,400,000	-	-	-	-	1,400,000	0.820
	31 March 2017	31 March 2018 – 30 March 2027	1,000,000	-	-	-	-	1,000,000	0.720
	18 April 2018	18 April 2019 – 17 April 2028	1,000,000	-	-	-	-	1,000,000	0.620
Others	22 January 2016	22 January 2017 – 21 January 2026	9,280,000	-	-	-	-	9,280,000	0.820
	22 January 2016	22 January 2017 – 21 January 2026	4,640,000	-	-	-	-	4,640,000	0.820
			59,080,000	-	-	-	-	59,080,000	

The 2009 Share Option Scheme had a term of 10 years and will expire on 19 June 2019. In view of the expiry of the 2009 Share Option Scheme, the Board recommended to the Shareholders to approve the adoption of the New Share Option Scheme in the annual general meeting held on 21 May 2019. The 2019 Share Option Scheme became effective after all the conditions precedent have been fulfilled on 21 May 2019.

OTHER INFORMATION *(continued)***SHARE OPTION SCHEMES** *(continued)*

As at 30 June 2019, there were 59,080,000 outstanding options under the 2009 Share Option Scheme. The expiry of the 2009 Share Option Scheme was not in any event affected the terms of the grant of the options that have already been granted thereunder and the abovementioned outstanding options continue to be subject to the provisions of the 2009 Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2019, the following persons (other than the Directors and chief executives of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Name of shareholder	Note	Capacity	Number of ordinary shares of the Company held (Note 1)	Approximately percentage of total shares of the Company (Note 2)
Tuspark Venture Investment Ltd. ("Tuspark Venture")	3 and 5	Beneficial interest	710,109,564 (L)	34.41%
Tus-Holdings	3	Interests of controlled corporation	710,109,564 (L)	34.41%
Tsinghua Holdings Co., Ltd. ("Tsinghua Holdings")	4	Interests of controlled corporation	710,109,564 (L)	34.41%
Beijing Baijun Investment Company Limited ("Beijing Baijun")	4	Interests of controlled corporation	710,109,564 (L)	34.41%
Wang Jiwu	4	Interests of controlled corporation	710,109,564 (L)	34.41%
Tsinghua University	4	Interests of controlled corporation	710,109,564 (L)	34.41%
E-Town International Holding (Hong Kong) Co., Limited ("E-Town HK")	6	Beneficial interest	387,080,868 (L)	18.76%
北京亦莊國際投資發展有限公司 ("E-Town BJ")	6	Interests of controlled corporation	387,080,868 (L)	18.76%
CM Securities Investment Limited ("CMSI")	7	Beneficial interest	109,853,894 (L)	5.32%
China Minsheng Financial Holding Corporation Limited ("CMFHCL")	7	Interests of controlled corporation	109,853,894 (L)	5.32%
China Minsheng Investment Corporation Limited	7	Interests of controlled corporation	109,853,894 (L)	5.32%
Munsun Smart Mobility Fund LP ("Munsun Smart")	8	Interests of controlled corporation	109,853,894 (L)	5.32%

OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(continued)*

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Based on 2,063,615,283 Shares in issue as at the 30 June 2019.
- (3) Tuspark Venture was the beneficial owner of 452,519,805 Shares. The entire issued share capital of Tuspark Venture was beneficially owned by Tus-Holdings. Tus-Holdings was therefore deemed to be interested in the 452,519,805 shares held by Tuspark Venture pursuant to the SFO.
- (4) Tus-Holdings was held (i) as to approximately 44.92% by Tsinghua Holdings, which was in turn held as to 100% by Tsinghua University; and (ii) as to approximately 30.08% by Beijing Baijun, which was in turn held as to 100% by Mr. Wang Jiwu.
- (5) Tuspark Venture was beneficially interested in the 6% Convertible Bond due 2019 in the principal amount of HK\$100,000,000 which was convertible into 109,853,894 Shares at the conversion price of HK\$0.9103 per Share (subject to adjustment(s)).
- (6) E-Town HK was the beneficial owner of 387,080,868 Shares. E-Town HK was wholly-owned by E-Town BJ. E-Town BJ was therefore deemed to be interested in the 387,080,868 Shares held by E-Town HK pursuant to the SFO.
- (7) CMSI was beneficially interested in the 6% Convertible Bond due 2019 in the principal amount of HK\$100,000,000 which was convertible into a maximum of 109,853,894 Shares at the conversion price of HK\$0.9103 per Share (subject to adjustment(s)).

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

CMFHCL was held as to 50.00% by CMI Financial Holding Company Limited, which was wholly owned by China Minsheng Asia Asset Management Company Limited, which was in turn wholly owned by China Minsheng Investment Corporation Limited.

- (8) Munsun Smart was beneficially interested in the 6% Convertible Bond due 2019 in the principal amount of HK\$100,000,000 which was convertible into 109,853,894 Shares at the conversion price of HK\$0.9103 per Share (subject to adjustment(s)).

OTHER INFORMATION *(continued)***SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES** *(continued)***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 underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30 June 2019, 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

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

During the Period, 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 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, 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 laws in the Cayman Islands.

OTHER INFORMATION *(continued)*

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 Period.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, 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, while the role of the chief executive officer has been performed collectively by all executive Directors. The Board considers that 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 website 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 three independent non-executive Directors, namely Mr. Poon Chiu Kwok, Hon. Quat Elizabeth (JP) 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.

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee. The Audit Committee has also reviewed this report and has provided advice and comments thereon to the Board. The Audit Committee is of the opinion that this report has complied with applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

OTHER INFORMATION *(continued)*

CORPORATE GOVERNANCE CODE *(continued)*

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 website 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.

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

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 website 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 an executive Director, namely Mr. Ma Chi Kong Karl and three independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Hon. Quat Elizabeth *(JP)* and Mr. Wong Yuk Lun, Alan. Mr. Poon Chiu Kwok is the chairman of the Remuneration Committee.

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 2019.

OTHER INFORMATION *(continued)*

CORPORATE GOVERNANCE CODE *(continued)*

Board Composition

As at the date of this report, the Board comprises three executive Directors, three non-executive Directors and three 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.

On 29 April 2019, Mr. Hu Bo was appointed as a non-executive Director.

Save for the above, as at the date of this report, 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 2018.

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 2018 are set out below:

Mr. Wong Yuk Lun, Alan was appointed as independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) and Deson Construction International Holdings Limited (Stock Code: 8268) on 24 May 2019 and 29 July 2019 respectively.

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

Hong Kong, 29 August 2019