



啟迪國際有限公司

TUS International Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 872)

2020

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ma Chi Kong Karl (*Chairman*)
Mr. Lin Jian (*appointed with effect from 1 April 2020*)

Non-executive Directors

Mr. Du Peng (*re-designated as non-executive director with effect from 3 July 2020*)
Mr. Tsang Ling Biu, Gilbert
Mr. Hu Bo

Independent Non-executive Directors

Hon. Quat Elizabeth (*JP*)
Dr. Koong Hing Yeung Victor (*appointed with effect from 17 July 2020*)
Mr. Lee Kwok Tung Louis (*appointed with effect from 10 August 2020*)

COMPANY SECRETARY

Mr. Cheng Him Shun Hilson

AUTHORISED REPRESENTATIVES

Mr. Lin Jian
Mr. Cheng Him Shun Hilson

AUDIT COMMITTEE

Mr. Lee Kwok Tung Louis
(*Committee Chairman*)
Mr. Tsang Ling Biu, Gilbert
Hon. Quat Elizabeth (*JP*)
Dr. Koong Hing Yeung Victor

NOMINATION COMMITTEE

Mr. Ma Chi Kong Karl
(*Committee Chairman*)
Hon. Quat Elizabeth (*JP*)
Dr. Koong Hing Yeung Victor
Mr. Lee Kwok Tung Louis

REMUNERATION COMMITTEE

Mr. Lee Kwok Tung Louis
(*Committee Chairman*)
Mr. Ma Chi Kong Karl
Hon. Quat Elizabeth (*JP*)
Dr. Koong Hing Yeung Victor

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")

14-17/F, Block A,
Tsinghua University
Science Park Innovation Plaza,
Beijing, China

CORPORATE INFORMATION *(continued)***PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 707-711, 7/F.
TusPark Workhub
118 Wai Yip Street
Kwun Tong
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House, 3/F
24 Shedden Road, P.O. Box 1586
Grand Cayman 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:
ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place, Central, Hong Kong

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



INTERIM RESULTS

The unaudited consolidated interim results for the six months ended 30 June 2020 (“Period”) of the Company and its subsidiaries (collectively the “Group”), together with comparative figures for the corresponding period in 2019, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Continuing operations:			
Revenue	3	298,610,075	341,724,233
Cost of sales		(271,005,040)	(282,943,097)
Gross profit		27,605,035	58,781,136
Other revenue		19,430,514	1,197,565
Other gain and loss		(28,220,529)	(3,313,244)
Research and development expenses		(46,446,240)	(30,368,158)
Selling and distribution expenses		(5,311,658)	(7,165,790)
Administrative expenses		(101,307,391)	(60,627,413)
Allowance under expected credit loss model, net of reversal		39,868	–
Finance costs	5	(50,425,065)	(36,964,121)
Share of loss of a joint venture		–	(587,468)
Loss before taxation	6	(184,635,466)	(79,047,493)
Taxation	7	8,393,608	(7,188)
Loss for the period from continuing operations		(176,241,858)	(79,054,681)
Profit for the period from discontinued operations	22	1,289,256	1,036,852
Loss for the period		(174,952,602)	(78,017,829)
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		(7,583,994)	(7,343,794)
<i>Items that was reclassified to profit or loss:</i>			
– Reclassification adjustment of exchange differences upon disposal of subsidiaries		10,616,304	–
<i>Items that will not be reclassified to profit or loss:</i>			
– Change in fair value of financial assets at fair value through other comprehensive income		(21,896,617)	(5,983,032)
		(18,864,307)	(13,326,826)
Total comprehensive loss for the period		(193,816,909)	(91,344,655)

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company			
– from continuing operations		(169,963,264)	(69,986,771)
– from discontinued operations		657,521	528,794
		(169,305,743)	(69,457,977)
Non-controlling interests			
– from continuing operations		(6,278,594)	(9,067,910)
– from discontinued operations		631,735	508,058
		(5,646,859)	(8,559,852)
		(174,952,602)	(78,017,829)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company			
– from continuing operations		(185,779,263)	(84,110,992)
– from discontinued operations		322,643	532,678
		(185,456,620)	(83,578,314)
Non-controlling interests			
– from continuing operations		(6,866,450)	(8,460,983)
– from discontinued operations		(1,493,839)	694,642
		(8,360,289)	(7,766,341)
		(193,816,909)	(91,344,655)
Earning/(loss) per share attributable to owners of the Company:			
From continuing and discontinued operations	9		
– Basic and diluted <i>(HK cents)</i>		(8.20)	(3.86)
From continuing operations			
– Basic and diluted <i>(HK cents)</i>		(8.23)	(3.89)
From discontinued operations			
– Basic and diluted <i>(HK cents)</i>		0.03	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2020*

	<i>Notes</i>	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	<i>10</i>	72,781,810	80,614,712
Right-of-use assets	<i>10</i>	20,354,320	25,015,971
Construction in progress		6,870,908	12,604,121
Finance lease receivables	<i>13</i>	–	8,693,237
Intangible assets		475,071,790	438,699,395
Goodwill		647,948,872	651,328,971
Financial assets at fair value through other comprehensive income	<i>11</i>	212,480,215	265,365,619
Deferred tax assets		–	742,069
		1,435,507,915	1,483,064,095
Current assets			
Inventories		127,484,535	113,153,452
Trade and bills receivables, prepayments and other receivables	<i>12</i>	231,390,477	262,963,299
Finance lease receivables	<i>13</i>	–	34,255,867
Pledged bank deposits	<i>14</i>	3,079,760	3,883,581
Cash and cash equivalents		80,489,909	113,418,336
		442,444,681	527,674,535
Assets of discontinued operation classified as held for sales	<i>22(a)</i>	81,080,454	82,678,114
		523,525,135	610,352,649

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(continued)**As at 30 June 2020*

	<i>Notes</i>	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Current liabilities			
Trade and bills payables and other payables	<i>15</i>	384,116,955	450,881,287
Contract liabilities		34,437,375	19,541,583
Lease liabilities		8,305,231	8,945,719
Current tax payable		3,489,678	8,688
Borrowings	<i>16</i>	938,818,505	487,049,413
Convertible bonds	<i>17</i>	–	300,000,000
		1,369,167,744	1,266,426,690
Net current liabilities		(845,642,609)	(656,074,041)
Total assets less current liabilities		589,865,306	826,990,054
Non-current liabilities			
Other payables	<i>15</i>	114,167	144,331
Net defined benefits liabilities		7,574,096	6,416,315
Lease liabilities		12,617,035	16,582,712
Deferred tax liabilities		99,845,370	110,186,453
Convertible bonds	<i>17</i>	97,475,163	92,820,659
		217,625,831	226,150,470
Net assets		372,239,475	600,839,584
Capital and reserves			
Share capital	<i>18</i>	20,636,153	20,636,153
Reserves		367,665,278	552,952,938
Equity attributable to owners of the Company		388,301,431	573,589,091
Non-controlling interests		(16,061,956)	27,250,493
Total equity		372,239,475	600,839,584

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 reserve	Accumulated losses	Sub-total		
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	
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	-	-	-	-	-	-	-	-	-	(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	-	-	-	(8,137,305)	-	-	-	-	-	-	(8,137,305)	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	-	-	-	-	-	(15,086,156)	-	-	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)	(98,801,470)	19,201,992	68,657,339	5,040,560	(268,671,206)	835,939,277	21,624,952	857,564,229
At 1 January 2020	20,636,153	1,155,260,651	-	(40,947,330)	(15,589,729)	(140,942,508)	15,526,941	68,657,339	-	(489,012,436)	573,589,091	27,250,493	600,839,584
Loss for the period	-	-	-	-	-	-	-	-	-	(169,305,743)	(169,305,743)	(5,646,859)	(174,952,602)
Other comprehensive loss for the period, net of income tax:													
Exchange differences on translation of financial statements of foreign operations	-	-	-	(4,870,564)	-	-	-	-	-	-	(4,870,564)	(2,713,430)	(7,583,994)
Reclassification adjustment of exchange differences upon disposal of subsidiaries	-	-	-	10,616,304	-	-	-	-	-	-	10,616,304	-	10,616,304
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(21,896,617)	-	-	-	-	(21,896,617)	-	(21,896,617)
Total comprehensive loss for the period	-	-	-	5,745,740	-	(21,896,617)	-	-	-	(169,305,743)	(183,456,620)	(8,360,289)	(193,816,909)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	32,880,000	32,880,000
Disposal of subsidiaries	-	-	-	-	168,960	-	-	-	-	-	168,960	(67,832,140)	(67,663,200)
Lapse of share options	-	-	-	-	-	-	(5,466,854)	-	-	5,466,854	-	-	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	43,000,000	-	-	-	(43,000,000)	-	-	-
Derecognition upon lapse of convertible bond	-	-	-	-	-	-	-	(18,271,438)	-	-	18,271,438	-	-
At 30 June 2020 (Unaudited)	20,636,153	1,155,260,651	-	(35,201,590)	(15,420,769)	(119,839,125)	10,060,087	50,285,901	-	(677,379,887)	388,301,431	(16,061,956)	372,239,475

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Net cash used in operating activities	(136,124,412)	(48,047,532)
Investing activities		
Proceeds from disposal of financial assets at FVTOCI	30,362,000	–
Purchase of intangible assets	(33,930,471)	(167,199,219)
Net cash outflow from acquisition of subsidiaries	–	(515,529,040)
Decrease in pledged bank deposits	803,821	47,129,633
Other net cash flow arising from investing activities	(3,202,576)	(1,673,606)
Net cash outflow from disposal of subsidiaries	(25,156,965)	–
Net cash used in investing activities	(31,124,191)	(637,272,232)
Financing activities		
Proceeds from issue of shares	–	381,117,500
Proceeds from issue of convertible bonds	–	89,882,500
Payment for transaction costs attributable to issue of shares and convertible bonds	–	(1,120,000)
Proceeds from borrowings	262,646,566	304,225,000
Repayment of borrowings	(97,891,684)	(62,588,436)
Other net cash flow arising from financing activities	(22,337,518)	(24,869,775)
Repayment of lease liabilities	(4,792,356)	(2,918,171)
Net cash generated from financing activities	137,625,008	683,728,618
Net decrease in cash and cash equivalents	(29,623,595)	(1,591,146)
Effect of foreign exchange rate changes	(2,872,456)	(7,159,667)
Cash and cash equivalents at 1 January	113,418,336	53,653,443
Cash and cash equivalents at 30 June	80,922,285	44,902,630
From continuing operations	80,489,909	44,397,696
From discontinued operation classified as held for sales (note 22)	432,376	504,934
	80,922,285	44,902,630

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 28 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.

Going concern

For the six months ended 30 June 2020, the Group incurred a loss of approximately HK\$174,952,602. As at 30 June 2020, the Group had net current liabilities of approximately HK\$845,642,609. In addition, the Group had outstanding borrowings of approximately HK\$938,818,505 which were due for repayment or renewal in the next twelve months after 30 June 2020.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group’s ability to continue as going concern and therefore the Group may be unable to realise the Group’s liabilities in the normal course of business.

As disclosed in the 2019 annual financial statements, certain liquidity measures were considered and assessed by the directors of the Company to strengthen the Group’s financial position, on-going procedures have been further implemented by the directors of the Company during the period as follows:

1. The Group has been actively negotiating with lenders to secure the renewals of the Group’s borrowings to meet its liabilities when fall due;
2. The Group is under advanced negotiation with a bank on waiver of strict compliance on certain financial covenant requirements under a facility agreement. In addition, a proposed loan restructuring is under assessment with an aim to improve the gearing position of certain business units of the Group. Such proposals may enhance the overall operating effectiveness and efficiency as well as individual financing ability of the concerned business units;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

1. Basis of preparation (continued)

Going concern (continued)

3. The written confirmations received from Tuspark Venture Investment Limited ("Tuspark Venture") and Tus-Holdings Co., Ltd, dated 15 March 2020 and 20 May 2020, respectively. As disclosed in the 2019 annual report of the Company ("2019 Annual Report"). Tuspark Venture will provide financial support to the Group in the following 24 months on a going concern basis from the date of the confirmation;
4. The Group signed an agreement to obtain a short-term loan from a financial institution for general working capital purpose;
5. The Group has been taking continuous measures to tighten cost controls over production costs and expenses, particularly research and development expenses and general operating expenses with an aim to reduce negative operating cash outflows. Such measures include corporate and organisational restructuring of certain business units, strategic re-positioning of products development, focused markets development on existing customers and expansion to potential niche markets;
6. The Group disposed certain financial assets at fair value through other comprehensive income and disposed certain non-core business segment for the six months ended 30 June 2020. Such disposals provided the Group with additional available financial resources and enhanced the Group's overall strategic position. The Group may dispose other businesses and/or financial assets, if required.
7. In respect of convertible bonds which were due on 9 June 2020, the Group and the bondholders are under advanced negotiation on a transitional repayment schedule; and
8. The Group is actively seeking additional financing including but not limited to shareholder's loan, equity financing, borrowings and issuance of new convertible bonds to improve the liquidity of the Group.

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to continue to prepare the interim financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

1. Basis of preparation *(continued)*

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 2019 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 2019 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 2019 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 2020

2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the Annual Report 2019, except for the impact of the adoption of the new and revised HKASs, HKFRSs, amendments and interpretations described below.

New and amendments to HKFRSs 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.

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material

Early adoption of amendments to HKFRSs

HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions
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Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

2. Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Amendments to HKFRS 16 COVID-19-Related Rent Concession

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the COVID-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

3. Revenue

The Group is principally engaged in research and development, production and sale of advanced driving assistance system (“ADAS”) products and automotive-grade wireless connectivity modules. Car trading and provision of financing service for leasing motor vehicles and equipment were non-core businesses during the period.

Revenue recognised during the period is analysed as follows:

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Continuing operations:		
Revenue from contracts with customers		
Recognised at a point in time:		
Sales of ADAS products and automotive-grade wireless connectivity modules	298,610,075	341,724,233

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

4. Segment information

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

During the period, the Group disposed the business segment of car trading and provision of financing service for leasing motor vehicles and equipment. Upon such disposal, the Group recognised its internal reporting structure which resulted in changes to the composition of its reportable segments. In accordance with the way in which information is now reported internally to the CODM for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the Group operates two reportable segments which principally engaged in research and development, production and sale of ADAS products, software algorithm products and automotive-grade wireless connectivity modules. Comparative information has been restated to conform with the current period’s presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

4. Segment information (continued)

The two reportable segments of the Group under HKFRS 8 as continuing operations are as follows:

- (a) Automotive-grade wireless connectivity business – research and development and sales of automotive-grade wireless connectivity modules in Europe, the United States (“US”) and Asia Pacific region.
- (b) ADAS products – research and development, production and sale of ADAS products and software algorithm products in the PRC.

The segment information report below does not include any amounts from the discontinued operations during the six months ended 30 June 2020 and 2019. For more detail of 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 which does not included any amounts from the discontinued operations:

	Continuing operations					
	Automotive-grade wireless connectivity business six months ended 30 June		ADAS products six months ended 30 June		Total six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Segment revenue	195,333,620	216,859,922	103,276,455	124,864,311	298,610,075	341,724,233
Segment results	(68,247,653)	(11,983,187)	(19,299,673)	(10,247,700)	(87,547,326)	(22,230,887)
Unallocated corporate expenses					(25,304,514)	(20,462,582)
Unallocated corporate income					2,458,866	1,197,565
Finance costs					(50,425,065)	(36,964,121)
Loss on disposal of property, plant and equipment					(4,483)	-
Loss on disposal of subsidiaries					(23,852,812)	-
Allowance under expected credit loss model, net of reversal					39,868	-
Share of loss of a joint venture					-	(587,468)
Loss before taxation					(184,635,466)	(79,047,493)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2020

4. Segment information (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

	Continuing operations				Discontinued operations				Total	
	Automotive - grade connectivity		ADAS products connectivity		Car trading		Finance lease of motor vehicles and equipment		30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)		
	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Segment assets	978,948,802	1,060,161,229	584,152,008	453,819,845	-	5,307,803	-	132,201,921	1,563,100,810	1,651,490,798
Segment liabilities	455,010,412	593,417,940	362,054,993	307,141,533	-	3,308	-	23,543,358	817,065,405	924,106,139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

4. Segment information (continued)

Reconciliation of reportable segments' assets and liabilities:

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Assets		
Total assets of reportable segments	1,563,100,810	1,651,490,798
Unallocated and other corporate assets:		
Prepayments and other receivables	94,865,717	90,799,596
Financial assets at fair value through other comprehensive income	212,480,215	265,365,619
Cash and cash equivalents	5,385,164	249,900
Office equipment and motor vehicles	2,120,690	2,832,717
Assets of a disposal group classified as held for sale	81,080,454	82,678,114
Consolidated total assets	1,959,033,050	2,093,416,744
Liabilities		
Total liabilities of reportable segments	817,065,405	924,106,139
Unallocated and other corporate liabilities:		
Other payables	60,953,953	43,360,780
Borrowings	507,964,006	22,094,441
Convertible bonds	97,475,163	392,820,659
Deferred tax liabilities	99,845,370	110,186,453
Current tax payable	3,489,678	8,688
Consolidated total liabilities	1,586,793,575	1,492,577,160

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

5. Finance costs

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Continuing operations:		
Interest expenses on bank loans	13,103,978	11,864,368
Interest expenses on other loans	6,318,191	4,082,076
Imputed interest expenses on lease liabilities	381,043	311,767
Imputed interest expenses on convertible bonds	12,621,853	20,705,910
Finance cost on redemption of convertible bonds	18,000,000	–
	50,425,065	36,964,121

6. Loss before taxation

Loss before taxation is arrived at after charging the following:

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Continuing operations:		
Cost of inventories	271,005,040	282,943,097
Depreciation of property, plant and equipment	14,294,022	1,748,259
Depreciation of right-of-use assets	4,465,257	2,705,303
Amortisation of intangible assets	28,193,873	107,027

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2020***7. Taxation**

	Six months ended 30 June	
	2020 HK\$	2019 HK\$
	(Unaudited)	(Restated) (Unaudited)
Continuing operations:		
Current tax:		
Under provision in prior year (other than Hong Kong and PRC)	1,176,477	–
Deferred tax:		
(Credit)/expenses for the period	(9,570,085)	7,188
Total income tax (credit)/expenses to profit or loss	(8,393,608)	7,188

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

Taxation of overseas subsidiaries (other than Hong Kong and PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

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 2020 and 2019.

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 directors of the Company do not recommend the payment of any interim dividends for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

9. Earning/(loss) per share

(a) Basic earning/(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 2020 is based on the loss for the period attributable to owners of the Company from continuing and discontinued operations of HK\$169,305,743 (six months ended 30 June 2019: HK\$69,457,977) and the weighted average of 2,063,615,283 (30 June 2019: 1,799,318,219) ordinary shares in issue during the period.

Continuing operations

The calculation of the basic loss per share for the six months ended 30 June 2020 from continuing operations are based on the loss for the period attributable to ordinary equity holders of the Company from continuing operations of HK\$169,963,264 (six months ended 30 June 2019: HK\$69,986,771) and the weighted average number of ordinary shares of 2,063,615,283 (30 June 2019: 1,799,318,219) during the period.

Discontinued operations

The calculation of the basic earning per share for the six months ended 30 June 2020 from discontinued operations are based on profit for the period attributable to ordinary equity holders of the Company from discontinued operations of HK\$657,521 (six months ended 30 June 2019: HK\$528,794) and the weighted average number of ordinary shares of 2,063,615,283 (30 June 2019: 1,799,318,219) during the period.

(b) Diluted earning/(loss) per share

Continuing and discontinued operations

During the six months ended 30 June 2020 and 2019, the computation of diluted earning/(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 earning/(loss) per share of the Company is the same as the basic earning/(loss) per share.

10. Fixed assets and right-of-use assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of HK\$10,534,726 (six months ended 30 June 2019: HK\$1,009,849). During the six months ended 30 June 2020 and 2019, there were no significant disposal and written-off of property, plant and equipment.

During the six months ended 30 June 2020, no addition of right-of-use assets and lease liabilities was recognised (30 June 2019: Nil)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

11. Financial assets at fair value through other comprehensive income

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Unlisted equity investments (Notes (a) – (f))	212,480,215	265,365,619

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. On 14 April 2020, a wholly owned subsidiary of the Company, Bright Ample Limited, entered into a sale and purchase agreement and agreed to sell 18% of the equity interests in More Cash Limited to an independent third party at a consideration of HK\$30.0 million. Such disposal was completed in April 2020 and the accumulated other comprehensive losses of approximately HK\$43.0 million were transferred from reserve to accumulated losses of the Group for the period.
- (b) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for acquiring 7.87% 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. As of 30 June 2020, the Group effectively hold 2.46% equity interests of Sino Partner (31 December 2019: 2.46%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

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 Tus Modern Education Development Company Limited (蘇州啟迪時尚教育發展有限公司) (formerly known as “Suzhou Ziguang Innovative Education Development Company Limited* (蘇州紫光創新教育發展有限公司)”) (“Suzhou Tus”, and together with its subsidiaries the “Suzhou Tus Group”) at a consideration of approximately RMB126.8 million (equivalent to approximately HK\$145.4 million). Among the various businesses operations, Suzhou Tus 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. As of 30 June 2020 and 31 December 2019, this financial asset was pledged to a PRC bank to secure a banking facility.
- (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 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. As of 30 June 2020, USD200,000 (equivalent to approximately HK\$1,556,000) were injected in the gap fund (31 December 2019: USD200,000).
- (e) Through the acquisition of Suzhou Zihua Automobile Electronics Co., Ltd (蘇州智華汽車電子有限公司) (“Suzhou Zihua”) and Beijing Yinwo Automobile Technology Company Limited (collectively, “Suzhou Zihua Group”) during the year ended 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 automotive electronics products.
- (f) On 9 March 2018, the Group entered into a capital contribution agreement with certain independent third parties for acquiring 9.09% of the entire issued share capital of China Intelligent and Connected Vehicle (Beijing) Research Institute Co. Ltd. at a consideration of RMB50.0 million (equivalent to approximately HK\$58.8 million). China Intelligent and Connected Vehicle (Beijing) Research Institute Co. Ltd., together with its subsidiaries, are principally engaged in development of technology, undertake research and development relevant to China to meet the needs of developing products and technical advisory services as well as providing consultation and testing services for China’s intelligent connected vehicles industry. Subsequent to the capital contribution made by the Group in 2018, addition capital contribution were made by certain new investors and the effective equity holding held by the Group was diluted to approximately 4.55% as of 30 June 2020 (31 December 2019: 5.55%).

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2020***12. Trade and bills receivables, prepayments and other receivables**

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Current:		
Trade receivables	103,699,337	160,102,608
Bills receivables	6,707,520	6,016,293
Deposits and prepayments	6,646,425	5,311,521
Other receivables	114,337,195	91,532,877
	231,390,477	262,963,299

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 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Within 3 months	78,912,889	144,608,943
Over 3 months but less than 6 months	15,910,217	8,990,625
Over 6 months but less than 12 months	5,474,538	814,953
Over 12 months	3,401,693	5,688,087
	103,699,337	160,102,608

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2020***13. Finance lease receivables**

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Current portion	–	34,255,867
Non-current portion	–	8,693,237
	–	42,949,104

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 2020, bank deposits of approximately RMB nil (31 December 2019: RMB3,474,192) were pledged to secure general banking facilities granted to Suzhou Zhihua, a subsidiary of the Group and HK\$3,079,760 (31 December 2019: HK\$6,497) were pledged to bills payables.

15. Trade and bills payables and other payables

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Non-current liability:		
Other payable	114,167	144,331
Current liabilities:		
Trade payables	210,000,893	301,975,479
Bills payables	9,787,280	8,204,943
Other payables and accruals	164,328,782	140,700,865
	384,116,955	450,881,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

15. Trade and bills payables and other payables (continued)

The ageing analysis of trade payables is as follows:

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Within 3 months	113,103,819	181,988,010
Over 3 months but less than 6 months	52,685,961	102,359,013
Over 6 months but less than 12 months	40,224,047	7,762,686
Over 12 months	3,987,066	9,865,770
	210,000,893	301,975,479

16. Borrowings

	30 June 2020 HK\$ (Unaudited)	31 December 2019 HK\$ (Audited)
Bank loans (secured) (Note (a), (b) and (c))	371,389,375	400,878,859
Other loans (unsecured) (Note (d), (e) and (f))	567,429,130	86,170,554
	938,818,505	487,049,413
Carrying amount repayable:		
On demand or within one year	938,818,505	487,049,413

As at 30 June 2020 and 31 December 2019, terms of bank and other loans are summarised as follows:

- (a) As at 30 June 2020, the short-term secured bank borrowings of HK\$76,720,000 (31 December 2019: HK\$52,517,800) carries fixed interest rate ranged from 4.35% to 6.00% (31 December 2019: 3.98% to 6.00%) per annum and repayable within one year and of which HK\$32,880,000 (31 December 2019: HK\$30,169,800) were secured by personal guarantee given by a director of a subsidiary while the remaining HK\$43,840,000 (31 December 2019: HK\$22,348,000) were secured by pledging certain financial assets at FVTOCI of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

16. Borrowings *(continued)*

- (b) As at 30 June 2020, the secured bank borrowings of HK\$294,669,375 (31 December 2019: HK\$302,225,000) carries variable interest rate at LIBOR + 2.45% per annum which effective interest rate at 4.35% (31 December 2019: 4.35%) which is secured by certain receivables and the entire issued share capital of certain subsidiaries and guaranteed by the ultimate holding company and immediate holding company of the Company. The bank borrowing was a 3 years fixed term loan, it was classified as repayment on demand because of failure to fulfil certain financial covenants as stated in the loan agreement. Up to the date of interim financial statements, the Group has actively negotiated with the relevant banks to obtain the waiver for strict compliance on the relevant financial covenant requirements.
- (c) As at 30 June 2020, bank borrowings of USDNil (equivalent to approximately HK\$Nil) (31 December 2019: USD5,877,205 (equivalent to approximately HK\$46,136,059)) was guaranteed by the ultimate holding company of the Company and repayable within one year.
- (d) As at 30 June 2020, other borrowings of HK\$137,429,130 (31 December 2019: HK\$86,170,554) were unsecured, repayable within one year and carries fixed interest rate ranged from 4.35% to 14.00% (31 December 2019: 4.35% to 14.00%) per annum.
- (e) As at 30 June 2020, other borrowings of HK\$260,000,000 (31 December 2019: HK\$Nil) were reclassified from convertible bonds which were due on 9 June 2020 (note 17(b)) give the conversion rights lapsed on 9 June 2020. The amount was unsecured, carrying interests at 15.00%. The directors of the Company are under negotiation with the bondholders on a transitional repayment schedule.
- (f) As at 30 June 2020, other borrowings of HK\$170,000,000 (31 December 2019: HK\$Nil) were secured by a corporate guarantee provided from a subsidiary of one of the shareholders of the Company. The borrowings carry interests at 12.00% and are repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

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 2019 (audited)	58,282,301	294,399,382	35,043,981	-	387,725,664
Add: Liability component on initial recognition at 27 February 2019	-	-	-	49,958,831	49,958,831
Add: Imputed interest expense	2,717,699	23,572,995	3,496,709	4,321,138	34,108,541
Less: Interest charged	-	(17,972,377)	-	-	(17,972,377)
Less: Conversion of convertible bond on 24 May 2019	(61,000,000)	-	-	-	(61,000,000)
Liability component at 31 December 2019 and 1 January 2020 (audited)	-	300,000,000	38,540,690	54,279,969	392,820,659
Add: Imputed interest expense	-	7,967,349	1,918,564	2,735,940	12,621,853
Less: Interest charged	-	(7,967,349)	-	-	(7,967,349)
Less: Derecognition upon lapse of conversion rights	-	(300,000,000)	-	-	(300,000,000)
Liability component at 30 June 2020 (unaudited)	-	-	40,459,254	57,015,909	97,475,163

Notes:

- (a) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for acquiring 7.87% of the entire issued share capital of Sino Partner at a consideration of HK\$136.0 million, of which HK\$61.0 million was settled by the issue of convertible bond (the "CB 1"). Completion took place on 27 May 2016. The CB 1 initially matured on 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 2020

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:

	HK\$
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 year ended 31 December 2019, the principal amount of the CB 1 was HK\$61,000,000 and was converted at the conversion price of HK\$0.884 per conversion share on 24 May 2019 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% to the liability component.

- (b) On 1 March 2017, the Company entered into a subscription agreement with Tuspark Venture, 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 matured on 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. 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%. On 25 April 2019, the Company and the Subscribers entered into a supplementary agreement to extend the maturity date and conversion period of the CB 2 to 9 June 2020.

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 2020

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 31 December 2019, 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% to the liability component.

The bondholders of CB 2 did not exercise the conversion rights of the CB 2 and therefore such conversion rights of CB 2 were lapsed on 9 June 2020. Given the lapse of such conversion rights, CB 2 was derecognised as convertible bonds and reclassified as other borrowings as at 30 June 2020.

- (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 effective interest rate of the liability component is 10.04%.

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 2020

17. Convertible bonds (continued)

Notes: (continued)

(c) (continued)

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

	HK\$
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 2020 and 31 December 2019, 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 2019: 10.04%) to the liability component.

- (d) On 27 February 2019, 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 conversion share, were duly issued to Tuspark Venture at the total consideration representing 100% of the principal amount pursuant to a subscription agreement entered into between the Company and Tuspark Venture. The CB 4 which contains two components, liability and equity elements, will mature on 26 February 2025. 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:

	HK\$
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

As at 30 June 2020 and 31 December 2019, the outstanding principal amount of the CB 4 was HK\$89,882,500. Interest expense on the CB 4 is calculated using the effective interest method by applying the effective interest rate of 10.28% (31 December 2019: 10.28%) to the liability component.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(continued)**For the six months ended 30 June 2020***18. Share capital**

	30 June 2020		31 December 2019	
	<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	100,000,000	10,000,000,000	100,000,000
<i>Issued:</i>				
As at 1 January	2,063,615,283	20,636,153	1,323,184,888	13,231,849
Subscription of shares (Note (i))	-	-	671,425,871	6,714,259
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	2,063,615,283	20,636,153

Notes:

- (i) On 27 February 2019, the Company completed the allotment and issue of shares to subscribers of an aggregate of 671,425,871 ordinary shares at the subscription price of HK\$0.6084 per share.
- (ii) On 24 May 2019, the Company issued 69,004,524 shares of HK\$0.01 each upon conversion of the convertible bonds at a conversion price of HK\$0.884 per conversion share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

19. Equity-settled share-based transactions

Equity-settled share option scheme

On 19 June 2009, an ordinary resolution was passed at the annual general meeting approving the adoption of a share option scheme (“2009 Share Option Scheme”) and termination of the operation of the old share option scheme. The 2009 Share Option Scheme became effective for a period of 10 years commencing on 19 June 2009. Details of the principal terms of the 2009 Share Option Scheme were summarised and set out in the circular to shareholders dated 29 April 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.

A summary of the share option schemes of the Company is set out in the section headed “Share Option Scheme” in this report.

During the six months ended 30 June 2019 and 2020, no share options 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 2020, no share option was cancelled or exercised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

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

Equity-settled share option scheme (continued)

The particulars of the changes of the share options under the scheme during the six months ended 30 June 2020 are as follows:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1 January 2020	Granted during the period	Lapsed during the period	At 30 June 2020
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	600,000	-	-	600,000
Directors	12 October 2016	1 year	12 October 2017 to 11 October 2026	0.822	18,560,000	-	(9,280,000)	9,280,000
Directors	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	9,280,000	-	(4,640,000)	4,640,000
Employee	18 April 2018	1 year	18 April 2019 to 17 April 2028	0.620	1,000,000	-	-	1,000,000
					43,360,000	-	(13,920,000)	29,440,000
Exercisable at the end of the period								29,440,000
Weighted average exercise price (HK\$)					0.773	-	0.755	0.782

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2020

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

Equity-settled share option scheme (continued)

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	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

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 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	HK\$0.427	HK\$0.324	HK\$0.324
Share price	HK\$0.720	HK\$0.780	HK\$0.720	HK\$0.620
Exercise price	HK\$0.820	HK\$0.822	HK\$0.720	HK\$0.620
Expected volatility	56.121%	70.550%	73.160%	57.105%
Option life	10 years	10 years	10 years	10 years
Expected dividends	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	1.590%	1.105%	1.666%	2.101%

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.

No share options were granted during the six months ended 30 June 2019 and 2020.

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 2020

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 2020 and 2019, 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.

Fair value hierarchy

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 2020 and 31 December 2019:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2020	31 December 2019		
Financial assets				
Financial assets at FVTOCI	23,881,647	68,513,470	Level 3	Income approach – discounted cash flow analysis
– Unlisted equity investments				
Financial assets at FVTOCI	188,598,568	196,852,149	Level 3	Cost approach
– Unlisted equity investments				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

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 income approach – discounted cash flow analysis and cost approach. There are no changes in valuation techniques during the six months ended 30 June 2020 and year ended 31 December 2019.

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2020:

	Unlisted equity investments HK\$
As at 1 January 2019 (audited)	314,616,087
Fair value change of financial assets at FVTOCI	(48,308,189)
Exchange adjustment	(942,279)
As at 31 December 2019 and 1 January 2020 (audited)	265,365,619
Disposal	(30,362,000)
Fair value change of financial assets at FVTOCI	(18,732,014)
Exchange adjustment	(3,791,390)
As at 30 June 2020 (unaudited)	212,480,215

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

Valuation techniques	Unobservable inputs	As at 30 June 2020	As at 31 December 2019
Income approach – discounted cash flow Analysis	Discount rate	15.63%-16.24%	9.44%-16.04%
	Terminal growth rate	3.00%	3.00%
	Cost approach	N/A	N/A

21. Events after the reporting period

Subsequent to the end of the reporting period and up to 28 August 2020, save as disclosed herein, there were no significant events affecting the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

22. Discontinued operations

The loss for the six months ended 30 June 2020 and 2019 from discontinued operations (including car-carried purifier business, car trading business and finance lease of motor vehicles and equipment business) 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, car trading business and finance lease of motor vehicles and equipment business as discontinued operations.

(a) Car-carried purifiers business

On 12 April 2019, an indirect wholly owned subsidiary of the Company, Suzhou Qiyixin Enterprise Management Co., Ltd. entered into a disposal 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) ("Suzhou Yadu") 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). Suzhou Yadu is principally engaged in the research and development of car-carried purifiers and related air technology and the sale of car-carried purifiers in the PRC. Pursuant to the terms of the said disposal agreement, the date on which filing in relation to the change in the shareholding in Suzhou Yadu with relevant industry and commerce administration authorities is completed shall be regarded as the date of completion of the said disposal. As at the date hereof, completion has not taken place.

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

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other revenue	681	805
Administrative expenses	(14,987)	(2,077,173)
Loss before taxation	(14,306)	(2,076,368)
Taxation	–	–
Loss for the period from discontinued operation	(14,306)	(2,076,368)
Loss for the period attributable to:		
Owners of the Company	(7,297)	(1,058,948)
Non-controlling interests	(7,009)	(1,017,420)
	(14,306)	(2,076,368)
Loss per share attributable to owners of the Company from discontinued operation:		
– Basic and diluted (HK cents per share)	(0.00)	(0.06)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

22. Discontinued operations (continued)

(a) Car-carried purifiers business (continued)

The major classes of assets of the discontinued operation classified as held for sales as at 30 June 2019 and 2020 are as follow:

	30 June 2020 HK\$ (Unaudited)	30 June 2019 HK\$ (Unaudited)
Intangible assets	31,327,333	32,541,696
Deposit	43,840,000	45,539,400
Other receivables	5,480,000	5,692,425
Cash and cash equivalents	432,376	504,934
Current tax recoverable	745	773
Assets classified as held for sales	81,080,454	84,279,228
Net assets directly associated with the disposal of subsidiary	81,080,454	84,279,228

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

	Six months ended 30 June 2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Amortisation of intangible assets	–	2,056,793

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the six months ended 30 June 2020

22. Discontinued operations (continued)

(b) Car Trading and Finance lease of motor vehicles and equipment businesses

On 26 June 2020, the Group entered into a disposal agreement to sell 51% of the equity interest of Optimus Financial Group Limited to an independent third party at a consideration of HK\$41.8 million. Optimus Financial Group Limited and its subsidiaries operated in the business segments of car trading and finance lease of motor vehicles and equipment.

The disposal was completed as of 30 June 2020 and the Group ceased the operation of finance lease of motor vehicles and equipment business. The Group's car trading business was suspended in 2019.

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

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Restated) (Unaudited)
Revenue	10,039,753	34,100,317
Cost of sales	(9,059,511)	(27,601,363)
Gross profit	980,242	6,498,954
Other revenue	1,671,297	162,994
Selling and distribution expenses	(272,661)	(547,456)
Administrative expenses	(1,058,016)	(2,101,335)
Finance costs	–	(132)
Profit before taxation	1,320,862	4,013,025
Taxation	(17,300)	(899,805)
Profit for the period from discontinued operation	1,303,562	3,113,220
Profit for the period attributable to:		
Owners of the Company	664,817	1,587,742
Non-controlling interests	638,745	1,525,478
	1,303,562	3,113,220
Profit per share attributable to owners of the Company from discontinued operation: – Basic and diluted (HK cents per share)	0.03	0.09

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in research and development, production and sale of advanced driving assistance system (“ADAS”) products and automotive-grade wireless connectivity modules. ADAS products, ranging on the spectrum of 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 its 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. Automotive-grade wireless connectivity modules are electronic modules that connect 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.

Business Review

The unexpected temporary slowdown of the global auto industry continued in 2020 owing to weakening demand in China and Western Europe and the outbreak of the coronavirus (COVID-19) (the “Pandemic”) in January 2020 which disrupted the supply chains of the industry. The shutdown of production lines and implementation of government policies restricting the movement of goods and labour as a preventive measure to the Pandemic had severely disrupted the supply chains of the industry in China and Europe. The impact on the supply chain of the auto industry had in turn led to a decrease in the demand for the Group’s product in the intelligent connected vehicle industry as well as a temporary slowdown of the Group’s purchase, production and sale cycle. While the Pandemic had since improved in China and parts of Europe, the situation has deteriorated in other parts of the world and there is yet to be any certainty as to when the Pandemic could be successfully contained. In view of such uncertainty, business sentiments in the Group’s major markets has been and continues to be subdued. As the Group’s businesses spans across different countries and regions, rising geopolitical risks coupled with volatile financial markets worldwide also had an impact on the Group’s operations. In particular, there has been an increase in difficulties for the European businesses of the Group to further penetrate the Chinese intelligent connected vehicle market as originally expected.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

According to the statistical research conducted by the China Association of Automobile Manufacturers (“CAAM”), the production and sale of automobile in China decreased by 16.8% and 16.9%, respectively, in the first half of 2020, comparing to the corresponding period in 2019. This affected the ADAS and autonomous driving industry in the first half of 2020 despite being a fast growing industry in the past years. The global ADAS and vehicle connectivity market size is projected to reach US\$189 billion by 2026 with compound annual growth rate (“CAGR”) of 21.4% from 2019 to 2026. The major factors driving the growth of the ADAS and vehicle connectivity market are, among others, high demand for safety features, stringent safety rules and regulations, increased requirement for comfort and increased adoption from the automotive sector. It is expected that the China’s ADAS and vehicle connectivity market will experience rapid growth due to possibility of upcoming mandatory regulations in basic safety systems and the current low penetration rate in China. However, high installation cost in vehicles and complex structure of systems which require skilled workers could impact on the growth of the ADAS and vehicle connectivity market significantly.

The Group operated in two business segments for the Period, namely the ADAS segment and the automotive-grade wireless connectivity segment. Both business segments were classified under one ADAS segment in the corresponding period in 2019. In view of the current development of the Group’s business strategy and roadmap, the directors of the Company (“Directors”) considered it more appropriate to operate and manage the two reportable segments separately with an aim to deliver more useful information to the shareholders of the Company to differentiate among the core technology and key business operation of the Group and to understand the overall operation and strategy of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Non-core Businesses

As disclosed in the 2019 Annual Report, the Company's short-term corporate strategy focused on the development and expansion of its ADAS and vehicle connectivity business in the PRC, Europe, North America and the Asia-Pacific region. As a result, business segments of car-carried purifiers, car trading and finance lease of motor vehicles and equipment became non-core businesses of the Group for the Period.

(i) Car-carried purifiers business

In April 2019, the Group entered into a disposal agreement to dispose 51% of the equity interest of Suzhou Yadu Cloud Technology Co. Limited* (蘇州亞都雲科技有限公司) ("Suzhou Yadu") at a consideration of RMB40.8 million (the "Suzhou Yadu Disposal"). Suzhou Yadu operated in the car-carried purifiers business in the PRC. Subject to certain terms and conditions stipulated in the said disposal agreement, the Suzhou Yadu Disposal had not been completed as of 30 June 2020. Upon completion of the Suzhou Yadu Disposal, the Group will cease the operation of car-carried purifiers business.

Please refer to 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 for further details of the Suzhou Yadu Disposal.

(ii) Car trading business

The Group's car trading business was suspended in 2019 due to the changes of the Company's overall strategy in 2017. Car trading business was disposed along with the disposal of finance lease of motor vehicles and equipment business in June 2020.

(iii) Finance lease of motor vehicles and equipment business

On 26 June 2020, the Group entered into a disposal agreement to sell 51% of the equity interest of Optimus Financial Group Limited to an independent third party at a consideration of HK\$41.8 million (the "Optimus Disposal"). Optimus Financial Group Limited and its subsidiaries operated in the business segments of car trading and finance lease of motor vehicles and equipment.

The Optimus Disposal was completed as of 30 June 2020 and the Group ceased the operation of finance lease of motor vehicles and equipment business.

Please refer to the announcement of the Company dated 26 June 2020 for further details of the Optimus Disposal.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Future Plans and Prospectus

Given the uncertain impact of the Pandemic on the global economy and auto industry, CAAM further projected that production and sale of automobile in the PRC in 2020 will be less than that in 2019. Further, as a result of rising geopolitical risks and volatile financial markets in the countries and regions in which the Group's businesses operates, there remains an uncertainty as to whether the automotive-grade wireless connectivity business, which the Group acquired on 27 February 2019, may further penetrate the PRC market as originally expected in the short run. The Directors will strive to ensure that the Group closely monitors the development of economic and political factors to assess the exposure of geopolitical risks, and to formulate appropriate response strategies. Notwithstanding, the Directors are of the view that prioritising resources allocation of the Group on balancing among financial liquidity and business continuity will be of the best interest of the shareholders of the Company as a whole in the long run. In addition, the Group is implementing cautious measures to balance among its working capital requirement, product development and market expansion.

Short-term strategies implemented by the Group include continuous tightened cost controls as well as product and market re-positioning which aim to enhance operating efficiency and effectiveness while not deteriorating valuable business opportunities. Further, the Group will maintain its competitiveness through capturing the market share in camera-based ADAS business in the PRC and leveraging on the synergistic effect of automotive-grade wireless connectivity business with an aim to further penetrate the PRC market; as well as 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 specialising its research and development capabilities and collaborating with members of National Innovation Center in the development and commercialisation of various forward looking and common technologies.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review

Revenue and business segments

Revenue and gross profit of the Group for the Period decreased by approximately 12.6% and 53.1% to approximately HK\$298.6 million and HK\$27.6 million, respectively (2019: HK\$341.7 million and HK\$58.8 million respectively). Such decrease was due to the impact on continued slowdown of the global auto industry in 2020 primarily resulted from the outbreak of the Pandemic in January 2020 which disrupted the supply chains of the industry and led to a decrease in the passenger vehicle sales in the PRC and Europe. Even though the Directors implemented cost reduction measures to improve the financial performance of the Group, the Group recorded an increase in net loss for the Period by 124.4% to approximately HK\$175.0 million (2019: HK\$78.0 million). It was primarily due to the significant increase in research and development expenses, finance costs and administrative expenses by 52.6%, 36.2% and 67.2%, respectively, to approximately HK\$46.4 million, HK\$50.4 million and HK\$101.3 million, respectively, (2019: HK\$30.4 million, HK\$37.0 million and HK\$60.6 million, respectively) for the Period as compared to the corresponding period in 2019.

ADAS business

Revenue of the ADAS segment is mainly generated from sales of camera modules, around view monitoring systems, lane departure warning systems, digital video recorders (collectively “Camera-based ADAS”) and software algorithms products. Major customers of the ADAS segment comprise mainstream automakers in the PRC, such as Guangzhou Automobile, Dongfeng Nissan and Geely Automobile.

Revenue and gross profit of ADAS segment decreased by 17.3% and 69.4% to approximately HK\$103.3 million and HK\$3.3 million, respectively, for the Period (2019: HK\$124.9 million and HK\$10.8 million respectively). Gross profit margin was 3.2% for the Period (2019: 8.6%). Such a decrease in gross profit margin was due to increased price competition of ADAS products in the industry during the Pandemic in China as well as a decrease in sales quantity as a result of temporary suspension of production facilities of the business in China under the Pandemic during the Period. Given the revenue pressure and the increase in average cost of production, the gross profit margin decreased in the Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Revenue and business segments (continued)

Automotive-grade wireless connectivity business

The Group's automotive-grade wireless connectivity segment is principally engaged in research and design and sale of automotive-grade wireless connectivity modules in the intelligent connected vehicle industry, through development of vehicle connectivity system and provision of cutting-edge connectivity solutions at "system on chip" (SoC) level. This segment operates through the supply of 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 and vehicle to everything (V2X) communication. By outsourcing the manufacturing and production processes to a leading semiconductors packaging and testing services provider, the Group can prioritise its resources on product innovation and customisation to meet its customers' satisfaction through pioneered industrial development. 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 the ADAS business segment and leading car manufacturers. Major customers of the automotive-grade wireless connectivity segment comprise mainstream automakers in the Europe and blue-chip OEMs and tier-one suppliers, including Tesla Motors, Mobis and Bosch Automotive.

Revenue and gross profit of automotive-grade wireless connectivity segment decreased by 9.9% and 49.4% to approximately HK\$195.3 million and HK\$24.3 million, respectively, for the Period (2019: HK\$216.9 million and HK\$48.1 million). Gross profit margin was 12.4% for the Period (2019: 22.2%). Such a decrease in revenue and gross profit margin was due to unstable global supply chain encountered by the Group under the Pandemic during the Period, which required the Group to incur a temporarily higher purchase costs for certain raw materials through market brokers to meet to the production and delivery schedule of the customers.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Other Revenue

During the Period, other revenue of the Group increased to approximately HK\$19.4 million (2019: HK\$1.2 million) which mainly included bank interest income, suppliers' rebates and one-off compensation income from a customer.

Other Gain and Loss

During the Period, other losses increased to approximately HK\$28.2 million (2019: HK\$3.3 million) which was primarily due to the loss on the Optimus Disposal and, exchange difference of approximately HK\$23.9 million (2019: nil) and HK\$3.8 million (2019: nil) respectively.

Research and Development Expenses

During the Period, research and development expenses before capitalisation amounted to approximately HK\$107.2 million (2019: HK\$84.2 million) in which approximately HK\$60.8 million (2019: HK\$53.8 million) was capitalised as intangible assets. Research and development expenses after capitalisation for the Period increased by 52.6% to approximately HK\$46.4 million (2019: HK\$30.4 million). Such increase was primarily due to increase in research and development expenses incurred in the automotive-grade wireless connectivity business (acquired by the Group on 27 February 2019), effectively as a result of proportional difference in recording only four months of research and development expenses (i.e. March to June) in the corresponding period in 2019, as compared to six months for the Period. As of 30 June 2020, the Group has 202 research and development personnel and engineers (31 December 2019: 186 employees) involved in research and development for the ADAS business and automotive-grade wireless connectivity business.

Selling and distribution expenses

During the Period, selling expenses and distribution expenses, representing 1.8% of the Group's revenue (2019: 2.1%), decreased by 26.4% to approximately HK\$5.3 million (2019: HK\$7.2 million).

Administrative Expenses

During the Period, administrative expenses, representing 33.9% of the Group's revenue (2019: 17.7%), increased by 67.2% to approximately HK\$101.3 million (2019: HK\$60.6 million) which was primarily due to the effect of above said proportional difference and increase in depreciation, amortisation and salaries since the completion of acquisition of the automotive-grade wireless connectivity business in February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Finance Costs

During the Period, finance costs increased by 36.2% to approximately HK\$50.4 million (2019: HK\$37.0 million) as a result of recognition of one-off finance cost of HK\$18.0 million (2019: nil) in respect of redemption of convertible bonds due repayable during the Period.

Share of loss of a joint venture

There was no share of loss of a joint venture for the Period (2019: HK\$0.6 million).

Taxation

The Group recorded a deferred tax credit of approximately HK\$9.6 million (2019: nil) and underprovision of income tax expense in prior year of HK\$1.2 million (2019: nil). As a result, the Group recorded net income tax credit of approximately HK\$8.4 million during the Period (2019: nil).

Discontinued operation

As discussed in the section headed “Non-core Businesses”, the Group positioned the development of ADAS business and Automotive-grade wireless connectivity business as short-term corporate strategy and therefore other businesses including car-carried purifiers, car trading and finance lease of motor vehicles and equipment were presented as discontinued operations for the Period and the corresponding period in 2019.

Net loss attributable to shareholders

As a result of the factors discussed above, the Group’s net loss for the Period increased to approximately HK\$175.0 million (2019: HK\$78.0 million).

Basis Loss per Share

The Group recorded basic loss per share of HK\$8.20 cents for the Period (2019: HK\$3.86 cents).



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Financial Review** *(continued)***Goodwill**

Discussion of goodwill allocated to each of the Group's cash-generating units ("CGUs") as follows:

	31 December 2019 <i>HK\$ million</i>	Impairment <i>HK\$ million</i>	Derecognition during the Period <i>HK\$ million</i>	30 June 2020 <i>HK\$ million</i>
Camera-based ADAS CGU	161.4	–	–	161.4
Finance lease CGU	3.4	–	(3.4)	–
Automotive-grade wireless connectivity CGU	486.5	–	–	486.5
Total	651.3	–	(3.4)	647.9

(i) Camera-based CGU

The Directors reviewed the actual interim financial performance of the Group's Camera-based CGU and assessed that the 2020 annual financial budgets approved by the Directors as of 31 December 2019 remained appropriate and no significant revision was required. Further strategic plans including revenue diversification as well as tightened cost control were implemented by the Directors with an aim to achieve the targeted financial results for the Camera-based CGU.

(ii) Finance lease CGU

As mentioned below in the section headed "Material Acquisitions and Disposals", the Group's finance lease of motor vehicles and equipment business segment was disposed through disposal of 51% equity interest in Optimus Financial Group Limited on 30 June 2020. As a result, the goodwill related to the finance lease CGU of approximately HK\$3.4 million was derecognised upon disposal.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Goodwill *(continued)*

(iii) Automotive-grade wireless connectivity CGU

As mentioned above in the section headed “Business Review”, the continued slowdown of the global auto industry in 2020 attributable to the outbreak of the Pandemic in January 2020 has disrupted the supply chains of the industry and led to a decrease in the passenger vehicle sales in the PRC and Europe. The slowdown in auto industry has affected the autonomous driving industry in the first half of 2020. The impact on the supply chain of the auto industry led to a decrease in the demand for the Group’s automotive-grade wireless connectivity modules as well as a temporary slowdown of the Group’s purchase, production and sale cycle. Due to unpredictable impact of the Pandemic to the global economy in the second half of 2020, the Group does not foresee a full resumption of ecosystem of the auto industry in the short run. In addition, the operation of the Group’s automotive-grade wireless connectivity business spans across different countries and regions, rising geopolitical risks coupled with volatile financial markets worldwide also had an impact on the its operations in 2020. As such, this created additional barriers and difficulties for the European businesses of the Group to effectively penetrate the Chinese automotive market as originally expected by the Directors in short-term. As a result, the Directors determined that such non-controllable impact by the Pandemic and geopolitical factors may give rise to an indicator that the value of the goodwill of the automotive-grade wireless connectivity CGU could be impaired.

Given the revenue and financial performance of the automotive-grade wireless connectivity CGU for the year ending 2020 is expected to be less than the 2020 annual financial budgets approved by the Directors as of 31 December 2019, the Directors performed an interim assessment to assess whether the original financial budgets approved for the year ending 31 December 2020 remained appropriate as of 30 June 2020. Key due diligence work performed by the Directors include revisiting the short-term strategic plan of the automotive-grade wireless connectivity CGU, assessing the sales order on hand and forecasting pipeline project progress with the expected market development in the medium and long run, etc., with the consideration of current statuses and expectations of projects passed through various project stages.

The Group has also engaged an independent external valuation firm to perform an impairment test for the goodwill of the automotive-grade wireless connectivity CGU based on the interim assessment and revised financial budgets performed by the Directors as of 30 June 2020, and determined that no impairment was resulted as of 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Financial Review** *(continued)***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.

As at 30 June 2020, investments of HK\$212.5 million were classified under FVTOCI (31 December 2019: HK\$265.4 million) and changes in fair value through OCI of HK\$18.7 million (2019: 6.2 million) was recognised during the Period. Details of the investments are as follows:

	31 December 2019 (Audited) HK\$ million	Changes in fair value through OCI during the Period HK\$ million	Exchange differences HK\$ million	Disposal during the Period HK\$ million	30 June 2020 (unaudited) HK\$ million
18% equity interest in More Cash Limited	30.4	–	–	(30.4)	–
2.46% equity interest in Sino Partner Global Limited	36.6	(14.3)	–	–	22.3
14% equity interest in Suzhou Tus Modern Education Development Company Limited	149.4	(17.6)	(2.9)	–	128.9
4.55% equity interest in National Innovation Center of Intelligent Connected Vehicles (“the National Innovation Center”) (Note 1)	46.9	13.2	(0.9)	–	59.2
Gap fund with TusStar and MICHIGAN	0.5	–	–	–	0.5
9.8% equity interest in Suzhou Udas Automotive Technology Co., Ltd* (蘇州優達斯汽車科技有限公司)	1.6	–	–	–	1.6
Total	265.4	(18.7)	(3.8)	(30.4)	212.5

* For identification purposes only

Note:

- (1) Additional capital contribution to the National Innovation Center was made by new shareholders during the Period. The effective equity interests held by the Group was diluted from 5.55% as of 31 December 2019 to 4.55% as of 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

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

There is no significant change, except as necessary, in the value of the input, the valuation methodology and assumptions used in estimation of the fair value of the financial assets at FVTOCI as at 30 June 2020 as compared to that as at 31 December 2019.

For details of the financial assets at FVTOCI, please refer to note 11 to the “Notes to the condensed consolidated financial statements”.

Liquidity, Financial Resources, Capital Structure and Funding and Treasury Policy

Going Concern

The Group recorded a net loss of approximately HK\$175.0 million for the Period (2019: HK\$78.0 million) and net current liabilities of approximately HK\$845.6 million as of 30 June 2020 (31 December 2019: net current liabilities of approximately HK\$656.1 million) which may have a considerable impact on the liquidity position of the Group. Nevertheless, the Directors consider the liquidity position of the Group is sufficient to operate as a going concern in the foreseeable future.

As disclosed in the 2019 Annual Report, certain liquidity measures were considered and assessed by the Directors to strengthen the Group’s financial position, on-going procedures have been further implemented during the Period by the Directors as follows:

1. The Group has been actively negotiating with lenders banks to secure the renewals of the Group’s borrowings to meet its liabilities when fall due;
2. The Group is under advanced negotiation with a bank on waiver of strict compliance on certain financial covenant requirements under a facility agreement. In addition, a proposed loan restructuring is under assessment with an aim to improve the gearing position of certain business units of the Group. Such proposals may enhance the overall operating effectiveness and efficiency as well as individual financing ability of the concerned business units;
3. The written confirmations received from Tuspark Venture and Tus-Holdings Co., Ltd, dated 15 March 2020 and 20 May 2020, respectively. As disclosed in the 2019 Annual Report, Tuspark Venture will provide financial support to the Group in the following 24 months on a going concern basis from the date of the confirmation;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

Going Concern *(continued)*

4. The Group signed an agreement to obtain a short-term loan from a financial institution for general working capital purpose;
5. The Group has been taking continuous measures to tighten cost controls over production costs and expenses, particularly research and development expenses and general operating expenses with an aim to reduce negative operating cash outflows. Such measures include corporate and organisational restructuring of certain business units, strategic re-positioning of products development, focused markets development on existing customers and expansion to potential niche markets;
6. Further to the disposal of 18% of the equity interests in More Cash Limited during the Period, the Group further disposed the car trading and finance lease of motor vehicles and equipment business segments during the Period, details of which are disclosed in the section of "Non-core Business". Such disposals provided the Group with additional available financial resources and enhanced the Group's overall strategic position. The disposal of the car-carried purifiers business is also near completion. In addition, the Group may consider to dispose of certain other business operations and financial assets in order to further improve the overall financial position of the Group, if required;
7. In respect of convertible bonds which were due on 9 June 2020, the Group and the bondholders are under advanced negotiation on a transitional repayment schedule; and
8. The Group is actively seeking additional financing including but not limited to shareholder's loan, equity financing, borrowings and issuance of new convertible bonds to improve the liquidity of the Group.

Based on the measures as outlined above, the Directors consider 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 as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

Net Borrowing Position

The total borrowings, including borrowings and convertible bonds, as at 30 June 2020 increased by approximately 17.8% to approximately HK\$1,036.3 million (31 December 2019: HK\$879.9 million). The increase in total borrowings was mainly attributable to a new short-term loan facility of HK\$170.0 million obtained from a financial institution during the Period for general working capital purpose. In addition, cash and bank balances and pledged deposits as at 30 June 2020 decreased by 28.7% to approximately HK\$83.6 million (31 December 2019: HK\$117.3 million). Such decrease was due to repayment of certain borrowings and net operating cash outflows during the Period. As such, the net borrowings increased by 24.9% to approximately HK\$952.7 million (31 December 2019: HK\$762.6 million).

Structure of Interest-Bearing Borrowings and Net Borrowing Position

The Group's short-term borrowings increased to approximately HK\$938.8 million as at 30 June 2020 (31 December 2019: HK\$487.0 million). Such increase was primarily due to a new short-term loan facility of HK\$170.0 million obtained from a financial institution during the Period for general working capital purpose and reclassification of convertible bonds of HK\$260.0 million due on 9 June 2020 of which conversion rights were lapsed.

As disclosed in the 2019 Annual Report, based on the financial information of the Group for the Period and for the year ended 31 December 2019, the Group failed to fulfil certain financial covenants as stated in the terms of the banking facilities of US\$38.5 million. Based on preliminary assessment by the Directors, the Group may have also failed to fulfill such financial covenants for the Period. Therefore, the outstanding principal of US\$37.5 million (31 December 2019: US\$38.5 million) under the banking facilities was reclassified as short-term borrowings as of 30 June 2020 and 31 December 2019. Such breach entitles the lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the banking facilities immediately due and payable.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

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

As at the date of this report, the lender has not declared any outstanding amount to be due and payable under the banking facilities. The Company is currently in discussions with the lender on a waiver and potential restructuring of certain financial covenants under the banking facilities for the Period and for the year ended 31 December 2019 and the negotiation is under final review together with the proposed loan restructuring plan.

Short-term borrowings include bank loans in an aggregate principal amount of approximately HK\$371.4 million (31 December 2019: HK\$400.9 million) with floating interest rate of LIBOR plus 2.4% and fixed interest rates of 4.4% – 6.0% (31 December 2019: floating interest rate of LIBOR plus 2.1% – 2.4% and fixed interest rates of 4.0% – 6.0%), and other loans of approximately HK\$567.4 million (31 December 2019: HK\$86.2 million) with fixed interest rates of 4.4% – 15.0% (31 December 2019: 4.4% – 14.0%) and were repayable on demand as of 30 June 2020. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group. Approximately HK\$76.7 million and HK\$294.7 million of the bank loans were denominated in Renminbi and US dollar respectively as at 30 June 2020 (31 December 2019: approximately HK\$52.5 million and HK\$348.4 million respectively). As for the other loans, approximately HK\$8.7 million, HK\$469.6 million and HK\$89.1 million were denominated in US dollar, Hong Kong dollar and Renminbi respectively as at 30 June 2020 (31 December 2019: approximately HK\$8.7 million, HK\$24.0 million and HK\$53.4 million respectively).

As of 30 June 2020, the Group had convertible bonds of approximately HK\$97.5 million (31 December 2019: HK\$392.8 million) classified under non-current liabilities (31 December 2019: current liabilities: HK\$300.0 million; non-current liabilities: HK\$92.8 million).

Such decrease was due to reclassification of the convertible bonds which were due on 9 June 2020 to other borrowings given such conversion rights were lapsed on the same day. As of 30 June 2020, the Company and the bondholders are under advanced negotiation on a transitional repayment schedule.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

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 for the Period was approximately 68 days (31 December 2019: 83 days). Trade payable turnover days and inventory turnover days for the Period were approximately 148 days and 86 days respectively (31 December 2019: 176 days and 63 days respectively). No significant change in turnover days of trade receivables, trade payables and inventory were resulted in the Period.

The current ratio and quick ratio as at 30 June 2020 decreased to approximately 0.38 (31 December 2019: 0.48) and 0.29 (31 December 2019: 0.39) respectively. Such decrease was primarily due to net operating cash outflow for the Period. Gearing ratio was derived from total debts (i.e. total of borrowings and convertible bonds) to total equity and total debts was approximately 0.74 (31 December 2019: 0.59).

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 are 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 2020, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes (31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Charge of Assets

As at 30 June 2020, bills payable were pledged with bank deposits and bills receivable amounting to approximately HK\$3.1 million and HK\$6.7 million, respectively (31 December 2019: HK\$3.9 million and HK\$4.3 million respectively). In addition, certain financial assets at FVTOCI and all shares of the certain subsidiaries were pledged for an aggregate banking facilities of approximately HK\$338.5 million (31 December 2019: approximately HK\$324.6 million). Save as disclosed elsewhere, the Group had no other significant pledge of assets as at 30 June 2020.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: nil).

Significant Investments

Save as disclosed elsewhere, the Group had no significant investments held during the Period.

Material Acquisitions and Disposals

(i) Disposal of 18% equity interest in More Cash Limited

On 14 April 2020, a wholly owned subsidiary of the Company, Bright Ample Limited, entered into a sale and purchase agreement and agreed to sell 18% of the equity interests in More Cash Limited to an independent third party at a consideration of HK\$30.0 million. Fair value loss of approximately HK\$40.7 million was recognised in the other comprehensive loss of the Group for the year ended 31 December 2019.

Such disposal was completed in April 2020 and the accumulated other comprehensive losses of approximately HK\$43.0 million were transferred from reserve to accumulated losses of the Group for the Period.

(ii) Disposal of business – Car trading and finance lease of motor vehicles and equipment

On 26 June 2020, a wholly owned subsidiary of the Company, Quan Tai Limited entered into a disposal agreement and agreed to sell 51% of the equity interests in Optimus Financial Group Limited to an independent third party at a consideration of HK\$41.8 million. Optimus Financial Group Limited and its subsidiaries operated in the business segments of car trading and finance lease of motor vehicles and equipment of the Group. The business segment of car trading of the Group was suspended in 2019.

Such disposal was completed in June 2020 and a one-off loss on disposal of approximately HK\$23.9 million was recognised in the profit or loss account of the Group for the Period.

Please refer to the announcement of the Company dated 26 June 2020 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Foreign Exchange Exposure

The Group mainly operates in the PRC, the US, Europe, and the Asia-Pacific region with approximately 40.0% (2019: 42.3%) of the revenue denominated in Renminbi while approximately 60.0% (2019: 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 (2019: 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.

Employees and Remuneration Policy

As at 30 June 2020, the Group employed 502 staffs in the PRC, the US, Europe, the Asia-Pacific region and Hong Kong (31 December 2019: 601). Remuneration of employees including Directors' emoluments was approximately HK\$63.4 million for the Period (2019: HK\$75.7 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.

Events after the Reporting Period

Saved as disclosed above, there were no other significant events after the Period under review up to the date of this report.



OTHER INFORMATION

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

As at 30 June 2020, 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 the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or pursuant to Divisions 7 and 8 of Part XV of the SFO were as follows:

Name of director	Capacity	Number of ordinary shares held	Underlying interest	Total	Approximate percentage of shareholding (note 4)
Ma Chi Kong Karl	Beneficial Owner	210,718,000	109,280,000 (note 1)	319,998,000	15.51%
Du Peng	Beneficial Owner	–	13,920,000 (note 2)	13,920,000	0.67%
Tsang Ling Bui, Gilbert	Beneficial Owner	–	4,640,000 (note 3)	4,640,000	0.22%

Notes:

- These underlying interests represent 9,280,000 share options granted to Mr. Ma Chi Kong Karl pursuant to the 2009 Share Option Scheme, and also his interest in the long position of 100,000,000 shares underlying the 0% coupon convertible bond due 2023 issued by the Company on 21 June 2018.
- These underlying interests represent 13,920,000 share options granted to Mr. Du Peng pursuant to the 2009 Share Option Scheme.
- These underlying interests represent 4,640,000 share options granted to Mr. Tsang Ling Bui, Gilbert pursuant to the 2009 Share Option Scheme.
- 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 2020.

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 as otherwise required to be 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 or pursuant to Divisions 7 and 8 of Part XV of the SFO.

OTHER INFORMATION *(continued)*

SHARE OPTION SCHEMES

The Company adopted a share option 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. The 2009 Share Option Scheme remained in force for ten years from the date of its adoption and expired on 19 June 2019.

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. 199,461,076. Subject to the aforementioned 10% threshold, the overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2019 Share Option Scheme and any other share option scheme(s) of the Group (including the 2009 Share Option Scheme) must not exceed 30% of the shares in issue from time to time.

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 from 21 May 2019 and unless otherwise cancelled or amended, will remain valid and effective for the period of 10 years from that date (i.e. 20 May 2029).

The total number of securities available for issue under the 2019 Share Option Scheme as at 30 June 2020 was 199,461,076 shares which represented approximately 9.67% of the issued share capital of the Company as at 30 June 2020 and as of the date of this report.

Please refer to the circular of the Company issued on 16 April 2019 for a summary of the principal terms of the 2019 Share Option Scheme.

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

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 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 June 2020	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
Tsang Ling Biu, Gilbert	22 January 2016	22 January 2017 – 21 January 2026	4,640,000	-	-	-	-	4,640,000	0.820
Former Director									
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
Other eligible participants									
Employees	22 January 2016	22 January 2017 – 21 January 2026	600,000	-	-	-	-	1,400,000	0.820
	18 April 2018	18 April 2019 – 17 April 2028	1,000,000	-	-	-	-	1,000,000	0.620
			43,360,000	-	-	-	(13,920,000)	29,440,000	

The 2009 Share Option Scheme had a term of 10 years and had expired 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 2019 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.

As at 30 June 2020, there were 29,440,000 outstanding options under the 2009 Share Option Scheme. The expiry of the 2009 Share Option Scheme did not in any event affect 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.

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

As at 30 June 2020, so far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or 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	Beneficial interest	600,255,670 (L)	29.09%
Tus-Holdings Co., Ltd. ("Tus-Holdings")	3	Interests of controlled corporation	600,255,670 (L)	29.09%
Beijing Baijun Investment Company Limited ("Beijing Baijun")	4	Interests of controlled corporation	600,255,670 (L)	29.09%
Wang Jiwu	4	Interests of controlled corporation	600,255,670 (L)	29.09%
Tsinghua Holdings Co., Ltd. ("Tsinghua Holdings")	4	Interests of controlled corporation	600,255,670 (L)	29.09%
Tsinghua University	4	Interests of controlled corporation	600,255,670 (L)	29.09%
E-Town International Holding (Hong Kong) Co., Limited ("E-Town HK")	5	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")	5	Interests of controlled corporation	387,080,868 (L)	18.76%

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 2020.
- (3) Tuspark Venture was the beneficial owner of 452,519,805 Shares. Tuspark Venture was also beneficially interested in the 0% coupon convertible bonds due 2025 in the principal amount of HK\$89,882,500 which was convertible into 147,735,865 shares at the conversion price of HK\$0.6084 per share (subject to adjustment(s)). 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) 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.

OTHER INFORMATION *(continued)*

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

Short Positions in Shares of the Company

Save as disclosed above, as at 30 June 2020, the Directors 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 10% 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.

INTERIM DIVIDEND

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

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the articles of association of the Company, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors are 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.



OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN CONTRACTS

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 Period.

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

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.

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 2019 Annual Report are set out below:

1. Mr. Shen Xiao resigned as an executive Director of the Company on 11 June 2020 due to his other work commitments.
2. Mr. Du Peng has been re-designated as a non-executive Director of the Company on 3 July 2020. Due to the re-designation, Mr. Du Peng has entered into a new appointment letter with the Company for a term of 3 years commencing from 3 July 2020 as a non-executive Director and vice chairman of the Company and he is entitled to receive a director's fee of HK\$360,000 per annum. In addition, Mr. Du Peng was appointed as co-chairman of China Council for International Investment Promotion – Science, Education and Innovation Committee.
3. Mr. Wong Yuk Lun, Alan resigned as an independent non-executive Director of the Company, a member of the Nomination Committee, the Remuneration Committee and the Audit Committee on 17 July 2020 due to his other work commitments.
4. Mr. Poon Chiu Kwok resigned as an independent non-executive Director of the Company, a member of the Nomination Committee and chairman of the Remuneration Committee and the Audit Committee on 17 July 2020 due to his other work commitments.
5. Dr. Koong Hing Yeung Victor was appointed as an independent non-executive Director of the Company, a member of the Nomination Committee, the Remuneration Committee and the Audit Committee on 17 July 2020.
6. Mr. Lee Kwok Tung Louis was appointed as an independent non-executive Director of the Company, a member of the Nomination Committee and the chairman of the Remuneration Committee and the Audit Committee on 10 August 2020.

OTHER INFORMATION *(continued)*

CHANGES IN INFORMATION OF DIRECTORS *(continued)*

Saved as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' transactions in securities of the Company (the "Company's Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code during the Period.

OTHER INFORMATION *(continued)***AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS**

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. Lee Kwok Tung Louis, Hon. Quat Elizabeth (JP) and Dr. Koong Hing Yeung Victor and a non-executive Director, Mr. Tsang Ling Biu, Gilbert. Mr. Lee Kwok Tung Louis 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.

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

Hong Kong, 28 August 2020