# 啟迪國際有限公司
# TUS International Limited

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

# 2020
## ANNUAL REPORT

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Director

Mr. Hu Bo (redesignated with effect from 11 December 2020)
Mr. Lin Jian (appointed with effect from 1 April 2020 and resigned with effect from 24 December 2020)
Mr. Shen Xiao (resigned with effect from 11 June 2020)

### Non-executive Directors

Mr. Ma Chi Kong Karl *(Chairman)* (redesignated with effect from 8 February 2021)
Mr. Tsang Ling Biu Gilbert
Mr. Du Peng (redesignated with effect from 3 July 2020 and resigned with effect from 6 November 2020)
Mr. Qin Zhiguang (resigned with effect from 1 April 2020)

### 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)
Mr. Poon Chiu Kwok (resigned with effect from 17 July 2020)
Mr. Wong Yuk Lun Alan (resigned with effect from 17 July 2020)

## COMPANY SECRETARY

Mr. Cheng Him Shun Hilson (appointed with effect from 3 July 2020)

## AUTHORISED REPRESENTATIVES

Mr. Hu Bo
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)*
Mr. Lee Kwok Tung Louis
Hon. Quat Elizabeth *(JP)*
Dr. Koong Hing Yeung Victor

## 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")

19/F, block B,
Science and Technology Building,
Tsinghua Science and Technology Park,
1 Zhongguancun East Road,
Haidian District, Beijing,
China

## 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

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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
DBS Bank (Hong Kong) Limited
Shanghai Pudong Development Bank Co., Ltd.

## STOCK CODE

Stock Code: 00872.HK

# CHAIRMAN'S STATEMENT

## TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of TUS International Limited (the "Company", together with its subsidiaries, the "Group"), I hereby present the annual report of the Company for the year ended 31 December 2020.

In the year 2020, the global automotive industry significantly suffered from a weak demand momentum as well as the interruption in the supply chains under frequent lockdown measures imposed by governments or production suspension in various countries from time to time during the occurrence of COVID-19 pandemic (the "Pandemic"), together with the continuous negative impact from the Sino-US trade tension and the arise of protectionism among nations. Although China has diligently managed to achieve a 2.3% economic growth in 2020, the automotive industry in China unfortunately recorded a negative growth of 1.9% in terms of sales volume while for the rest of the world, the sales volume of automobile in Europe and the United States dropped in a larger magnitude than that in China, according to a statistical research conducted by the China Association of Automobile Manufacturers ("CAAM"). Given the uncontrollable external business environment, the Group experienced continuous losses in the financial year 2020 of a stagnant revenue level accomplished under this inevitable difficult situation. By proactively introducing necessary measures to restructure the workforces in the research and development and operation aspects among the Group in aiming to cope with the tough situation, the Group reduced the operating costs to weather the headwinds and difficulties under the Pandemic and the global economic instability, which avoid to incur further losses in the existing business operations.

Such continuous significant losses encountered by the Group had adversely impacted the overall business strategy, financial position and liquidity situation of the Group in 2020. During the year, the Group made difficult decisions to lighten the business portfolio by disposing our finance leasing business, cloud control business and other non-core business and financial assets to improve financial liquidity within the Group in order to reduce the gearing ratio and financial costs while preserving our financial resources in stabilizing the operations of our core businesses including automotive-grade wireless connectivity business and advanced driving assistance system ("ADAS") business and expanding the business operations in the future. The Group had been actively in dialogue with creditors, lenders and the shareholders of the Company ("Shareholders") on our business developments as well as to re-negotiate the repayment schedules with the creditors so as to improve the overall financing cashflows.

Given the bloom in the commercialization and development of electronic vehicles in recent years, sales growth was recorded in 2020 by key electronic vehicles manufacturers in the globe, including our key customers. We are foreseeing a continuous rapid growth in the development of intelligent and autonomous driving in the long run with government support in various countries in aiming to tackle environmental issue to reduce the polluted gas from fossil fuel vehicles. With the inception and mass deployment of 5G network in the near future, continuous development of autonomous driving in the industry will enhance driving experience to mitigate severe car accidents and facilitating traffic control to resolve traffic congestion etc. Our core businesses are enthusiastic to await the economic benefit of commercialization of 5G technology in the automotive industry in the long run. We hope to grasp the pioneer opportunity to increase our revenue streams and existing market share in the short run while continue to specialize on the uniqueness of our products and to lower the overall cost through improvement of supply-chain management so as to turn our Group into a profitable enterprise.

# CHAIRMAN'S STATEMENT

## OUTLOOK AND FUTURE PROSPECTS

The Pandemic in China is expected to be under control given the introduction of vaccine and a recovery on Chinese economy and Chinese auto industry is expected in 2021, CAAM further projected that production and sale of automobile in the PRC in 2021 will improve while sales volume of electronic vehicles as well as new energy vehicles will reach a record high in 2021. In the short run, the Group will maintain its competitiveness through capturing the market share in the ADAS business in China and leveraging on the synergistic effect with the automotive-grade wireless connectivity business to diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts. The Group will try its best endeavor to seek financial resources to repay the short term liabilities which had already fallen due or will fall due within one year; including, actively seeking debt re-financing projects, re-negotiation with creditors on the repayment terms and conditions, disposing full or partial of core-business and financial assets of the Group; and, equity financing such as share placements, right issues or debt to equity conversions which may broaden shareholders base of the Company and our core businesses and may improve the overall working capital and gearing position of the Group.

In the long run, the Group will strengthen its market position by specialising its research and development capabilities and commercialisation of various forward looking and common technologies. The Group will continue to communicate with different stakeholders including investors, government authorities, employees, customers, suppliers and different local organisations so that the Group can gain sufficient information regarding environmental conservation, health of employees, safety, development and training, supply chain management, product responsibility, anticorruption and investment in communities and thereafter formulate relevant policies to satisfy the demands from different stakeholders.

Lastly, on behalf of the Board and the management, I wish to extend my sincere appreciation to all the staff of the Group for their tireless dedication during the year, and to also express my thanks to all Shareholders, investors, customers, suppliers and business partners for their ongoing support to the Group.

**Ma Chi Kong Karl**
*Chairman*
Hong Kong, 29 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Year under review, the Group was principally engaged in research and development, production and sale of advanced driving assistance system ("ADAS") and software algorithm 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. 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.

## IMPACT OF THE PANDEMIC

After the COVID-19 pandemic ("Pandemic") outbreak in late 2019, a series of precautionary and control measures have been implemented across the globe. These measures are believed to be effective in containing the outbreak, but the lock downs at the same time have significantly disrupted the movement of people and goods, supply chains and general economic conditions, and in turn affected the development pace of global automotive industry.

Although the Group has successfully revived its major operating businesses in this tough condition, it has experienced negative impact of the Pandemic in various ways, including temporary suspension of certain manufacturing activities of the Group in the PRC in the first half of 2020, continuous unstable supply chain which disrupted the overall procurement strategy of the Group and led to a temporary delay of the fulfilment of certain sales orders for major customers. In addition, the Group experienced a temporary scale down of business relationship with certain customers with long operating history. At the same time, fund raising activities of the Group during the Year under review were significantly affected whereas potential investors and financial institutions were more cautious on equity and debt financing, especially to loss making businesses. It is foreseeable that the Pandemic may remain unstable in 2021 and carry on until vaccines are readily available worldwide. As at the date of this report, uncertainties remain on the situation of the Pandemic which may affect the future prospects of the Group.

The Directors are paying close attention to the evolving development of, and the disruption to business and economic activities caused by the Pandemic and continuously evaluating its impact on the financial position, cash flows and operating results of the Group. Meanwhile, the Directors implemented strategies to improve the overall financial position of the Group in the short run while the Group strived its best to conduct active dialogue with creditors and shareholders of the Company (the "Shareholders") on our business developments as well as potential debt restructuring and re-financing plans with the creditors so as to improve the overall financing cashflows.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The unexpected temporary slowdown of the global automotive industry continued in 2020 owing to weakening demand in China and Europe and the outbreak of the Pandemic in late 2019 which disrupted temporary 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 Group in the first half of 2020. The impact on the supply chain of the automotive industry had in turn led to a decrease in the demand for the Group's products, delay in fulfillment of sales orders of major customers of the Group as well as a temporary slowdown of the Group's purchase, production and sale cycle.

The Pandemic had since improved in China in the second half of 2020 while the Pandemic continued to spread over the rest of the world including Europe and the United States, the global economic situation has deteriorated 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 have been subdued during the Year under review and such situation is expected to continue. As the Group's businesses span 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.

According to the statistical research conducted by CAAM, the volume of production and sale of automobile in China decreased by approximately 2.0% to approximately 25.2 million units and approximately 1.9% to approximately 25.3 million units, respectively, during the Year under review, comparing to the corresponding period in 2019; while the global sales volume of automobile decreased by approximately 1.3% to approximately 76.5 million units during the Year under review, comparing to the corresponding period in 2019. In particular, sales volume of automobiles in the United States and major countries in central and western Europe decreased by approximately 15% and 24% to approximately 14.5 million and 13.7 million units, respectively, during the Year under review, comparing to the corresponding period in 2019. This affected the ADAS and autonomous driving industry in 2020 despite being a fast-growing industry in the past years. The global ADAS and vehicle connectivity market size was previously projected to reach US$189 billion by 2026 with compound annual growth rate ("CAGR") of 21.4% from 2019 to 2026, which has been lowered due to the Pandemic.

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 Year under review, 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 considered it more appropriate to operate and manage the two reportable segments separately with an aim to deliver more useful information to the Shareholders 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

## BUSINESS REVIEW *(CONTINUED)*

As disclosed in the 2019 annual report dated 25 May 2020 (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 and were disposed along with the ADAS sub-segment of cloud control business during the Year under review. For details, please refer to "Material Disposals" under section "IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW".

Further, as a result of rising geopolitical risks and volatile financial markets in the countries and regions in which the Group's businesses operate, there remains an uncertainty as to whether the automotive-grade wireless connectivity business, which the Group acquired in 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 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.

During the Year under review, with the aim to improve financial performance, financial position and liquidity of the Group, the Directors implemented short-term strategies including (a) continuous tightening of cost controls by engaging professional restructuring experts to reorganize the corporate, operational and research and development structure of certain business segments and (b) improvement in product and market re-positioning which aim to enhance operating efficiency and effectiveness while not deteriorating valuable business opportunities. Further, the Group maintained its competitiveness in camera-based ADAS business with long term business relationship with major customers in the PRC and accelerated the penetration of automotive-grade wireless connectivity business into the PRC market. In addition to disposing non-core business segments during the Year under review for cash realization, the Directors are also in active dialogue with creditors on debt restructuring and negotiation on repayment terms and re-financing to improve short term liquidity.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS AND PROSPECTS

The Pandemic in China is expected to be under control given the introduction of vaccine and a recovery on Chinese economy and Chinese auto industry is expected in 2021, CAAM further projected that production and sale of automobile in the PRC in 2021 will improve while sales volume of electronic vehicle as well as new energy vehicle will reach a record high in 2021.

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

The Group will use its best endeavors to seek financial resources to repay the short term liabilities which had already fallen due or will fall due within one year; including, actively seeking debt re-financing projects, re-negotiation with creditors on the repayment terms and conditions disposing full or partial of core-business and financial assets of the Group; and, equity financing such as share placements, right issues or debt to equity conversions which may broaden shareholders base of the Company and our core businesses and may improve the overall working capital and gearing position of the Group.

In the long run, the Group will strengthen its market position by specialising its research and development capabilities and commercialisation of various forward looking and common technologies.

The Group will continue to communicate with different stakeholders including investors, government authorities, employees, customers, suppliers and different local organisations so that the Group can gain sufficient information regarding environmental conservation, health of employees, safety, development and training, supply chain management, product responsibility, anti-corruption and investment in communities and thereafter formulate relevant policies to satisfy the demands from different stakeholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and business segments from continuing operations

Revenue of the Group for the Year under review decreased slightly by approximately 0.4% to approximately HK$730.3 million and gross profit increased by 31.2% to approximately HK$117.7 million (2019: HK$733.2 million and HK$89.7 million respectively). Such decrease in revenue was due to decrease in revenue from automotive-grade wireless connectivity business segment. By implementation of strategy to tighten cost controls in the second half of 2020 despite a temporary disruption on the supply-chain caused by the Pandemic in the first half of 2020 as well as recognition of one-off gains on disposal of subsidiaries, the Group recorded a decrease in net loss from continuing operations for the Year under review by 23.4% to approximately HK$230.9 million (2019: HK$301.3 million).

*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 under the sub-segment of cloud control business (which was disposed during the Year under review). Major customers of the ADAS segment comprise mainstream automakers in the PRC, such as Guangzhou Automobile, Changan Auto, Dongfeng Nissan and Geely Automobile. Revenue and gross profit of ADAS segment increased by 9.3% and 44.9% to approximately HK$303.5 million and HK$53.3 million, respectively, for the Year under review (2019: HK$277.6 million and HK$36.8 million respectively). Gross profit margin was 17.6% for the Year under review (2019: 13.3%).

*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 in Korea, including Tesla Motors, Hyundai Mobis and Continental Automotive.

Revenue of automotive-grade wireless connectivity segment decreased by 6.3% to approximately HK$426.8 million for the Year under review (2019: HK$455.6 million); while gross profit increased by 21.7% to approximately HK$64.3 million for the Year under review (2019: HK$52.8 million). Gross profit margin was 15.1% for the Year under review (2019: 11.6%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW *(CONTINUED)*

### Other Revenue

During the Year under review, other revenue increased by 85.8% to approximately HK$19.3 million (2019: HK$10.4 million) which mainly included bank interest income, one-off compensation income from customer and sundry income.

### Other Gains and Losses

During the Year under review, other gains of approximately HK$70.7 million (2019: other losses of HK$20.1 million) was recognised. The gains for the Year under review were mainly attributable to (i) one-off gain on disposal of cloud control business of approximately HK$59.1 million (2019: N/A) and (ii) net foreign exchange gains of approximately HK$14.1 million recognised for the Year under review (2019: net foreign exchange loss: HK$7.7 million).

### Research and Development Expenses

During the Year under review, research and development expenses before capitalisation amounted to approximately HK$186.8 million (2019: HK$170.4 million) in which approximately HK$99.9 million (2019: HK$67.0 million) was capitalised as intangible assets.

Research and development expenses after capitalisation for the Year under review decreased by 16.0% to approximately HK$86.9 million (2019: HK$103.4 million). Such decrease was primarily due to continuous tightening of cost controls implemented by the Group to reorganize the research and development structure of certain business segments in the second half of 2020.

As of 31 December 2020, the Group has 138 research and development personnel and engineers (31 December 2019: 268 employees) involved in research and development for the ADAS business and automotive-grade wireless connectivity business. Such decrease by 48.5% in the number of research and development personnel and engineers was mainly attributable to the disposal of cloud control business during the Year under review and the reorganization of research and development structure of the existing business segments.

### Depreciation and Amortisation

During the Year under review, depreciation and amortisation increased by 19.8% to approximately HK$86.8 million (2019: HK$72.5 million). Such increase was primarily due to an increase in depreciation and amortisation 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 ten months of research and development expenses (i.e. March to December) in the corresponding period in 2019, as compared to twelve months for the Year under review.

## FINANCIAL REVIEW *(CONTINUED)*

### Administrative Expenses

During the Year under review, administrative expenses increased by 15.7% to approximately HK$146.5 million (2019: HK$126.6 million) which were mainly due to the proportional difference in recording only ten months of administrative expenses (i.e. March to December) in the corresponding period in 2019, as compared to twelve months for the Year under review of administrative expenses in the automotive-grade wireless connectivity business, despite tightened cost control strategy implemented by the Group during the Year under review. Administrative expenses mainly included salaries, legal and professional fees and other operating expenses.

### Finance Costs

During the Year under review, finance costs increased by 65.6% to approximately HK$110.3 million (2019: HK$66.6 million) which were attributable to (a) a recognition of one-off aggregated finance cost of HK$20.9 million (2019: nil) in respect of redemption of convertible bonds due repayable during the Year under review; and, (b) increase in average interest rate of other borrowings held during the Year under review.

### Taxation

The Group recorded a deferred tax credit of approximately HK$19.4 million (2019: HK$13.5 million) and current tax expenses, net of over-provision in prior year of approximately HK$0.7 million (2019: HK$0.3 million). As a result, the Group recorded net income tax credit of approximately HK$18.7 million during the Year under review (2019: HK$13.2 million).

### Net loss attributable to owners of the Company

As a result of the factors discussed above, the Group's net loss for the Year under review attributable to owners of the Company decreased by 17.8% to approximately HK$246.1 million (2019: HK$299.5 million).

### Financial assets at fair value through other comprehensive income/Significant investments

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW *(CONTINUED)*

### Financial assets at fair value through other comprehensive income/Significant investments *(Continued)*

As at 31 December 2020, investments of approximately HK$195.1 million were classified under FVTOCI (31 December 2019: HK$265.4 million) and changes in fair value through OCI (net of exchange realignment) of approximately HK$40.3 million (2019: HK$45.6 million) was recognised during the Year under review.

Details of the significant investments are as follows:

| | | As at 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Percentage of equity interests held in the investee** % | **Percentage to the Group's total assets** % | **Fair value at 31 December 2020** HK$ million | **Fair value gain/(loss) (net of exchange realignment) during the Year under review** HK$ million | **Disposal during the Year under review** HK$ million | **Fair value at 31 December 2019** HK$ million |
| More Cash | *(1)* | – | – | – | (0.4) | (30.0) | 30.4 |
| Sino Partner | *(2)* | 2.46 | 1.3 | 22.3 | (14.3) | – | 36.6 |
| Tus Suzhou | *(3)* | 14.00 | 6.5 | 108.9 | (40.5) | – | 149.4 |
| National Innovation Center | *(4)* | 4.55 | 3.7 | 61.7 | 14.8 | – | 46.9 |
| Others | *(5)* | N/A | 0.1 | 2.2 | 0.1 | – | 2.1 |
| Total | | | 11.6 | 195.1 | (40.3) | (30.0) | 265.4 |

Note 1: In 2015, the Group acquired 18% of the entire issued share capital of More Cash Limited and its subsidiaries (the "More Cash") at a consideration of HK$73.0 million in which indirectly owns 75% equity interest in a company established in the PRC. The principal activity of the PRC subsidiary is development and sales of properties complex located in Guangzhou City comprised car park, shopping mall, office, apartment, hotel and restaurant in a commercial and residential complex. During the Year under review, the Group did not receive any dividend from the investment.

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 to Hung Hon Man, an independent third party, at a consideration of HK30.0 million.

Note 2: In 2016, the Group acquired 7.88% of the total issued share capital of Sino Partner Global Limited ("Sino Partner") at a consideration of HK$136.0 million. 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. In 2019, following the completion of the conversion of a convertible note issued by Sino Partner, the effective equity interests held by the Group was diluted from 7.88% as of 31 December 2018 to 2.46% as of 31 December 2019 and 2020.

During the Year under review, Apollo Future Mobility Group Limited, a company listed on the mainboard of the Stock Exchange Hong Kong Limited (the "Stock Exchange") (stock code: 00860), completed the acquisition of 86.06% equity interest in Sino Partner for a consideration of HK$1,032.7 million, subject to certain terms and conditions as stipulated in the sales and purchase agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW *(CONTINUED)*

### Financial assets at fair value through other comprehensive income/Significant investments *(Continued)*

Note 2: *(Continued)*

Based on the unaudited financial statements of Sino Partner, Sino Partner recorded revenue of approximately HK$45.5 million for the year ended 30 September 2020. As of 30 September 2020, the total assets and net assets of Sino Partner were approximately HK$354.5 million and HK$154.4 million respectively (31 December 2019: total assets of HK$168.1 million and net liabilities of HK$14.0 million). During the Year under review, the Group did not receive any dividend from the investment.

The Group may consider to dispose this investment to improve the short-term liquidity, if required.

Note 3: In 2016, the Group acquired 14% of the total issued share capital of Tus Suzhou Modern Education Development Company Limited ("Tus Suzhou") * (蘇州啟迪時尚教育發展有限公司) at a consideration of RMB126.8 million. Tus Suzhou and its subsidiaries are 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 of rental incomes.

Based on the unaudited financial statements of Tus Suzhou, the revenue of Tus Suzhou for the Year under review amounted to approximately RMB42.4 million (2019: RMB18.7 million) and the net profit for the Year under review amounted to approximately RMB128.2 million (2019: RMB6.9 million). As of 31 December 2020, the total assets and net asset value of Tus Suzhou were approximately RMB1,678.5 million and RMB665.2 million respectively (31 December 2019: RMB1,522.1 million and RMB633.3 million). During the Year under review, the Group did not receive any dividend from the investment.

The Group may consider to dispose this investment to improve the short-term liquidity, if required.

Note 4: In 2018, the Group acquired 9.09% of the total share capital of National Innovation Center of Intelligent Connected Vehicles (the "National Innovation Center") at a consideration of RMB50.0 million which is primarily 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 vehicle industry. Since additional capital contribution to the National Innovation Center was made by new shareholders during the Year under review, the effective equity interests held by the Group was diluted from 5.55% as of 31 December 2019 to 4.55% as of 31 December 2020.

Based on the unaudited financial statements of National Innovation Center, as of 31 December 2020, National Innovation Center has total assets and net asset value of approximately RMB1,579.3 million and RMB1,143.9 million respectively (31 December 2019: RMB908.6 million and RMB763.7 million). During the Year under review, the Group did not receive any dividend from the investment.

On 1 February 2021, a wholly owned subsidiary of the Company, Qidi Zhixing Technology (Beijing) Limited* (啟迪智行科 技(北京)有限公司), entered into a sale and purchase agreement and agreed to dispose its wholly owned subsidiary, TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) which held this investment. For details, please refer to the announcements of the Company dated 1 February 2021 and 4 February 2021. No impairment loss to this investment was recognised as of 31 December 2020.

Note 5: Others included insignificant investments in several investees of which the fair value of each individual investment was less than HK$2 million as of 31 December 2020 and 2019.

* *For identification purpose only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW *(CONTINUED)*

### Financial assets at fair value through other comprehensive income/Significant investments *(Continued)*

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

**As at 31 December 2020**

| | Value of input (e.g. the projected cash flow, discount rate and growth rate) used in the valuations together with the basis and assumptions | Valuation methodology | Reasons for subsequent changes in value of input and assumptions or changes in the valuation methodology from those previously adopted |
|---|---|---|---|
| Sino Partner | WACC: Supercar segment 20.0% (2019: 20.0%); Discount for lack of marketability: 21.0% (2019: 20.0%); Long term growth rate: 2.0% (2019: 2.0%) | Income approach – discount cash flow | N/A |
| Tus Suzhou | No unobservable inputs | Asset approach | N/A |
| National Innovation Center | No unobservable inputs | Asset approach | N/A |

## GOODWILL

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

| | 31 December 2020 HK$ million | Impairment during the Year under review HK$ million | Disposal during the Year under review HK$ million | 31 December 2019 HK$ million |
|---|---|---|---|---|
| Camera-based ADAS CGU | 161.4 | – | – | 161.4 |
| Finance lease CGU | – | – | (3.4) | 3.4 |
| Wireless Business Group CGU | 486.5 | – | – | 486.5 |
| Total | 647.9 | – | (3.4) | 651.3 |

For the purpose of the annual impairment test as at 31 December 2020, the recoverable amounts of the Camera-based ADAS and Automotive-grade wireless connectivity CGUs have been determined based on fair value less costs of disposal calculations using discounted cash flow projections (i.e. income approach). The Group has engaged independent professional valuers to assist in the determination of the recoverable amount of the respective CGU. Discounted cash flow projections are prepared based on financial estimates approved by the Directors covering a five-year period and discount rates which reflect specific risks relating to respective CGU. Cash flows beyond the five-year period are extrapolated using estimated long term growth rates with reference to certain external data.

The Group considers the discounted cash flow method as a generally acceptable valuation technique that incorporates more information about the future prospects of respective CGU for the determination of their recoverable amounts.

Assumptions were used in the fair value less costs of disposal calculations of the respective CGU. The following describes key assumptions on which the Directors have based their discounted cash flow projections to undertake impairment testing of goodwill of respective CGU with indefinite useful lives.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GOODWILL *(CONTINUED)*

### Key assumptions and inputs used

| | As at 31 December 2020 | | As at 31 December 2019 | |
|---|---|---|---|---|
| | **Camera-based ADAS CGU** | **Automotive-grade wireless connectivity CGU** | Camera-based ADAS CGU | Automotive-grade wireless connectivity CGU |
| **Valuation approach** | **Income approach** | **Income approach** | Income approach | Income approach |
| CAGR Revenue growth rate (%) | **20.7** | **39.3** | 13.7 | 25.5 |
| Total gross margin during the Forecast Period (%) | **20.6** | **23.6** | 26.4 | 22.7 |
| Total EBITDA margin during the Forecast Period (%) | **15.8** | **13.8** | 16.7 | 17.2 |
| Long term revenue growth rate (%) | **2.6** | **1.6** | 3.0 | 1.8 |
| Post-tax discount rate (%) | **11.9** | **19.9** | 12.3 | 19.2 |
| Recoverable amount (HK$'million) | **198.8** | **223.9** | 215.6 | 470.4 |
| Carrying amount (HK$'million) | **184.5** | **213.2** | 169.7 | 369.8 |
| Headroom (HK$'million) | **14.3** | **10.7** | 45.9 | 100.6 |

| Assumption | Approach used to determine values |
|---|---|
| Revenue CAGR | Revenue CAGR represents the compounded annual growth rate of revenue during the five-year forecast period from years ending 31 December 2021 to 2025 (the "Forecast Period") (2019: years ending 31 December 2020 to 2024). Revenue is forecasted based on past performance and Directors' expectations of market development with capture of certain market shares and new sales contracts. |
| Gross margin | Based on past performance and Directors' expectations for the future. Total gross margin represents total gross profit during the Forecast Period divided by total revenue during the Forecast Period. |
| EBITDA margin | Earnings before finance costs, income tax, depreciation and amortisation ("EBITDA") are estimated by excluding non-cash operating expenses items. Operating expenses are estimated based on past performance and Directors' expectations for the future. Total EBITDA margin represents total EBITDA during the Forecast Period divided by total revenue during the Forecast Period. |
| Long term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the Forecast Period. The rates are consistent with forecasts included in industry reports. |
| Post-tax discount rates | The discount rate used reflects specific risks relating to the CGU. |

## GOODWILL *(CONTINUED)*

### (i) Camera-based ADAS CGU

*Discussion on changes in key assumptions and inputs*

Given the Pandemic impact on the automotive industry in 2020, the financial results, including the revenue and Earnings before finance costs, income tax, depreciation and amortisation ("EBITDA") of this CGU for year ended 31 December 2020 were less than the original financial budget estimated by the Directors, by approximately 10% and 29%, respectively.

By considering the external factors (including the possible effect of the Pandemic and industrial development) and internal factors (including revised corporate and business strategy due to corporate restructuring up to the date of this report), the Group revisited the financial budget of this CGU for the years ending 31 December 2021 to 2025 and the followings disclosed key changes in assumption in preparation of the five-year financial budget of this CGU (the "2020 Camera-based ADAS Forecast") as compared to that in the corresponding period:.

i) Changes in revenue CAGR: the revised revenue for the Forecast Period was based on estimation of the timing of revenue recognition with reference to currently available sales orders/contracts and undergoing sales pipeline together with expectation of winning new contracts of existing and new products during the Forecast Period. Based on the available information provided to the Directors, it is anticipated that approximately 45% of the forecasted revenue for the years ending 31 December 2021 and 2022 were recurring revenue from existing contracts while the remaining revenue for the Forecast Period were estimated with reference to expected sales development with customers and growth in market size of the industry; An increase in revenue CAGR from approximately 13.7% in the forecast period for the corresponding period in 2019 to approximately 20.7% in the Forecast Period for the Year under review was attributable to (1) corporate and product repositioning in the Forecast Period and (2) delay in fulfilment of certain sales orders of the ADAS business segment in the Year under review, which are expected to be fulfilled and recognised in the Forecast Period; and,

ii) Changes in gross margin and EBITDA: given the Group disposed the Cloud Control business during the Year under review, the Directors revisited the business and product strategy of this CGU and considered that revenue from sale of software, technology and algorithm products (which expected to earn a relatively higher gross margin) in the Forecast Period will be less than those previously expected as the Directors considered significant and continuous capital investments and researches are required to achieve this business strategy of expansion of non-hardware product streams. Due to limited internal financial resources available for capital re-investment to this CGU, the Directors expected the short term business strategy of this CGU will be positioned on the improvements and upgrade of existing products with possible market expansion and cooperation with new business partners on product development and distribution. Hence, a generally lower gross profit margin and EBITDA margin is forecasted in the Forecast Period than that in the corresponding period in 2019.

As of 31 December 2020, the carrying amount and the recoverable amount of this CGU amounted to approximately HK$184.5 million and HK$198.8 million, respectively (2019: HK$169.7 million and HK$215.6 million). No impairment loss was recognised during the Year under review (2019: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## GOODWILL *(CONTINUED)*

### (i) Camera-based ADAS CGU *(Continued)*

*Sensitivity of key assumptions*

A sensitivity analysis on the possible changes on the recoverable amount of this CGU was carried out by the Directors:

| **Possible change in key assumptions:** | **0.5% decrease in revenue** HK$'Million | **0.5% decrease in gross margin** HK$'Million | **0.5% decrease in long term revenue growth rate** HK$'Million | **0.5% increase in post-tax discount rate** HK$'Million |
|---|---|---|---|---|
| Recoverable amount | 179.2 | 195.7 | 186.2 | 182.2 |
| Carrying amount | 184.5 | 184.5 | 184.5 | 184.5 |
| Headroom | (5.3) | 11.2 | 1.7 | (2.3) |

The Directors considered that a reasonably possible change in the key assumptions and inputs on this CGU may cause the carrying amount of this CGU to exceed its recoverable amount.

After due and careful enquiry of geographical and industrial specific risks, the Directors considered that the financial budget and the future cashflows of this CGU will not be adversely affected by the Pandemic in the short and long run with the assumption that the Pandemic being under control in the PRC.

### (ii) Finance lease CGU

As mentioned below in the section headed "Material 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.

## GOODWILL *(CONTINUED)*

### (iii) Automotive-grade wireless connectivity CGU

*Discussion on changes in key assumptions and inputs*

As disclosed in the 2020 interim report of the Company dated 28 August 2020 (the "2020 Interim Report"), the continued slowdown of the global automotive industry in 2020 attributable to the Pandemic which 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 automotive industry has affected the autonomous driving industry in the first half of 2020. In addition, the impact on the supply chain of the automotive 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 anticipated that a full resumption of ecosystem of the automotive industry may not be resulted in the short run.

It was further disclosed in the 2020 Interim Report regarding the details of impairment indicator of the goodwill of this CGU determined by the Group and the interim assessment and key due diligence work performed by the Directors to assess whether the original financial budgets approved for the year ended 31 December 2019 remained appropriate. It was further concluded that a revised financial budget (the "2020 Interim Wireless Forecast") was approved by the Directors for impairment assessment and that no impairment was determined as of 30 June 2020.

Based on the actual financial results of this CGU for the Year under review, revenue recognised by this CGU for the Year under review was approximately 17% less than the estimated revenue in the 2020 Interim Wireless Forecast due to further delay in fulfilment of sales orders in the second half of 2020 which was attributable to continuous negative impact of the Pandemic on global supply-chain management. Nevertheless, given tightened costs control and corporate restructuring strategy implemented by the Directors in the second half of 2020 which resulted in significant cost reduction, the EBITDA of this CGU for the Year under review approximately met that forecasted in the 2020 Interim Wireless Forecast.

Given the reasons that continuous losses on EBITDA resulted by this CGU and the temporary financial liquidity difficulties encountered by the Group, and by considering the external factors (including the possible effect of the Pandemic and industrial development) and internal factors (including revised corporate and business strategy due to corporate restructuring up to the date of this report); the Group revisited the financial budget of this CGU for the years ending 31 December 2021 to 2025 and the followings are key changes in assumption in preparation of the five-year financial budget of this CGU (the "2020 Wireless Forecast") as compared to that in the corresponding period:

i) Changes in revenue CAGR: based on market research performed by the management, it was estimated that the market development and the commercialisation of next generation automotive-grade wireless connectivity modules will be further delayed for approximately one year to beyond year 2023 (which was originally expected to be launched by the end of year 2022). Based on the best estimate made by the Directors, the global market share (in terms of quantity) of this CGU will remain at 4-5% from year 2021 to 2023 and is expected to gradually increase to 6-7% from year 2024 to 2025 due to expected rapid growth of commercialisation of 5G technology in the global autonomous industry, especially in China, as well as planned market expansion into untapped markets and emerging economies. In addition, certain sales proposals were unsuccessful during the Year under review due to Sino-US trade restrictions as certain US-based customers implemented political barriers on suppliers with substantial shareholders of Chinese background. As such, the estimation of the timing of revenue recognition is revised based on currently available sales orders/contracts and undergoing sales pipeline together with expectation of winning new contracts from existing and new products and regional development during the Forecast Period; and,

# MANAGEMENT DISCUSSION AND ANALYSIS

## GOODWILL *(CONTINUED)*

### (iii) Automotive-grade wireless connectivity CGU *(Continued)*

*Discussion on changes in key assumptions and inputs (Continued)*

ii) Changes in EBITDA: A corporate and business restructuring exercise on this CGU was implemented during the second half of 2020 with an aim for tightened cost controls on operations and research and development. Such exercise was performed with the advice of professionals equipped with extensive experiences in corporate restructuring. By performing a review of the corporate structure of this CGU, it was further advised that an increase in personnel costs and research and development costs were required to support the development of next generation products while balancing among the business operation, product development and operating cashflows of this CGU. As such, an increase in operating expenses during the Forecast Period was expected by the Directors. Hence, a generally lower EBITDA margin is forecasted in the Forecast Period than that in the corresponding period in 2019.

As of 31 December 2020, the carrying amount and the recoverable amount of this CGU amounted to approximately HK$213.2 million and HK$223.9 million, respectively (2019: HK$369.8 million and HK$470.4 million). No impairment loss was recognised during the Year under review (2019: Nil).

*Sensitivity of key assumptions*

A sensitivity analysis on the possible changes on the recoverable amount of this CGU was carried out by the Directors:

| **Possible change in key assumptions:** | **0.5% decrease in revenue** HK$'Million | **0.5% decrease in gross margin** HK$'Million | **0.5% decrease in long term revenue growth rate** HK$'Million | **0.5% increase in post-tax discount rate** HK$'Million |
|---|---|---|---|---|
| Recoverable amount | 188.9 | 188.0 | 209.0 | 194.0 |
| Carrying amount | 213.2 | 213.2 | 213.2 | 213.2 |
| Headroom | (24.3) | (25.2) | (4.2) | (19.2) |

The Directors considered that a reasonably possible change in the key assumptions and inputs on this CGU will cause the carrying amount of this CGU to exceed its recoverable amount.

The operation of this CGU spans across different countries and regions, rising geopolitical and industrial risks coupled with volatile financial markets worldwide also had an impact on its operations in 2020. As such, this created additional barriers and difficulties for this CGU with European presence to effectively penetrate the Chinese automotive market as originally expected by the Directors. As a result, the Directors determined that such non-controllable impact by the geopolitical and Pandemic factors may further adversely affect the business performance of this CGU in the short and long run.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Going Concern

During the Year under review, the Directors implemented the following strategies and certain liquidity measures to strengthen the Group's financial position as disclosed in the 2019 Annual Report:

1) The Group re-negotiated with creditors and financial institutions to secure the renewals of the Group's borrowings when they fall due during the Year under review.

2) Based on the audited financial statements of the automotive-grade wireless connectivity business for the Year under review and the corresponding period in 2019, the Group has failed to fulfil certain financial covenants as stated in the terms of the banking facilities of US$38.5 million (the "Banking Facilities") as at 31 December 2020 and 2019. Therefore, outstanding balance of US$32.7 million (2019: US$38.5 million) of the Banking Facilities was reclassified as short-term borrowings as of both 31 December 2020 and 2019. Such breach entitles the lender ("the Bank") to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Banking Facilities immediately due and payable.

   The Group held continuous dialogue with the Bank on the business plans and strategy of the Group. During the Year under review and as at 31 December 2020, the Group received a conditional waiver of strict compliance on certain financial covenant requirements.

3) The largest Shareholder, Tuspark Venture Investment Limited ("Tuspark Venture"), through its fellow subsidiaries (subsidiaries controlled by Tus-Holdings Co., Limited ("TUS Holdings")), provided continuous financial support to the Group during the Year under review, including but not limited to providing financial assistance such as unsecured loans (conducted on normal commercial terms or better) and assets security for the Group to obtain a facility line from a financial institution. A written confirmation from Tuspark Venture in terms of financial support to the Group in the following 24 months on a going concern basis was received on 29 March 2021. Such assistance to be received by the Group will not be secured by any assets of the Group. Further, Tuspark Venture received a written confirmation dated 29 March 2021 from TUS Holdings, its holding company, that TUS Holdings will provide financial support to Tuspark Venture in the following 24 months.

4) The Group obtained a short-term loan from a financial institution for general working capital purpose.

5) The Group implemented strategies to tighten costs control by engaging professional restructuring experts to reorganize the corporate, operational and research and development structure of certain business segments and advised on the improvement in product and market re-positioning which aim to enhance operating efficiency and effectiveness while not deteriorating valuable business opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

### Going Concern *(Continued)*

6) The Group completed the disposal of certain non-core business and financial assets during the Year under review. For details, please refer to "Material Disposals" under the section "IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW". An aggregated net cash inflow from these disposals of approximately HK$120.0 million were received during the Year under review. The net proceeds had been applied to repayments of debts and general working capital of the Group the Year under review.

7) In respect of the HK$300.0 million convertible bonds which were due on 9 June 2020, the Group had repaid certain portion of finance costs and principal of the convertible bonds to the former convertible bond holders during the Year under review. As of the date of this report, the Group had fully redeemed HK$200.0 million convertible bonds from two former convertible bond holders. The remaining unsettled portion of convertible bonds amounted to principal of HK$100.0 million plus accrued finance costs was held by Tuspark Venture. The Group was under advanced negotiation with Tuspark Venture in respect of a long-term loan arrangement to settle the overdue convertible bonds and accrued finance costs. No demand for immediate repayment was requested by Tuspark Venture during the Year under review and up to the date of this report.

8) The Group engaged various business partners and had dialogue with potential investors during the Year under review in respect of potential additional financing including but not limited to equity financing, borrowings and issuance of new convertible bonds to improve the liquidity of the Group. Nevertheless, potential investors expressed their view of formulating a more prudent investment strategy given the unstable development of economic and political factors around the world. Save as disclosed herein, no other financing activities were achieved by the Group during the Year under review.

The Group recorded a net loss of approximately HK$249.9 million for the Year under review (2019: HK$301.3 million) and net current liabilities of approximately HK$882.7 million as of 31 December 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.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

In view of the circumstances and conditions mentioned above, the Directors have given due consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, save as the liquidity measures implemented during the Year under review mentioned above, the Group is further implementing the following key plans and measures:

### (i) Continuous financial support from Shareholders

On 19 March 2021, in view of financial liabilities of the Group (excluding liabilities due to Shareholders and its subsidiaries) of approximately HK$280.0 million which will fall due within 12 months from the date of this report (based on normal repayment schedule), the Group entered into a loan agreement with certain subsidiaries of TUS Holdings for a credit facility of approximately RMB250.0 million. Pursuant to the said loan agreement, the lender(s) will provide available cash to the Group in respective dates as stipulated therein. The Group may, at its discretion, draw down the credit facility to meet the above-mentioned financial liabilities of approximately HK$280.0 million which will fall due within 12 months from the date of this report. Such financial assistance provided by the lender(s) constituted a connected transaction and was conducted on normal commercial terms or better.

Given continuous financial support provided by TUS Holdings through its subsidiaries and no demand for immediate repayment of these outstanding loans from lenders, the Directors do not expect to repay the borrowings provided by TUS Holdings through its subsidiaries unless the Group has sufficient financial resources to do so.

### (ii) Debt restructuring and active sourcing of financial resources

Given the Group did not meet the requirements of certain financial covenants under the Banking Facilities as of 31 December 2020 and 2019, the Bank reserves the right to declare the outstanding principal amount, accrued interest and all other sums payable under the Banking Facilities immediately due and payable. Continuous negotiation and dialogue were held with the Bank during the Year under review. As at the date of this report, the Bank has not declared any outstanding amount to be due and payable under the Banking Facilities.

As at the date of this report, the Group obtained formal waivers on strict compliance of certain financial covenants under the Banking Facilities up to the second half of year 2021 with several conditions subsequent to be satisfied (including but not limited to, continuous financial support to the automotive-grade wireless connectivity business for the year ending 31 December 2021, re-negotiation/extension of several other debts of the Company which were overdue and other administrative requirements). By assessing the conditions subsequent offered by the Bank, the Directors will use their best endeavours to satisfy the said requirements imposed by the Bank. In addition, the Group is under advanced discussion with the Bank for potential loan restructuring and there has been good progress in the discussions. The potential restructuring of the Banking Facilities may provide additional flexibilities to the Group to obtain further working capital financial resources from other financial institutions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

### (ii) Debt restructuring and active sourcing of financial resources *(Continued)*

In view of the short-term borrowings which will be due in the first half of 2021, the Directors had obtained re-financing proposals from potential investors. The Directors were under advanced negotiation with the potential investors in addition to considering the overall business and financial strategy of the Group as a whole. Based on the best estimate of the Directors, the re-financing proposal is expected to conclude prior to the due date of the original short-term borrowings.

Given the continuous losses and net cash outflows incurred by the Group in recent years, a growing trend of the gearing ratio of the Group was resulted. Gearing ratio was increased from approximately 0.55 as of 31 December 2018 to approximately 0.59 as of 31 December 2019, and further increase to approximately 0.79 as of 31 December 2020. In order to restore the financial position of the Group back to a healthy and sustainable position, the Directors are considering, among all other possible solutions, with the major Shareholders and creditors on conducting a debt-to-equity exercise. By converting the respective debts into equity of the Company, the Directors expect the gearing ratio of the Group will be significantly improved.

The Directors were of the view that such potential debt-to-equity exercise involves complex legal and financial issues which may or may not be concluded in short term.

### (iii) Restructuring of business, corporate and organisational strategy

The Directors are reviewing the business operation situation and considering a range of action plans to address the working capital and liquidity position of the Group. The Directors further reviewed the short-term financial budgets of the two major business segments of the Group as of 31 December 2020. It is noted that significant working capital requirement and capital investments are required to manage the growth sustainability of both segments in the short run.

The Directors regularly review the cashflow forecast of the Group and considered that, unless sufficient financial resources could be raised from potential investors or continuous financial support could be received by the Shareholders, the two major business segments may not have sufficient and available financial resources to sustain the growth expected by the Directors.

Significant difficulties were encountered by the Group in fundraising during the Year under review given the unstable development of economic and political factors in the world under the current Pandemic situation and Sino-US trade tension. In view of such short-term financial needs on working capital and capital investments to be injected into the business segments, the Directors may consider to partially or wholly dispose the equity interests in either or both business segments to realise cash for future developments.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

### (iii) Restructuring of business, corporate and organisational strategy *(Continued)*

Nevertheless, the Group is contemplating to expand business activities for additional sources of incomes, including but not limited to expanding its geographic penetration into unexplored regions, expanding product and income variety in terms of sales of software, technical engineering services and licensing of certain intellectual properties. In addition, the Group is exploring and seeking business partnership to expand the future business opportunities with independent third parties for strategic alliances as well as attracting potential investors for passive capital investment into certain business segments of the Group to enhance overall financial resources to support the growth.

### (iv) Extension of due dates/renewal of borrowings

The Group is actively negotiating with certain financial institutions and creditors to seek extension of due dates or to renew certain bank and other borrowings. Subsequent to 31 December 2020 and up to the date of this report, notwithstanding the continuous impact of the Pandemic, the Group had successfully renewed borrowings from certain banks and the repayment dates were deferred for a period ranging from 6 to 12 months.

### (v) Cost control measurements

During the Year under review, the Group implemented strategies to tighten costs control by engaging professional restructuring experts to reorganize the corporate, operational and research and development structure of certain business segments and the Group is committed to continuously reviewing the effectiveness and efficiency of the operation and research and development structures while further tightening cost controls over the daily administration and other operating expenses are to be implemented, including but not limited to optimizing the organization structure and employee head-counts and aiming at improving the working capital and cash flow position of the Group for the next twelve months, without adversely affecting overall operation and business development opportunities.

The Directors, including members of the audit committee of the Company, have reviewed the Group's business strategy plan and cash flow projections, covering a period of not less than 12 months from the date of this report. Although there is an uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the Directors, after taking into account the above-mentioned plans and measures, are of the opinion that, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within 12 months from the date of this report. Accordingly, the Directors believe that the use of going concern assumption in the preparation and presentation of the consolidated financial statements for the Year under review is appropriate.

Notwithstanding the above, Shareholders are reminded to be aware that significant uncertainties may exist as to whether the Group will be able to continue as a going concern and it will heavily depend upon the Group's ability to successfully and timely implement the above-mentioned strategies in the coming 12 months from the date of this report. Any deviation of the results from the implementation of those strategies may significantly affect the going concern assumption of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

### Net Borrowing Position

The total borrowings, including borrowings and convertible bonds, as at 31 December 2020 increased by approximately 11.8% to approximately HK$983.3 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 Year under review for general working capital purpose. In addition, cash and bank balances and pledged deposits as at 31 December 2020 decreased by 73.5% to approximately HK$31.1 million (31 December 2019: HK$117.3 million). Such decrease was due to repayment of certain borrowings and net operating cash outflows during the Year under review. As such, the net borrowings increased by 24.9% to approximately HK$952.2 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$881.0 million as at 31 December 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 Year under review for general working capital purpose and reclassification of convertible bonds of outstanding principal amount of HK$183.0 million due on 9 June 2020 of which conversion rights were lapsed.

Short-term borrowings include bank loans in an aggregate principal amount of approximately HK$329.2 million (31 December 2019: HK$400.9 million) with floating interest rate of LIBOR plus 2.45% and fixed interest rates of 4.4% – 5.4% (31 December 2019: floating interest rate of LIBOR plus 2.45% and fixed interest rates of 3.9% – 6.0%), and other loans of approximately HK$551.8 million (31 December 2019: HK$86.1 million) with fixed interest rates of 4.4% – 21.0% (31 December 2019: 4.4% – 14.0%) of which approximately HK$232.1 million were overdue and repayable on demand as of 31 December 2020. As at the date of this report, no immediate demand for repayment was requested by the lenders. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group. Approximately HK$72.3 million and HK$256.9 million of the bank loans were denominated in Renminbi and US dollar, respectively, as of 31 December 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$486.5 million and HK$56.6 million were denominated in US dollar, Hong Kong dollar and Renminbi, respectively, as of 31 December 2020 (31 December 2019: approximately HK$8.7 million, HK$24.0 million and HK$53.4 million, respectively).

As of 31 December 2020, the Group had convertible bonds of approximately HK$102.3 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 31 December 2020, the Company and the bondholders are under advanced negotiation on a transitional repayment schedule.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(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 Year under review was approximately 49 days (31 December 2019: 83 days). Trade payables turnover days and inventory turnover days for the Year under review were approximately 116 days and 84 days respectively (31 December 2019: 176 days and 63 days respectively). The Pandemic had disrupted the liquidity of certain major suppliers of the Group and credit limit granted to the Group were reduced. Therefore, to enhance the liquidity and financial position of the Group, the Group requested a temporary decrease in credit terms for certain customers to improve the overall operating cashflows. As a result, turnover days of trade receivables and trade payables were significantly decreased in the Year under review.

The current ratio and quick ratio as at 31 December 2020 decreased to approximately 0.29 (31 December 2019: 0.48) and 0.18 (31 December 2019: 0.39) respectively. Such decrease was primarily due to net operating cash outflow for the Year under review. Gearing ratio was derived from net debts (i.e. total of borrowings and convertible bonds less cash and cash equivalents) to total equity and total debts was approximately 0.79 (31 December 2019: 0.59).

## CHARGE OF ASSETS

As at 31 December 2020, bills payable were pledged with bank deposits and bills receivable amounting to approximately HK$nil million and HK$4.0 million, respectively (31 December 2019: HK$3.9 million and HK$4.3 million respectively).

Certain financial assets at FVTOCI and all shares of the subsidiaries in the automotive-grade wireless connectivity business were pledged for an aggregate banking facilities of approximately HK$304.3 million (31 December 2019: approximately HK$324.6 million).

All shares of a subsidiary which held certain subsidiaries of the ADAS business were pledged to a former convertible bond holder for an overdue aggregated outstanding payable of approximately HK$83.0 million. As at the date of this report, such outstanding payable was settled in full and such pledge was released unconditionally.

Save as disclosed above, the Group had no other significant pledge of assets as at 31 December 2020.

## CONTINGENT LIABILITIES

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW

### Material Disposals

During the Year under review, the Group completed several disposals of non-core and financial assets businesses for cash realisation to improve working capital liquidity and debt repayment:

*(A)* *Car-carried purifiers business*

On 12 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. The Suzhou Yadu Disposal was completed in December 2020 and the Group ceased 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.

*(B)* *Car trading and finance lease of motor vehicles and equipment 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.

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 on 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.

*(C)* *Cloud control business*

On 14 September 2020, the Group entered into an equity transfer agreement to dispose 70% of the equity interest of TUS Cloud Control (Beijing) Technology Limited* (啟迪雲控(北京)有限公司) ("Cloud Control business") at a consideration of RMB105.0 million (the "Cloud Control Disposal"). TUS Cloud Control (Beijing) Technology Limited and its subsidiaries operated in the ADAS business segment specialized in the development of the cloud control platform for intelligent and connected vehicles and its application, and worked 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. The Cloud Control Disposal was completed in November 2020 and the Group ceased the operation of Cloud Control business.

## IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW *(CONTINUED)*

### Material Disposals *(Continued)*

*(C) Cloud control business (Continued)*

Tuspark Venture is a substantial shareholder of the Company holding 452,519,805 Shares (representing approximately 21.93% of the total issued share capital of the Company) and is a wholly-owned subsidiary of TUS Holdings. As of the date of the circular of the Company dated 25 September 2020, TUS Holdings held 38.8% and 76.0% of indirect equity interests of two of the purchasers, respectively. Accordingly, the two purchasers were associates of Tuspark Venture and TUS Holdings, and were connected persons of the Company under Chapter 14A of the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules"), and the transaction contemplated under the equity transfer agreement constituted a connected transaction of the Company. An extraordinary general meeting was held on 14 October 2020 for the Shareholders to consider and approve the transaction.

Please refer to the announcements of the Company dated 14 September 2020 and 14 October 2020 and the circular of the Company dated 25 September 2020 for further details of the Cloud Control Disposal.

*(D) 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. 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 Year under review.

Save as disclosed herein, the Group did not have any other material acquisitions or disposals during the Year under review.

## CONNECTED TRANSACTIONS

On 14 September 2020, the Group entered into an equity transfer agreement to dispose 70% of the equity interest of TUS Cloud Control (Beijing) Technology Limited to various purchasers (including two connected persons) for a consideration of RMB105 million. Such disposal constituted a connected transaction of the Company and was subject to the reporting, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting was held on 14 October 2020 for the shareholders to consider and approve the transaction.

During the Year under review, certain subsidiaries of TUS Holdings provided financial support to the Group to improve the working capital and liquidity of the Group and to assist the Group to meets its financial obligations when they fall due. Such advancements from shareholders were unsecured and were conducted on normal commercial terms or better. These advancements were connected transactions of the Company and were fully exempt from the reporting, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed herein, the Group did not enter into any other connected transactions during the Year under review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EVENTS AFTER THE REPORTING PERIOD

On 11 January 2021, the Company granted share options to an executive director, Mr. Hu Bo, under the 2019 Share Option Scheme. For details, please refer to the announcement of the Company dated 11 January 2021.

On 1 February 2021, a wholly owned subsidiary of the Company, TUS Zhixing Technology (Beijing) Limited* (啟迪智行科技(北京)有限公司), entered into a sale and purchase agreement and agreed to dispose its wholly owned subsidiary, TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) which holds 4.55% of equity interests in National Innovation Center (a financial asset at FVTOCI). For details, please refer to the announcements of the Company dated 1 February 2021 and 4 February 2021.

Save as disclosed herein, no subsequent events occurred after 31 December 2020 and up to the date of this report, which may have a significant effect on the assets and liabilities or future operations of the Group.

## FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC, the US, Europe, and Asia Pacific with approximately 53.0% (2019: 41%) of the revenue denominated in Renminbi while approximately 47.0% (2019: 59.0%) of the revenue denominated in Euro, US dollar and Korean Won. During the Year under review, 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 in the PRC and Europe.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed 368 staff in the PRC, the US, Europe, Asia Pacific and Hong Kong (31 December 2019: 601). Remuneration of employees including Directors' emoluments was approximately HK$163.6 million for the Year under review (2019: HK$166.2 million).

The Group reviews employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance of the employees when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Board and depending upon the performance of the Group. During the Year under review, the Group did not adopt any long-term incentive schemes.

## RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Schemes at the stipulated rate of the eligible employees' salaries.

In Europe and other countries where the Group operates, the Group also participates in social security schemes, net defined benefits plan or other equivalent pension plans organised by the relevant local government authorities for eligible employees, under which the Group makes contributions in an amount equivalent to a specified percentage of employee's monthly salaries.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this report.

### Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, for instance, foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Foreign Exchange Rate Risk

The Group mainly operates in the PRC, the US, Europe, and Asia Pacific with most of the transactions settled in Renminbi, Euro, US dollar or Korean Won. During the Year under review, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies may have a financial impact on the Group.

### Interest Rate Risk

For interest-sensitive investments, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

### Equity Price risk

Equity price risk arises from fluctuation in market prices of the Group's investment in financial assets. The investment portfolio is frequently reviewed and monitored by the senior management to ensure prompt action is taken and the loss arising from the changes in the market values is capped within an acceptable range.

### Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalents to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

### Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group would be submitted to the Board.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES *(CONTINUED)*

### Economic Environment

All of the Group's facilities, operations and revenue are principally located in and derived from the PRC, the US, Europe and Asia Pacific. The Group's results of operations and financial condition therefore depend on the economies of the PRC, the US, Europe and Asia Pacific. The economy of Hong Kong is significantly affected by the developments in Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate.

The Group also has significant business across the PRC and part of its growth strategy is to expand into new regions. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

## RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of the employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationships with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## CHAIRMAN OF THE BOARD

**Mr. Ma Chi Kong Karl**, aged 50, has been appointed as the chairman of the Company and an executive Director since 15 July 2016 and was redesignated as non-executive Director on 8 February 2021.

Mr. Ma graduated from University of Michigan with a Bachelor's degree in Business Administration, and from London Business School of the University of London with a Master's degree in Finance. He obtained the professional qualifications of the Chartered Financial Analyst and is a member of Hong Kong Society of Financial Analysts.

Mr. Ma has been engaged in the investment and financing, fund management and other works in many international investment banks including Credit Suisse. He has more than 20 years of experience in financial business and investment. He also has extensive government relations and business networks all over the mainland China, Hong Kong, Macao and overseas.

Mr. Ma acts as the Co-chairman of the board of directors of China Private Ventures Limited, the director of TUS Holdings, the Chairman of Pine Peak Capital Group Limited, the Chairman of Tus Financial Company Limited, the director of Luso International Banking Ltd. and a member of Beijing Committee of The Chinese People's Political Consultative Conference. TUS Holdings is the holding company of Tuspark Venture, a substantial shareholder holding approximately 21.93% of the issued share capital of the Company as at the date of this report.

## EXECUTIVE DIRECTOR

**Mr. Hu Bo**, aged 47, has been appointed as a non-executive Director of the Company since 29 April 2019 and was redesignated as executive Director on 11 December 2020. Mr. Hu also held directorship in all significant subsidiaries of the Group.

Mr. Hu holds a bachelor degree in Nuclear Energy and New Energy Application from Tsinghua University and a master degree in Business Administration from Tsinghua University School of Economics and Management. Currently, Mr. Hu acts as the vice president of TUS Holdings and the Chairman of TusPark (Jiangsu) Development Co., Ltd. He has rich experience in working and management in the industry operation, park management, financial investment and other fields.

## NON-EXECUTIVE DIRECTOR

**Mr. Tsang Ling Biu Gilbert,** aged 50, has been appointed as a non-executive Director since 15 May 2015.

Mr. Tsang holds a Master degree in Commerce (with Professional Accounting and Finance) and a Bachelor degree in Science (with Information Systems) from University of New South Wales in Australia, and is also the fellow member of CPA Australia.

Mr. Tsang has wealth of experience in private equity and corporate finance. Throughout his career, he held various positions at Calibration Partners Limited, Barclays Capital Asia Limited, The Securities and Futures Commission of Hong Kong, Peregrine Brokerage Limited and Credit Lyonnais Securities Asia Limited (CLSA). He is the co-founder and partner of Calibration Partners Limited. Calibration Partners Limited provides independent, strategic and focused advice in mergers and acquisitions, capital raisings, structured debt, restructurings and bespoke direct investment opportunities. Mr. Tsang is an independent non-executive director of Hingtex Holdings Limited (a company listed in the Main Board of the Stock Exchange, stock code: 1968) and he is the responsible officer of Calibration Partners (Hong Kong) Limited.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Hon. Quat Elizabeth** *(JP)*, aged 54, has been appointed as an independent non-executive Director since 6 January 2017.

Hon. Quat Elizabeth is currently a Legislative Council member of the Hong Kong Special Administrative Region ("HKSAR") and the Chairman of its Panel on Health Services. She was the Chairman of the Panel on Information Technology and Broadcasting for the years 2014 to 2017 and 2018 to 2019. Hon. Quat Elizabeth successively founded a number of non-profit organisations including Smart City Consortium. Hon. Quat Elizabeth was elected as a member of the HKSAR Election Committee for the Information Technology Subsector in 2006 and 2011 and a member of the Shatin District Council in 2007 and 2011. She was elected as a Legislative Council member (New Territories East) in 2012 and 2016.

**Dr. Koong Hing Yeung Victor**, aged 49, has been appointed as an independent non-executive Director since 17 July 2020.

Dr. Koong holds a Bachelor of Arts degree in Economics and Political Science from Dickinson College, a Juris Doctorate degree from Rutgers University School of Law and a Doctorate of Education degree from University of Southern California. He is a member of the Fourteenth Session of the Nanjing Municipal Committee of the Chinese People's Political Consultative Conference (CPPCC).

Prior to establishing his business in early childhood education, Dr. Koong worked as a senior legal counsel for Hong Kong Futures Exchange Limited and Hong Kong Exchanges and Clearing Limited.

**Mr. Lee Kwok Tung Louis**, aged 53, has been appointed as an independent non-executive Director since 10 August 2020.

Mr. Lee was awarded a Bachelor of Economics by Macquarie University, Australia in April 1993. He was admitted as a Certified Practising Accountant of the CPA Australia in June 1996 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in October 1999. He is currently a Fellow Certified Practising Accountant of the CPA Australia and a Fellow Certified Public Accountant of the HKICPA. He has accumulated and possessed extensive experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993.

Mr. Lee is currently an independent non-executive director of five listed companies, namely CGN Mining Company Limited (stock code: 01164), Redsun Properties Group Limited (stock code: 01996), Fusen Pharmaceutical Company Limited (stock code: 01652), Windmill Group Limited (stock code: 01850) and Zonbong Landscape Environmental Limited (stock code: 01855), the shares of all of which are listed on the Stock Exchange.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Deng Bo** is the managing director of Suzhou Zhihua. Mr. Deng holds a Bachelor degree in Automobile Engineering from Tsinghua University, and has over 14 years experiences in the field of automobile including R&D and management. He was the engineer and department head of the Changan Automobile Engineering Research Centre (Electronic Fitting Design Section) and Changan New Energy Vehicle Co. under Changan Automobile (Group) Co. Ltd. He was also the technical director of Smart Vehicle and Control Research Team of the Automobile Engineering Department of Tsinghua University. Mr. Deng then founded Suzhou Zhihua and rapidly expanded the ADAS business of the latter.

**Mr. Mike Masuda** is the technical director of Suzhou Zhihua. Mr. Masuda holds a Master degree and a Bachelor degree in Electronic Engineering from Kyushu Institute of Technology in Japan, and has been focusing in the field of R&D and production of camera system products (especially in automobile camera, omni-view system and HD/3D camera technology) for over 35 years. He was the engineer, technical director and head of technical department of Panasonic Corporation.

The Automotive-grade Wireless Connectivity business segment was principally managed by the executive Director of the Company, Mr. Hu Bo, who led a team of management professionals and industry experts in the PRC and Europe. The team oversees the short term and long term strategic management, daily operations and financial reporting process of this business unit.

# REPORT OF THE DIRECTORS

The Directors hereby present their report together with the audited financial statements of the Group for the Year under review.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in research and development, production and sale of ADAS and software algorithm 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. 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

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the Year under review are provided in the Chairman's Statement and Management Discussion And Analysis on pages 3 to 32 of this report. In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Environmental, Social and Governance Reports disclosed on pages 60 to 86.

The principal risks and uncertainties facing the Group are disclosed in Management Discussion and Analysis under section headed "Principal Risks and Uncertainties" on pages 31 to 32 on this report. Details of the Group's compliance with relevant laws and regulations are set out in Management Discussion and Analysis under the section headed Compliance with Relevant Laws and Regulations. Particulars of important events affecting the reporting entity that have occurred since the end of the Year under review are disclosed in Management Discussion and Analysis under section headed "Events After the reporting period" on page 30 of this report. An indication of likely future development of the Group is disclosed in Management Discussion and Analysis under section headed "Future Plans and Prospects" on page 8 of this report.

## RESULTS

The loss of the Group for the Year under review and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 92 to 95 and pages 215 to 216.

The Board has resolved not to recommend the payment of a final dividend for the Year under review (2019: Nil).

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the Year under review and the published combined financial information of the Group for the four years ended 31 December 2016, 2017, 2018 and 2019 as extracted from the audited financial statements and restated as appropriate, is set out on page 220. This summary does not form part of the audited financial statements.

## FIXED ASSETS

Details of movements in fixed assets are set out in note 18 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Company and the Group during the Year under review are set out in note 40 to the consolidated financial statements and consolidated statement of changes in equity, respectively.

## SHARE CAPITAL

Details of movements in share capital of the Company during the Year under review are set out in note 40 to the consolidated financial statements.

There were no issue, purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year under review.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") although there are no restrictions against such rights under the law in the Cayman Islands.

## BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans as at 31 December 2020 are set out in note 36 to the consolidated financial statements.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders of their holding of such securities.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year under review is as follows:

| | Percentage of the Group's total | | | |
|---|---|---|---|---|
| | Sales | | Purchases | |
| | **2020** | 2019 | **2020** | 2019 |
| The largest customer | **27%** | 20% | | |
| Five largest customers in aggregate | **56%** | 60% | | |
| The largest supplier | | | **57%** | 61% |
| Five largest suppliers in aggregate | | | **80%** | 83% |

Neither the Directors, their close associates nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

## DIRECTORS

The Directors during the Year under review and up to the publication of this report were:

### Executive Director

Mr. Hu Bo (redesignated as executive Director with effect from 11 December 2020)
Mr. Lin Jian (appointed with effect from 1 April 2020 and resigned with effect from 24 December 2020)
Mr. Shen Xiao (resigned with effect from 11 June 2020)

### Non-executive Directors

Mr. Ma Chi Kong Karl *(Chairman)* (redesignated as non-executive Director with effect from 8 February 2021)
Mr. Tsang Ling Biu Gilbert
Mr. Du Peng (redesignated as non-executive Director on 3 July 2020 and resigned with effect from 6 November 2020)
Mr. Qin Zhiguang (resigned with effect from 1 April 2020)

### Independent Non-executive Directors

Hon. Quat Elizabeth *(JP)*
Mr. Poon Chiu Kwok (resigned with effect from 17 July 2020)
Mr. Wong Yuk Lun Alan (resigned with effect from 17 July 2020)
Dr. Koong Hing Yeung Victor (appointed with effect from 17 July 2020)
Mr. Lee Kwok Tung Louis (appointed with effect from 10 August 2020)

According to article 87(1) of the articles of association of the Company (the "Articles"), not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director.

## DIRECTORS *(CONTINUED)*

Mr. Hu Bo being redesignated as an executive Director, Mr. Ma Chi Kong Karl being redesignated as a non-executive Director during the Year under review and up to the date of this report, will retire as Directors and, Mr. Hu Bo, Mr. Ma Chi Kong Karl, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

Pursuant to Article 86(3) of the Articles, any Director appointed as an addition to the Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis were appointed by the Board as independent non-executive Directors with effect from 17 July 2020 and 10 August 2020, respectively. Accordingly, Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis shall retire from office as Directors at the annual general meeting and he, being eligible, offers himself for re-election in the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 33 to 35 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

The executive Director has entered into a service contract with the Company. All annual remuneration packages of the Directors were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company. The service contracts do not specify length of service and can be terminated by either party by giving three months' notice to the other party.

Each of the two non-executive Directors and the three independent non-executive Directors has a service term of three years with the Company. The service can be terminated by either party by giving three months' notice to the other party.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

## DIRECTORS' REMUNERATION

The Shareholders have authorised the Board to fix the Directors' fees in the annual general meeting. The Directors' fees and emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance, the results of the Group and with reference to the suggestions of the Remuneration Committee.

# REPORT OF THE DIRECTORS

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

As at 31 December 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 SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

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

Note:

1. These underlying interests represent 9,280,000 shares 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.

2. These underlying interests represent 4,640,000 shares options granted to Mr. Tsang Ling Biu Gilbert pursuant to the 2009 Share Option Scheme.

3. 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 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

## SHARE OPTION 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 31 December 2020 was 199,461,076 shares which represented approximately 9.67% of the issued share capital of the Company as at 31 December 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.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEMES *(CONTINUED)*

During the Year under review, 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 year | Exercised during the year | Cancelled during the year | Lapsed during the year | As at 31 December 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 |
| Tsang Ling Biu Gilbert | 22 January 2016 | 22 January 2017 – 21 January 2026 | 4,640,000 | – | – | – | – | 4,640,000 | 0.820 |
| **Former Directors** | | | | | | | | | |
| Du Peng | 22 January 2016 | 22 January 2017 – 21 January 2026 | 9,280,000 | – | – | – | (9,280,000) | – | 0.820 |
| | 18 April 2018 | 18 April 2019 – 17 April 2028 | 4,640,000 | – | – | – | (4,640,000) | – | 0.620 |
| Shen Xiao | 12 October 2016 | 12 October 2017 – 11 October 2026 | 9,280,000 | – | – | – | (9,280,000) | – | 0.822 |
| | 18 April 2018 | 18 April 2019 – 17 April 2028 | 4,640,000 | – | – | – | (4,640,000) | – | 0.620 |
| **Other eligible participants** | | | | | | | | | |
| Employees | 22 January 2016 | 22 January 2017 – 21 January 2026 | 600,000 | – | – | – | (600,000) | – | 0.820 |
| | 18 April 2018 | 18 April 2019 – 17 April 2028 | 1,000,000 | – | – | – | (1,000,000) | – | 0.620 |
| | | | 43,360,000 | – | – | – | (29,440,000) | 13,920,000 | |

The 2009 Share Option Scheme had a term of 10 years and was 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 31 December 2020, there were 13,920,000 outstanding options under the 2009 Share Option Scheme. The expiry of the 2009 Share Option Scheme was not in any event affected the terms of the grant of the options that have already been granted thereunder and the abovementioned outstanding options continue to be subject to the provisions of the 2009 Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2020, the following Shareholders (other than the Directors and chief executives of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

| Name of shareholder | Notes | Capacity | Number of ordinary shares of the Company held (Note 1) | | Approximately percentage of total shares of the Company (Note 2) |
|---|---|---|---|---|---|
| Tuspark Venture | 3 | Beneficial interest | 600,255,670 | (L) | 29.09% |
| TUS Holdings | 3 | Interests of controlled corporation | 600,255,670 | (L) | 29.09% |
| E-Town International Holding (Hong Kong) Co., Limited ("E-Town HK") | 4 | 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") | 4 | Interests of controlled corporation | 387,080,868 | (L) | 18.76% |

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 31 December 2020.

(3) Tuspark Venture was the beneficial owner of 452,519,805 Shares. Tuspark Venture was also beneficially interested in the 0% Convertible Bond 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 600,255,670 shares held by Tuspark Venture pursuant to the SFO.

(4) 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.

# REPORT OF THE DIRECTORS

### Short Positions in Shares of the Company

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

Save as disclosed above, as at 31 December 2020, the Directors or chief executive of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 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 Year under review.

## 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 Year under review.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## CONTRACTS OF SIGNIFICANCE AND DIRECTORS' INTERESTS IN CONTRACTS

During the Year under review, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had material interest, whether directly or indirectly, subsisted at the end of the period or any time during the year ended 31 December 2020.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year under review.

## CHANGES IN INFORMATION OF DIRECTORS

Change in Director's biographical details of existing Directors since the date of the Interim Report 2020 and up to date of this report, which are required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules are set out below:

Mr. Ma Chi Kong Karl has been re-designated from an executive Director to a non-executive Director on 8 February 2021 for an initial term of three years and the annual director's fee has been adjusted to HK$360,000. In addition, Mr. Ma Chi Kong Karl was appointed as the Chairman of Pine Peak Capital Group Limited.

Mr. Hu Bo has been re-designated from a non-executive Director to an executive Director on 11 December 2020 for an initial term of three years and the annual director's fee has been adjusted to HK$1,200,000. In addition, Mr. Hu Bo was appointed as the Vice President of Tus-Holdings and the Chairman of Tus Park (Jiangsu) Development Co., Ltd.

Mr. Lee Kwok Tung Louis was appointed as independent non-executive Director of Zonbong Landscape Environmental Limited (HKEx stock Code: 1855) on 14 December 2020.

## AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board

**Ma Chi Kong Karl**
*Chairman*
Hong Kong, 29 March 2021

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE CODE

Saved 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 the Corporate Governance Report (the "CG Code") set out in the Appendix 14 to the Listing Rules, during the Year under review.

### 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 executive Director and the chairman of the Company (the "Chairman") on 15 July 2016, while the role of the chief executive officer has been performed collectively by all executive Directors for the Year under review. Mr. Ma Chi Kong Karl was subsequently re-designated as non-executive Director on 8 February 2021 and thus the roles of the chairman and chief executive officer had been separated.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Year under review, the Company has adopted the model code set out in the Appendix 10 of the Listing Rules for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirmed that they have complied with the required standard set out in the adopted code regarding their securities transactions in 2020.

## BOARD OF DIRECTORS

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

As at the date of publication of this report, the Board comprises 6 Directors, including one executive Director, 2 non-executive Directors and 3 independent non-executive Directors, and is in compliance with the requirement of Listing Rules which states that "every board of directors of an issuer must include at least 3 independent non-executive directors which represent at least one-third of the board". There is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of individual Directors and their range of specialist experience and expertise are set out on pages 33 to 34 of this report.

## BOARD OF DIRECTORS *(CONTINUED)*

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;

- being held accountable for the risk management and internal control systems of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

- whilst executive Director(s)/chief executive(s) of the Company, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;

- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and

- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives of the Company to ensure appropriate arrangements are in place.

### Experience

Executive and non-executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields. During its decision making process, the Board holds in high regard the views of the independent non-executive Directors, which serve as the effective direction of the Group's operations.

### Appointment, Re-election and Removal of Directors

Each of the executive Director(s), non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company with specific term and is subject to retirement and re-election at the forthcoming general meeting of the Company after his/her appointment and will also be subject to the retirement by rotation and re-election in accordance with the Articles of Association of the Company and the CG Code.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(CONTINUED)*

### Non-Executive Directors

Save for the period between 17 July 2020 to 9 August 2020, throughout the Year under review and up to the date of this report, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules. Please refer to the announcements of the Company dated 17 July 2020 and 10 August 2020 for further details. The Company requires at least three independent non-executive Directors and that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

### Directors' and Officers' Insurance

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

### Board Diversity

The Company recognises and embraces the benefits of building a diverse and inclusive Board, and agrees to increase diversity at Board level continuously, in order to achieve and maintain a sustainable development and a competitive advantage.

Board diversity has been considered from a range of diversity perspectives, including but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum composition of the Board and should be balanced appropriately when possible and necessary.

Underpinned by meritocracy, all Board appointments will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board annually discusses board diversity policies and establishes measurable objectives for achieving diversity on the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

## BOARD OF DIRECTORS *(CONTINUED)*

### Board Diversity *(Continued)*

During the Year under review, the Board has adopted board diversity policies and the Company has achieved the following measurable objectives:

(1) at least one-third of the Board is composed of independent non-executive Directors;

(2) at least one Director is a qualified accountant;

(3) at least one Director has relevant experience in the automotive industry; and

(4) at least one Director has relevant experience in finance.

The Board meets at least four times per year at approximately quarterly intervals, to discuss and review the Group's overall strategies, operation and financial performance. Measures have been taken to ensure the Board receives all necessary and up to standard information in a timely manner in order to effectively discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Topics discussed at these quarterly Board meetings include: overall strategies, enterprise risk management and internal control, liquidity and cash flow management, notifiable transactions, annual budgets, interim and annual results, recommendations on Directors' appointment(s) or reappointment(s), matters relating to share capital, approval of major capital projects, dividend policies, and other significant operational and financial matters, etc. All businesses transacted at individual Board meetings are recorded in the minutes of the respective meeting. All Board members have access to the advice and services of the company secretary. If necessary, Directors also have resource to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

All new Directors, if any, will be briefed about their duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the Chairman any additional information or training they may require, in order to discharge their duties in a more effective manner.

In accordance with the Articles of Association of the Company, every member of the Board shall retire by rotation at the annual general meeting of the Company at least once every three years. The retiring Directors shall be eligible for re-election at the same annual general meeting. The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability arising from the performance of their duties.

The Board is responsible for the corporate governance functions, which include the following duties:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report. The Board has discharged the above functions during the Year under review.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(CONTINUED)*

### Attendance of Meeting(s)

The Board meets at least four times a year, at approximately quarterly intervals, to review the operation, financial performance and results of each period, liquidity positions and other matters of the Group that require the resolution of the Board. Simultaneous conference call and web-based meetings may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of the non-executive Directors, including independent non-executive Directors, are actively sought by the Company if they are unable to attend the meeting in person.

Members of the Board, who are well-informed of their duties and responsibilities, held a total of 11 Board meetings for the Year under review. The Directors are given sufficient time to review documents and information relating to matters to be discussed in board meetings in advance.

Proposals considered and approved by the Board during the Year under review mainly included:

- operation, financial performance and results of each period as well as review of corporate governance measures;
- a proposal to seek approval from shareholders in a general meeting for re-election and re-appointment of Directors;
- a proposal to seek approval from shareholders in a general meeting for re-appointment the Company's auditors and fixing their remuneration;
- a proposal to seek approval from shareholders in a general meeting for the general mandate in respect of the issuance of new shares and repurchases of shares;
- appointment, resignation and redesignation of members of the Board; and
- other material disposals and acquisitions and capital expenditure.

## BOARD OF DIRECTORS *(CONTINUED)*

### Attendance of Meeting(s) *(Continued)*

Details of Directors' attendance at board meetings, committee meetings and general meetings held for the Year under review are set out as follows:

| | General Meetings | Board Meetings | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|---|
| **Current Directors** | | | | | |
| Mr. Ma Chi Kong Karl *(Chairman)* | 1/2 | 10/11 | N/A | 1/1 | 1/1 |
| Mr. Hu Bo | 2/2 | 10/11 | N/A | N/A | N/A |
| Mr. Tsang Ling Biu Gilbert | 2/2 | 10/11 | 4/4 | N/A | N/A |
| Hon. Quat Elizabeth *(JP)* | 2/2 | 10/11 | 4/4 | 1/1 | 1/1 |
| Dr. Koong Hing Yeung Victor (appointed on 17 July 2020) | 1/1 | 3/3 | 2/2 | N/A | N/A |
| Mr. Lee Kwok Tung Louis (appointed on 10 August 2020) | 1/1 | 3/3 | 2/2 | N/A | N/A |
| **Former Directors** | | | | | |
| Mr. Qin Zhiguang (resigned on 1 April 2020) | N/A | 3/3 | N/A | N/A | N/A |
| Mr. Shen Xiao (resigned on 11 June 2020) | N/A | 5/6 | N/A | N/A | N/A |
| Mr. Poon Chiu Kwok (resigned on 17 July 2020) | 1/1 | 7/8 | 2/2 | 1/1 | 1/1 |
| Mr. Wong Yuk Lun Alan (resigned on 17 July 2020) | 1/1 | 6/8 | 2/2 | 1/1 | 1/1 |
| Mr. Du Peng (resigned on 6 November 2020) | 2/2 | 10/10 | N/A | N/A | N/A |
| Mr. Lin Jian (appointed on 1 April 2020 and resigned on 24 December 2020) | 2/2 | 6/6 | N/A | N/A | N/A |

### Training, Induction and Continuing Development of Directors

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so that he/she has appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(CONTINUED)*

### Training, Induction and Continuing Development of Directors *(Continued)*

During the Year under review, the Directors participated in the following trainings:–

| | Category of continuous professional development |
|---|---|
| **Current Directors** | |
| Mr. Ma Chi Kong Karl *(Chairman)* | A |
| Mr. Hu Bo | A |
| Mr. Tsang Ling Biu Gilbert | A |
| Hon. Quat Elizabeth *(JP)* | A |
| Dr. Koong Hing Yeung Victor (appointed on 17 July 2020) | A |
| Mr. Lee Kwok Tung Louis (appointed on 10 August 2020) | A |
| **Former Directors** | |
| Mr. Qin Zhiguang (resigned on 1 April 2020) | N/A |
| Mr. Shen Xiao (resigned on 11 June 2020) | N/A |
| Mr. Poon Chiu Kwok (resigned on 17 July 2020) | N/A |
| Mr. Wong Yuk Lun Alan (resigned on 17 July 2020) | N/A |
| Mr. Du Peng (resigned on 6 November 2020) | N/A |
| Mr. Lin Jian (appointed on 1 April 2020 and resigned on 24 December 2020) | A |

A: attending seminars and/or forums relating to directors' duties or other relevant topics, reading newspaper, journals and updates relating to economy, general business or directors' duties etc

## ACCOUNTABILITY AND AUDIT

The management of the Company is responsible for providing all relevant information to the Board, giving members with sufficient explanation and information they need to discharge their responsibilities. Board members are provided with monthly updates, including sales updates, projects launched, upcoming projects and financial position, which give the Board members a balanced and understandable assessment of the performance, position and prospects of the Group.

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the Year under review, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. The management is of the view that the Group will continue as a going concern.

The Group has announced in its annual and interim results in a timely manner within three months and two months after the end of the relevant period, as required under the Listing Rules; or such longer period as the Stock Exchange may approve.

## MANAGEMENT FUNCTIONS

The Board decides on corporate strategies, establishes and maintains appropriate and effective risk management and internal control systems, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval, implementation of strategies approved by the Board, monitoring of operating budgets, implementation of internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

## BOARD COMMITTEES

In compliance with the CG Code, the Company has set up its Audit Committee, Nomination Committee, and Remuneration Committee with clearly defined written terms of reference adopted in compliance with the CG Code.

## AUDIT COMMITTEE

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

Save for the period between 17 July 2020 to 9 August 2020, throughout the Year under review and up to the date of this report, the Company has complied with the requirements under Rule 3.21 of the Listing Rules. Please refer to the announcements of the Company dated 17 July 2020 and 10 August 2020 for further details.

The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting process, internal control and risk management systems of the Group. During the Year under review, the Audit Committee held discussion with auditors in respect of audit engagements and held meetings to review the unaudited interim results and unaudited and audited final results and reports of the Group and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, engagement of non-audit services and relevant scope of work, and arrangements for employees to raise concerns about possible improprieties.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor. The Audit Committee had also reviewed this report and confirmed that it complies with the applicable standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors of the Audit Committee regarding the selection and appointment of external auditors.

The Audit Committee also met the external auditor once without the presence of the executive Directors.

The Audit Committee currently comprises a non-executive Director and three independent non-executive Directors:

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

During the Year under review, the Audit Committee held four meetings. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee"). The terms of reference of the Remuneration Committee can be obtained on the website of the Company and the Stock Exchange.

Save for the period between 17 July 2020 to 9 August 2020, throughout the Year under review and up to the date of this report, the Company has complied with the requirements under Rule 3.25 of the Listing Rules. Please refer to the announcement of the Company dated 17 July 2020 and 10 August 2020 for further details.

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

The Remuneration Committee currently comprises Chairman of the Board and three independent non-executive Directors:

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

During the Year under review, the Remuneration Committee held one meeting. In the meeting, the Remuneration Committee had reviewed the remuneration policy of the Company and packages for the Directors and senior management. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above.

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

Details of the annual remuneration of the members of the senior management by band for the Year under review are set out below:

| Remuneration band (HKD) | Number of individuals |
|---|---|
| HKD nil – HKD500,000 | 1 |
| HKD500,001 – HKD1,000,000 | 1 |

Details of the remuneration of each Director for the Year under review are set out in note 7 to the consolidated financial statements.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee"). The terms of reference of the Nomination Committee can be obtained on the website of the Company and the Stock Exchange.

Save for the deviation from the Code Provision A.5.1 of the CG Code for the period between 17 July 2020 to 9 August 2020, whereby the number of independent non-executive Director at the material time does not represent a majority of the Nomination Committee, throughout the Year under review, the Company has complied with the requirements under Code Provision A.5.1. Please refer to the announcements of the Company dated 17 July 2020 and 10 August 2020 for further details.

The duties of the Nomination Committee are, among others, determining policy for the nomination of directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year under review. The Nomination Committee reviews the structure, size and composition of the Board, to makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company, assess the independence of independent non-executive Directors, to review regularly the contribution required from a Director to perform his/her responsibilities, and to review and monitor the training and continuous professional development of Directors. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" in this report.

The Nomination Committee will assess the suitability of a proposed candidate with reference to, among others, reputation for integrity, accomplishment and experience in management, finance and information technology related industry, in particular, the automobile, cloud computing, and capital financing markets, and commitment in respect of available time and relevant interest.

The Nomination Committee currently comprises the Chairman of the Board and three independent non-executive Directors:

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

During the Year under review, the Nomination Committee held one meeting. In the meeting, the Nomination Committee had reviewed the structure size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company. The attendance and records are set out under the section headed "Attendance of Meeting(s)" as above.

## COMPANY SECRETARY

The company secretary of the Company is responsible for supporting the Board, ensuring good information flow within the Board and Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction, and monitoring the training and continuous professional development of Directors. The current company secretary of the Company, Mr. Cheng Him Shun Hilson, whose was appointed on 3 July 2020, attained no less than 15 hours of relevant professional training during the Year under review.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

With the assistance of the finance department of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the Year under review and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the Year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards and Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

## DIVIDEND POLICY

The Company considers stable and sustainable returns to shareholders of the Company to be our goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, among others, the Group's performance, financial position, cash flows, investment requirements and future prospects, and other factors of the Company which the Directors consider relevant, and in the interests of the shareholders of the Company as a whole.

The Company's distribution of dividends shall also comply with any restrictions under the applicable laws of the Cayman Islands, the laws of Hong Kong, the Listing Rules and the Articles of Association of the Company, as well as subject to the approval of shareholders of the Company.

The Company will continually review the dividend policy from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

## EXTERNAL AUDITORS' REMUNERATION

During the Year under review, the Group has engaged HLB (including any entity that is under common control, ownership or management with HLB or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of HLB nationally or internationally) to provide the following services and their respective fees charged are set out as below:–

| Type of services provided | Amount of fees (HK$) |
|---|---|
| Audit services | 1,200,000 |
| Non-audit services | 217,100 |
| Total | 1,417,100 |

## RISK MANAGEMENT AND INTERNAL CONTROL

Given the Group's current simple operating structure, as opposed to a separate internal audit department, the Board oversees management in the design, implementation and monitoring of the risk management and internal control systems directly. It is the responsibility of the Board to maintain an effective internal control system in order to ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The Audit Committee and the Board review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established the risk management framework in accordance with the enterprise risk management framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") which organised into five interrelated components: governance and culture, strategy and objective-setting, performance, review and revision, and information, communication, and reporting. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted the risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management of the Company identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Board and the Audit Committee, with the assistance of the independent internal control expert, will monitor the enterprise risk management and internal control systems of the Group on an on-going basis. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed an annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

During the Year under review, the Board has engaged an external independent internal control expert to conduct a review on the enterprise risk management and internal control systems of the Group which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company. Review reports of the deficiencies and recommendations on enterprise risk management and internal control systems have been submitted to Audit Committee and the Board during the Year under review.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL *(CONTINUED)*

### Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the "Safe Harbours" as provided for in the SFO. Before the information is disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose such information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

### Communications with Shareholders and Investors

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders and investors. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Company maintains effective communications with its shareholders, investors and analysts through, inter alia:

- establishing dedicated personnel for liaison with investors and analysts by answering their questions;
- gathering, in a timely manner, opinions and comments from analysts and investors on the operations of the Company, compiling reports thereon at regular intervals and selectively adopting them in the Company's operations;
- making available information on the Company's website, including description of the Company, Board and corporate governance, results of the Company, financial highlights, promotional materials and press releases of the Company, etc.; and
- actively communicating with various parties, participates in a range of investor activities and communicates on one-on one basis with its investors regularly.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS *(CONTINUED)*

### Constitutional Documents

During the Year under review, there was no change in Company's constitutional document.

### Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward proposals at general meetings

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Pursuant to Article 88 of the Company's Articles of Association, no person other than a Director retiring at the general meeting shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

### Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Room 707-711, 7/F,
TusPark Workhub,
118 Wai Yip Street,
Kwun Tong
Hong Kong
Email: info@tus-i.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## TUS INTERNATIONAL LIMITED

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

## FINANCIAL YEAR 2020

TUS International Limited ("TUS", the "Company", together with its subsidiaries, the "Group" or "We") is principally engaged in research and development, production and sales of advanced driving assistance system ("ADAS") and software algorithm products and automotive-grade wireless connectivity modules for China, Europe, the United States and the Asia-Pacific region. This report will describe our environmental, social and governance ("ESG") management strategies and performance from 1 January 2020 to 31 December 2020 ("Financial Year 2020" or "Reporting Period"), showing our pursuit of sustainable development and the importance we have placed on it. This report is compiled in accordance with Appendix 27 of the Listing Rules – Environmental, Social and Governance Reporting Guide ("ESG Guide"). The reporting scope[1] of the report includes:

1） Office in Hong Kong headquarters
2） Companies engaged in ADAS business in Suzhou
3） Companies engaged in automotive-grade wireless connectivity business in Belgium, France, Germany, South Korea and the United States

## GOVERNANCE STRUCTURE AND RISK MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY

The Group has established a corporate social responsibility governance structure divided into three main components, namely decision-making level, organisation level and execution level, and is committed to meeting shareholders' expectations for ESG practices. Please refer to the following figure for details of the structure:

| | |
|---|---|
| Decision-making level | The Board participates in the resolution and decision-making of major ESG issues, including relevant strategies and preliminary formulation thereof, and special supplements to annual ESG reports. |
| Organisation level | The Group has set up a special working group with members from the financial and administrative departments to coordinate daily ESG management, including implementing the Board's strategies and policies, preparing ESG reports, collecting and monitoring information and data related to daily corporate social responsibility. |
| Execution level | The financial, human resources and administrative departments and subsidiaries of the Group are responsible for the initial centralised management of the ESG, regularly submit relevant information and data, and implement various ESG-related activities. |

Table 1 The Group's governance structure of corporate social responsibility

[1] Since the companies engaged in the car trading and provision of financing service for leasing motor vehicles and equipment business in the PRC are no longer subsidiaries of the Group, they are not included in the scope of this ESG report.

## GOVERNANCE STRUCTURE AND RISK MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY *(CONTINUED)*

In order to more effectively strengthen and comprehensively implement sustainable development measures, the management assumes the highest regulatory responsibility in ESG. It is responsible for monitoring and performing risk assessments from the top level, as well as designing, implementing and maintaining internal control systems. Through regular communication with senior management of different departments, the management fully understands and identifies potential risks facing the Group in terms of ESG, and formulates relevant improvement measures in time to cope with the rapidly changing market environment. The Group has engaged independent consultants to regularly evaluate risk management and internal control systems. The risk management report, internal audit report and this report have been submitted to the audit committee and the Board for approval. For details, please refer to the "Risk Management and Internal Control" section of the Group's corporate governance report.

## SUSTAINABLE DEVELOPMENT POLICY

We deeply understand that while the Group is pursuing operational excellence, it is necessary to uphold the roles and responsibilities of sustainable development. The Group values the well-being of its partners, employees and stakeholders, and focuses on issues such as community and environmental protection. To implement the vision of sustainable development, the Group has formulated the following sustainable development principles:

- The Group is committed to being a good employer, creating a fair and respected working environment where employees can develop their strengths;
- The Group is committed to protecting the health and safety of its employees;
- The Group cherishes and protects natural resources and biodiversity, and assesses and properly manages all potential negative impacts of its business operations on the environment;
- The Group cooperates with other institutions to promote sustainable development to various industries;
- The Group communicates regularly with stakeholders to understand their views and demands.

## COMPLIANCE

In order to ensure the compliance of the Group's operations, we maintain close attention to major laws and regulations related to the daily operations and business of the Group, regularly track and understand the updates of regulations, seek assistance from professional legal counsels when necessary, and notify relevant departments in real time to comply with the latest laws and regulations, to fully implement the compliance principle.

## REPORTING PRINCIPLES

This report has been complied in accordance with the four reporting principles in the ESG Guide, including "Quantitative", "Materiality", "Consistency" and "Balance".

"Quantitative": The Group has established internal guidelines and procedures with reference to industry practices and the guidelines, laws and regulations of the exchange and relevant government departments, collected environmental and social performance data from various business departments, and retained relevant monitoring instrument records or supporting documents. For standards, methods and assumptions for calculating performance data (if applicable), please refer to the relevant sections in this report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING PRINCIPLES *(CONTINUED)*

"Consistency": The statistical method of disclosure in this report is the same as last year's report, and the same data statistics and conversion methods are used. Relevant historical data has been disclosed in this report, allowing stakeholders to better understand and compare the Group's sustainable development performance.

"Materiality": When defining important ESG issues related to the Group's business and stakeholders, we maintain communication inside and outside the Group to understand their expectations and recommendations. We are in close contact with stakeholders, including employees, investors, customers, suppliers, local government agencies, and local relations organisations, regardless of whether they are affected by or have significant influence on our operations.

"Balance": This report provides an unbiased picture of the Company's ESG performance.

## ESG RELATED CERTIFICATES, AWARDS AND PROFESSIONAL QUALIFICATIONS

By adopting different international environmental and social management standards and systems in operation and business, the Group hopes to effectively manage the environmental and social performance of the Group both inside and outside the Group.

| Certified/Pending Certification | Certificate/Professional Qualification | Business Scope |
|---|---|---|
| Certified | ISO 9001 | Belgium, France, China |
| Pending Certification | ISO 10002 | France |
| | ISO 14001 | France |
| | ISO 37001 | France |
| | ISO 45001 | France |
| | ISO 50001 | France |

Table 2 ESG related certificates and professional qualifications

| Awards and Recognitions | Awarded Institutions | Awarding Institutions or Authorities |
|---|---|---|
| 2020 Most Potential Startup Founded By Leading Scientific and Technological Talents in Wujiang District | Zhihua Automobile | Talent Work Leading Group in Wujiang District |
| Jiangsu Enterprise Technology Centre | Zhihua Automobile | Jiangsu Science and Technology Centre, etc. |

Table 3 Awards and recognitions in 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT

With the ongoing communication and engagement with its stakeholders, the Group can better understand the perspectives and expectations of its stakeholders on the Group's ESG issues with the greatest concerns, as well as the environmental and social impacts associated with the business. By gathering their opinion and understanding their concerns, the Group can refine its policies and approaches on ESG management, determine a more suitable way to address the ESG issues, and make continuous improvement in our ESG performance.

The Group not only has identified key stakeholders who have a significant impact on its business or those who can be significantly affected by its operations, but also has been maintaining regular communication with them through various channels, which are illustrated in the table below.

| Stakeholders | Engagement Methods |
|---|---|
| **Investors and shareholders** | • Annual general meetings and notices<br>• Regular corporate publications, including annual and interim reports<br>• Circulars and announcements (if necessary)<br>• Company website<br>• Sending enquiries and suggestions to the Company's principal place of business<br>• Enquiries via telephone and in writing (if necessary) |
| **Employees** | • Internal emails and publications<br>• Meetings and briefings<br>• Trainings<br>• Employee activities<br>• Performance appraisal |
| **Customers** | • Company website<br>• Customer service hotline<br>• Customer interviews and meetings<br>• After-sale feedback |
| **Suppliers and business partners** | • Business meetings<br>• Performance appraisal<br>• Field visit |
| **Government and regulatory authorities** | • Verbal and written communication (if necessary) |
| **Community groups and the public** | • Social service<br>• Charity events<br>• Public consultation email |
| **Media** | • Company website<br>• Press release |

Table 4 Stakeholders and engagement methods

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

We have performed the materiality assessment to identify relevant ESG issues and assessed their materiality to our businesses and stakeholders to ensure that the level of disclosure of relevant issues in this report can effectively protect the right to know of our stakeholders. The materiality assessment processes are set out as follows:

- Identification of potential issues: Initial screening of related issues with reference to the ESG Guide and benchmarking suitable peers' material ESG issues;
- Stakeholder engagement: Establishing stakeholder engagement channels through which internal and external stakeholders are invited based on factors such as influence, necessity, willingness to participate, etc. to rate and comment on each ESG issue via questionnaires;
- Prioritisation: Consolidating the results from stakeholder engagement, identifying issues, and ranking the materiality of issues according to the principles of relevance and influence;
- Validation: The management has validated and confirmed the material ESG issues, and how they link to the respective aspects of key performance indicators (KPIs) under the ESG Guide.

The table below lists out the ESG issues which were determined to be material to the Group during the Reporting Period:

| Ranking of the Headlines of the ESG Guide | Ranking of Material ESG Issues |
|---|---|
| **A. Environmental** | |
| **A1. Emissions** | • Non-hazardous Waste Management |
| | • Emission of Greenhouse Gases |
| **A2. Use of Resources** | • Use of Packaging Materials |
| | • Electricity Consumption Efficiency |
| | • Water Consumption Efficiency |
| **A3. The Environment and Natural Resources** | • Environmental Management System |
| **A4. Climate Change** | • Identification and Mitigation |
| **B. Social** | |
| **B1. Employment** | • Equal Opportunities |
| | • Compensation, Benefits and Promotion |
| | • Recruitment and Dismissal |
| **B2. Health and Safety** | • Health and Safety of Employees |
| **B3. Development and Training** | • Employee Training Management |
| **B4. Labour Standards** | • Prevention of Child and Forced Labour |
| **B5. Supply Chain Management** | • Supplier Evaluation Mechanism |
| **B6. Product Responsibility** | • Customer Information and Privacy |
| | • Quality Control |
| | • Customer Service |
| **B7. Anti-corruption** | • Prevention of Bribery, Extortion, Fraud and Money Laundering |
| **B8. Community Investment** | • Community service |

Table 5 Material ESG issues related to the Group

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

To demonstrate the Group's commitment to sustainable development, we are committed to reducing the environmental impact of our operation activities and adhere to green operations and green office, to reduce the Group's pollutants, greenhouse gas emissions and their density.

The Group's operation process does not involve the discharge of major waste gas, sewage, hazardous waste, etc. and limited workplace effluents and wastes are attributed to the operation of the Group's offices. The scope and nature of the Group's business are high-tech applications and services. Therefore, no direct emissions are caused due to the establishment of large production facilities. For third-party manufacturers, the Group informs the other party of our environmental policy, requires their cooperation with the environmental management business, and where practical, checks relevant parties' environment-related issues on site. The Group also requires third-party manufacturers to strictly abide by environmental laws and regulations in relation to waste gas, sewage, and waste.

The Group has strictly complied with environmental laws, including the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Integrated Emission Standards of Air Pollutants, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, the Directory of National Hazardous Wastes, the Regulations on the Administration of National Environmental Monitoring, and the Regulations on the Administration of City Appearance and Environmental Sanitation. In the Financial Year 2020, the Group was not involved in any violations or any lawsuits that were relevant to the environmental protection and had significant influence on the Group (2019: nil).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(CONTINUED)*

### A1. Emissions *(Continued)*

| | Unit | **Financial Year 2020** | Financial Year 2019 |
|---|---|---|---|
| **Emissions of Air Pollutant by Vehicles[2]** | | | |
| Emission of nitrogen oxides (NOx) | kg | **20.47** | 47.76 |
| Emission of sulfur oxides (SOx) | kg | **0.25** | 0.86 |
| Emission of particulate matters (PM) | kg | **1.51** | 3.52 |
| **Greenhouse Gas Emission (Scope 1 and Scope 2)** | | | |
| Emission by vehicles (Scope 1) | Tonnes | **41** | 162 |
| Emission by electricity use (Scope 2) | Tonnes | **814** | 905 |
| Total emissions of greenhouse gas (Scope 1 and Scope 2) | Tonnes | **855** | 1,067 |
| Intensity of greenhouse gas emissions (Scope 1 and Scope 2)[3] | Tonnes per employee | **2.32** | 1.77 |

Table 6 Data on related emissions in 2020 and 2019

[2] The above calculations of greenhouse gas and air pollutant emissions are based on the Greenhouse Gas Protocol published by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong issued by the Environmental Protection Department, Sustainability Report 2019 issued by HK Electric, 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the Greenhouse gas reporting – Conversion factors 2020 issued by the Department for Business, Energy & Industrial Strategy of the United Kingdom Government.

[3] The increase in intensity of greenhouse gas emissions was due to the decrease in number of employees caused by the Group's organizational restructuring.

# A. ENVIRONMENTAL *(CONTINUED)*

## A1. Emissions *(Continued)*

*Greenhouse Gas Management*

Our greenhouse gas emissions are mainly from office electricity and car use. For measures to conserve energy and reduce emissions, please refer to the section headed "Use of Resources" below.

*Non-hazardous Waste Management*

The waste generated by the Group's office in its daily operations is uniformly handled by the office's property management company. Since the Group has only a small amount of office waste, the total amount is not required to be disclosed in accordance with the principle of materiality. However, the Group will try its best to ensure that the handling of the solid waste generated in its production is delegated to a qualified enterprise with relevant qualifications.

## A2. Use of Resources

We are fully aware of the finiteness and scarcity of resources, so we will continue to uphold the principle of waste reduction through recycling, develop guidelines to encourage our employees to improve resource utilisation, and hope that we can enhance operational efficiency while reducing our carbon footprint.

The resources consumed by the Group mainly include electricity and water used at its offices and fuel used by automobiles in daily operations. In order to better manage the use of resources, we regularly evaluate the use of resources and incorporate environmental protection and resource utilisation efficiency into business considerations. The Group actively promotes green office, encourages its employees to save water and electricity, and gradually digitises business processes to reduce paper consumption. The Group promotes the recycling of office waste, and places classified recycling bins in various offices as much as possible to reduce the consumption of natural resources and its impact on the environment. Relevant departments regularly complete data collection and analysis, and summarise the problems identified. The Group adopts measures to save paper, such as adopting double-sided printing, re-using envelopes, circulating electronic format rather than hard copies of daily press, etc. We encourage our employees to adopt a paperless approval mode without signing and reply slips, and gradually realise electronic business processes to reduce paper consumption. Employees also actively recycle waste paper for reuse. For example, our French office has installed a lighting system with automatic switching-off, recycled packaging materials received from suppliers or customers, encouraged telecommuting, and used video and teleconferences.

The Group recognises the importance of green shopping for the protection of natural resources. Therefore, we also purchase energy-saving equipment. Office equipment must be inspected by our administrative department before being disposed of and determined to be non-repairable, in order to reduce consumables. By implementing these measures, the Group expects that the waste generated from office operations will be reduced, the green living culture will be promoted, the total resource consumption and density will be reduced in the short term, and the environmental awareness of employees will be improved through proper resource management.

In view of the raging COVID-19 pandemic in the Financial Year 2020, some European offices began to implement work from home in March according to the local government policies, so the energy consumption of offices and the fuel consumption of vehicles decreased in comparison with the corresponding period of 1 January 2019 to 31 December 2019 ("Financial Year 2019").

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(CONTINUED)*

### A2. Use of Resources *(Continued)*

| | Unit | **Financial Year 2020** | Financial Year 2019 |
|---|---|---|---|
| **Resource consumption** | | | |
| Total electricity consumption | Kwh | **1,395,819** | 1,436,938 |
| Intensity of total electricity consumption[4] | Kwh per employee | **3,792.99** | 2,379.04 |
| Total fuel consumption (vehicle) | Litre | **16,188** | 58,206 |
| Intensity of total fuel consumption (vehicle) | Litres per employee | **43.99** | 96.37 |
| Total water consumption | Cubic meter | **5,234** | 8,540 |
| Intensity of total water consumption | Cubic meters per employee | **14.22** | 14.14 |
| Packaging materials used | Tonnes | **4** | 136 |
| Intensity of packaging materials used | Tonnes per employee | **0.01** | 0.22 |

Table 7 Data on related resource consumption in 2020 and 2019

4 The increase in intensity of total electricity consumption and intensity of total water consumption was due to the decrease in number of employees caused by the Group's organizational restructuring.

# A. ENVIRONMENTAL *(CONTINUED)*

## A2. Use of Resources *(Continued)*

*Electricity Consumption Efficiency*

We have formulated energy-saving measures to reduce electricity consumption and greenhouse gas emissions. Our employees are required to comply with energy-saving policies and turn off lights, air conditioners, computers, workstations (including monitors) and other electronic equipment after work. We also adopt other measures to achieve best environmental practice standards, including:

- Installing high-performance lamps and electrical equipment to reduce electricity consumption;
- Giving priority to personal office equipment with energy labels;
- Setting the time for default standby or hibernation mode for all computers, and switching the computer to sleep or hibernation mode when it is idle;
- Air-conditioning in the office is constantly set at 24-26 degrees;
- Regularly maintaining and inspecting daily electrical facilities to ensure there are no abnormalities in their power consumptions;
- Affixing "Saving Energy" stickers near the main switches as a reminder to our employees;
- Minimising business trips and encouraging telephone calls and video conferences instead;
- Advocating electricity conservation awareness by means of regularly sending emails to groups and providing trainings, and educating employees to reduce wastage in small details of daily lives.

*Water Consumption Efficiency*

Paying attention to water consumption and aiming at using water in the most efficient way, the Group has implemented water conservation programs in the office, including enhancing the daily maintenance of water supply equipment to avoid leakage due to damage, adopting electric filter taps, posting slogans to remind employees to save water, and adjusting water valves to the position with minimum water consumption.

The water used in the Group's operations comes from the government's water supply system, and the water supply is managed by the office's property management company. No problems have been found in sourcing water that is fit for purpose during the Reporting Period. All workplace effluents are discharged into the municipal sewer systems for collective treatment in accordance with the Waste Water Quality Standards for Discharge to Municipal Sewers.

Compared with Financial Year 2019, water consumption in Financial Year 2020 decreased, mainly due to the reduction in the number of working days as a result of the COVID-19 pandemic, which resulted in a decrease in the number of staff in dormitories and offices. The Group will endeavour to maintain its water saving plan and strive to reduce water consumption every year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(CONTINUED)*

### A3. The Environment and Natural Resources

*Environmental Management System*

The nature of the Group's business does not involve highly polluting production and operation procedures, so we will not create a significant impact on the environment and natural resources. However, we remain dedicated to taking measures to address the energy efficiency and environmental protection needs. We have already established and improved the environmental management system and will continuously assess and control the potential impacts of our business activities on the environment. When making strategic expansion and investment plans in the future, we will also consider the impact of business activities on the environment and natural resources into decision-making factors, properly assess environmental risks and take appropriate countermeasures to reduce the impact. We guide each subsidiary to conduct risk identification and impact assessment of environmental factors every year, consider expectations of stakeholders and compliance requirements, and plan risk response measures to avoid and reduce adverse effects on business and the environment.

When developing new products and projects under construction, we will consider how to incorporate sustainable development elements into the development and production process, so that products and business models can save resources in the long run. We will regularly test and evaluate the emissions generated by each project under construction, and carry out construction during the controlled period to minimise possible noise, air and light pollution during the construction period, and minimise the damage caused by our projects to the global environment and natural resources.

### A4. Climate Change

*Identification and Mitigation*

As climate risks worsen, the Group will continue to improve its ability to respond to climate impacts and strive to reduce greenhouse gas emissions to help the Group adapt to and resist climate change. The Group will continue to monitor and control the potential risks brought by the climate change to the Group. In the event of climate-related emergencies that the Group may face, such as earthquake or typhoon, we shall implement timely measures to minimise the negative impact on our business. Measures shall include devising disaster management plans, as well as performing adequate data backup.

## B. SOCIAL

### B1. Employment

Reasonable employment practices and labour rights are increasingly important to our business and stakeholders. The Group not only regards employees as the most valuable asset that leads to its business development and success, but also cherishes their contributions. The interests of employees are always our primary consideration. The Group is committed to providing employees with an inclusive, fair and harmonious working environment, continuously investing resources in employee development, cultivating employees' potential, demonstrating a more efficient working environment, and at the same time complying with relevant labour laws and regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B1. Employment *(Continued)*

The Group is committed to recruiting and retaining innovative and responsible talents. We provide employees with competitive salaries and benefits, which are based on relevant laws and regulations, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Trade Union Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, as well as relevant laws in the European Union, the United States, Israel, and South Korea. In order to attract and retain talents, we regularly refer to the benchmark salary and welfare packages of our peers, and the social security systems and related regulations of different countries and regions to ensure that we can maintain our competitive advantages. Benefits for full-time employees include medical insurance, retirement benefits and employee discounts. The Group has also formulated vacation management regulations. All employees are entitled to paid vacation such as national and corporate holidays, annual leave, sick leave, maternity/paternity leave, marriage leave, bereavement leave, etc. In addition, we set fixed working hours and do not encourage overtime work. The Group motivates its employees through rewards and performance bonuses based on their abilities and performance.

*Equal Opportunities*

The Group is committed to providing equal opportunities for both job applicants and employees. We respect multiculturalism and take justice and fairness as the principles of human resource management. The Group provides employees or job applicants with fair employment and development opportunities regardless of age, gender, region, custom, social class, religion, physical disability, political affiliation, etc., and will never discriminate against them.

*Recruitment and Dismissal*

The Group's recruitment principles equally stress on integrity and ability, recruitment of workers on a selective basis, and fair competition. We have established recruitment and selection procedures, and explained the main steps of the recruitment process, such as selecting talents through various channels, conducting interviews and background checks to evaluate their capabilities, experience, and work attitude to screen suitable talents. With regard to demission, we have formulated employee demission management arrangements, including the process of review and approval of demission, hand-over for demission, etc., to ensure that the demission is carried out in an orderly manner and in compliance with legal requirements. Except for violations of national laws and regulations, serious violations of discipline, etc., we will not dismiss employees unreasonably.

The Group respects human rights and implements a zero tolerance policy against child labour and forced labour in its workplaces. During the recruitment process and after employment, the Human Resources Department will review the identity documents, academic qualifications and certificates of employment of all applicants to ensure that their age and work qualifications meet the legal requirements, including the requirements of the Employment Ordinance, the Labour Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour. If it is unfortunate that any child labour is found in the workplace, the Group will promptly take remedial measures to plug the loopholes. All employees sign labour contracts voluntarily and are free to resign with proper notice. The Group also cares about the health of employees during pregnancy and makes special arrangements for work assignments, such as not having to engage in labour-intensive and high-risk activities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B1. Employment *(Continued)*

*Compensation, Benefits and Promotion*

In order to attract and retain talents, we regularly refer to the benchmark salary and welfare packages of our peers, and the social security systems and related regulations of different countries and regions to ensure that we can maintain our competitive advantages. Benefits for full-time employees include medical insurance, retirement benefits and employee discounts. The Group has also formulated vacation management regulations. All employees are entitled to paid vacation such as national and corporate holidays, annual leave, sick leave, maternity/paternity leave, marriage leave, bereavement leave, etc.

In recognition of employees' contributions, we continue to improve and implement performance management assessment mechanisms, regularly conduct objective, fair and transparent assessments, and require managers at all levels to pay attention to employees' growth and development, improve the effectiveness of performance management, and achieve mutual development between employees and the Company. Promotion or salary increase of employees will be negotiated annually based on factors such as business performance, market conditions, employee performance, inflation, and are designed to provide attractive salaries to retain talent and recognise their contributions.

*Labour Rights*

The Group fully respects human rights and labour rights, and seeks every opportunity to protect these rights. The Group regularly reviews its current management policies on employment, working conditions, benefits, and understands the concerns, needs and expectations of employees in these areas. In addition, the Group is committed to maintaining a stable, motivated and mutually supportive workforce in order to establish a corporate culture of diversification, fairness and mutual respect. Every employee and job seeker has equal opportunities in recruitment, transfer, promotion, annual performance evaluation, training, benefits and salary. The Group prohibits any discrimination based on gender, sexual orientation, age, colour, nationality, disability, religion, pregnancy, political orientation, union membership or socioeconomic status, and protects the relevant rights of employees, including organising anti-discrimination training.

The Group strictly follows the BSCI Code of Conduct of the European Foreign Trade Association, which covers the freedom of collective bargaining with the Group, fair rewards and compensation, anti-discrimination, workplace safety and ethical behaviour. The management in France will hold annual and monthly meetings with local employee representatives so that employees can express their demands and opinions.

During the Reporting Period, the Group was not aware of any violations of laws and regulations concerning compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other treatment and benefits that have a material impact on the Group (Financial Year 2019: nil).

# B. SOCIAL *(CONTINUED)*

## B1. Employment *(Continued)*

*Labour Rights (Continued)*

In Financial Year 2020, the total number of employees of the Group was 368 with a total employee turnover rate of 31.5%. The following is the basic information of the Group's employees by gender, age group and geographical region:

| | **Financial Year 2020** | | Financial Year 2019 | |
|---|---|---|---|---|
| Employees by gender | | | | |
| Gender | **Male** | **Female** | Male | Female |
| Number of employees | **219** | **149** | 405 | 199 |
| Approximate percentage of the total number of the Group's employees | **60%** | **40%** | 67% | 33% |

Table 8 Number and proportion of employees by gender in 2020 and 2019

| | **Financial Year 2020** | |
|---|---|---|
| Employees by employment type | | |
| Employment type | **Full-time** | **Part-time** |
| Number of employees | **361** | **7** |

Table 9 Number of employees by employment type in 2020

| | **Financial Year 2020** | | |
|---|---|---|---|
| Employees by class of position | | | |
| | **Senior management** | **Intermediate staff and management** | **General staff** |
| Number of employees | **34** | **211** | **123** |

Table 10 Number of employees by class of position in 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B1. Employment *(Continued)*

*Labour Rights (Continued)*

| | Financial Year 2020 | | | | | Financial Year 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees by age | | | | | | | | | | |
| Age group | 18-25 | 26-35 | 36-45 | 46-55 | >55 | 18-25 | 26-35 | 36-45 | 46-55 | >55 |
| Number of employees | 56 | 189 | 72 | 42 | 9 | 93 | 313 | 127 | 58 | 13 |

Table 11 Number of employees by age in 2020 and 2019

| | Financial Year 2020 | | | Financial Year 2019 | | |
|---|---|---|---|---|---|---|
| Number of employees by geographical region | | | | | | |
| Region | Hong Kong | Mainland China | Others | Hong Kong | Mainland China | Others |
| Number of employees | 13 | 287 | 68 | 17 | 451 | 136 |

Table 12 Number of employees by geographical region in 2020 and 2019

| | Financial Year 2020 | |
|---|---|---|
| Number of employee turnover and turnover rate (by gender) | Male | Female |
| Employees who resigned during this year | 79 | 37 |
| Employee turnover rate | 36% | 25% |

Table 13 Number of employee turnover and turnover rate (by gender) in 2020

| | Financial Year 2020 | | | | |
|---|---|---|---|---|---|
| Number of employee turnover and turnover rate (by age group) | 18-25 | 26-35 | 36-45 | 46-55 | >55 |
| Employees who resigned during this year | 31 | 70 | 10 | 3 | 2 |
| Employee turnover rate | 55% | 37% | 14% | 7% | 22% |

Table 14 Number of employee turnover and turnover rate (by age group) in 2020

Remarks:

1. Including only voluntary turnover (i.e. including resignation and excluding termination, retirement, etc.)
2. Excluding turnover of part-time and temporary employees
3. Excluding turnover of employees during their probation period

# B. SOCIAL *(CONTINUED)*

## B1. Employment *(Continued)*

*Labour Rights (Continued)*

| | Financial Year 2020 | | |
|---|---|---|---|
| Number of employee turnover and turnover rate (by geographical region) | **Hong Kong** | **Mainland China** | **Others** |
| Employees who resigned during this year | **6** | **108** | **2** |
| Employee turnover rate | **46%** | **38%** | **3%** |

Table 15 Number of employee turnover and turnover rate (by geographical region) in 2020

## B2. Health and Safety

*Safety Risk Management and Training*

Safe work and employee health are the foundation and guarantee of sustainable development for an enterprise. We have developed a comprehensive occupational health and safety management system detailing the responsibilities of the Group and its employees in maintaining a safe working environment. We have formulated clear guidelines setting out the handling arrangements for employees in emergency situations, such as accidents at work and fire alarms, in order to control the situation as soon as possible, and we will conduct post hoc reviews. The Group has established an employee health and safety supervision department, which is responsible for receiving and issuing the latest policies and regulations to ensure that all departments strictly abide by national laws and regulations. The Group has also appointed personnel to be responsible for regular tracking and understanding of the updates of laws and regulations, to notify the affected departments in real time to comply with the latest laws and regulations, and to fully implement the compliance principle.

In order to raise awareness of occupational health and safety, we regularly organise occupational health and safety trainings for employees, as well as health and safety trainings related to specific work procedures, including fire drills and first aid courses. The Group provides comprehensive health protection for each employee, including non-medical insurance and child protection benefits. The Group also encourages its employees to actively participate in fitness and strengthen their physique. The Group regularly cleans office areas and employs professionals to conduct safety inspections. In addition, it adopts appropriate precautionary and protective measures to strive to maintain a hygienic, clean and safe working environment. The Group also cares about the health of employees during pregnancy and makes special arrangements for work assignments, such as not having to engage in labour-intensive and high-risk activities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B2. Health and Safety *(Continued)*

*Safety Risk Management and Training (Continued)*

In Financial Year 2020, we arranged for two employees in France to receive first aid training, appointed a safety chief, and created a risk assessment plan to conduct annual reviews with employee representatives. Every new employee must receive health and safety trainings, and every employee is reminded of the health and safety rules once a year. During the Reporting Period, there were no workplace fatalities (Financial Year 2019: nil). The Group will also plan to strengthen the content and total hours of occupational health and safety trainings to minimise the potential for work-related injuries, and will strive to maintain zero work-related fatalities to ensure the safety of employees.

In Financial Year 2020, being affected by the COVID-19 pandemic, in order to protect the health of employees, the Group has implemented flexible work arrangements at the request of the government, and office employees can choose to work from home. The Group has provided employees with alcohol handrubs and masks, and sold masks at preferential prices to employees as needed to maintain employees' personal hygiene and reduce the risk of virus transmission. The Group's management will continue to rigorously monitor the development of the pandemic, ensure that response measures are formulated in accordance with developments in a timely manner, and minimise the negative impact on the Group.

The Group strictly complies with local labour laws and regulations related to occupational safety and health regulations, such as the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the National Work Safety Law, the Trade Union Law of the People's Republic of China, the Regulation on Work-Related Injury Insurance, the Social Insurance Law of the People's Republic of China, as well as relevant laws in the European Union, the United States, Israel, and South Korea. In Financial Year 2020, the Group was not involved in any violations or any lawsuits or appeals that were relevant to occupational safety and health and had significant influence on the Group (Financial Year 2019: nil).

### B3. Development and Training

*Employee Training Management*

The Group is committed to promoting employees' development and enhancing employees' abilities, knowledge and work efficiency by providing extensive technical and professional training. The Group believes that when employees grow and achieve personal and professional achievements, the Group will achieve mutual progress in general. In order to give full play to the potential of employees, the Group not only pays close attention to the needs of employees, but also pays attention to the latest trends in the market. All new recruits are required to participate in induction training, which briefly introduces the Company's background and culture, employee remuneration and benefits, code of conduct, safety production and environmental management training and operating practices, and aims to help new employees adapt to the Group's working environment and improve their awareness of potential safety hazards and environmental protection.

## B. SOCIAL *(CONTINUED)*

### B3. Development and Training *(Continued)*

*Employee Training Management (Continued)*

The Group provides employees with various on-the-job trainings based on their job responsibilities, covering operating strategies and procedures, basic knowledge of corporate management systems, team building, communication and leadership skills, etc. At the same time, the Group will also select outstanding employees for professional training in order to cultivate outstanding management talents. The Group also invites professionals in the industry to hold seminars for employees to keep them informed of the latest market trends and related skills.

In Financial Year 2020, the main training programs of the Group included new employee induction training, job training, skills training, environmental safety and health knowledge training, etc. The total number of employees trained was 313, accounting for 85% of the total number of employees in the Group; the total number of training hours was 2,339 hours, and the average number of training hours per employee of the Group was 6.4 hours. In particular, the induction training was for the Company's new employees, the job training and skills training were for employees in corresponding positions, and the environmental safety and health training were for employees of the whole company. In addition, the Group arranges continuous professional training for all directors every year in accordance with the Listing Rules, and each director obtains the latest Listing Rules, laws and other data from time to time. The group secretary also confirms the completion of no less than 15 hours of relevant professional training every year.

| | **Financial Year 2020** | |
|---|---|---|
| Number of employees trained and total hours of training | | |
| | **Male** | **Female** |
| Number of employees trained | **182** | **131** |
| Percentage of total employees trained | **58%** | **42%** |
| Total hours of training | **1,592.5** | **746.5** |
| Average number of training hours per employee of the Group in this category | **7.3** | **5.0** |

Table 16 Number of employees trained and hours of training in 2020

| | | **Financial Year 2020** | |
|---|---|---|---|
| Number of employees trained and total hours of training by class of position | | | |
| | **Senior management** | **Intermediate staff and management** | **General staff** |
| Number of employees trained | **19** | **123** | **171** |
| Percentage of total employees trained | **6%** | **39%** | **55%** |
| Total hours of training | **55.5** | **973** | **1,310.5** |
| Average number of training hours per employee of the Group in this category | **1.6** | **4.6** | **10.7** |

Table 17 Number of employees trained and total hours of training by class of position in 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B4. Labour Standards

*Prevention of Child and Forced Labour*

The Group has strict restrictions on the age of employees, and strictly checks and verifies the age of candidates during the recruitment process to prevent the recruitment of child labour. In the recruitment process, candidates are also required to provide academic qualifications and work supporting documents for verification, and those suspected of false education and work experience will not be employed by the Group. All employees sign labour contracts voluntarily and are free to resign with proper notice.

In addition, the Group will explain the labour contract to each new employee, who will sign the labour contract and agree to the terms thereof. In order to avoid the occurrence of forced labour, the Group has prepared an employee manual, which contains relevant regulations prohibiting forced labour, and requires employees to study the said manual regularly to raise their awareness. In addition, the Group strictly complies with existing laws and regulations, including the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Disabled Persons, the Provisions on the Prohibition of Using Child Labour, the Special Rules on the Labour Protection of Female Employees, the Provisions on the Special Protection of Underage Workers, the EU Charter of Fundamental Rights Article 5 – Slavery/Forced Labor, as well as relevant laws in the European Union, the United States, Israel, and South Korea, and prohibits all coerced, threatened and other forced labour.

Each department of the Group has designated personnel responsible for regularly tracking and understanding the updates of regulations, and will notify the affected departments in real time to comply with the latest laws and regulations, and to fully implement the compliance principle. In Financial Year 2020, the Group was not aware of any violation of laws and regulations regarding the prohibition of child labour and forced labour (Financial Year 2019: nil).

## B. SOCIAL *(CONTINUED)*

### B5. Supply Chain Management

*Supplier Evaluation Mechanism*

The Group values the partnership with suppliers and believes that effective supply chain management is essential for maintaining product quality and stability, and has a significant impact on the Group's business sustainability. We continue to deepen strategic cooperation with enterprises through standardising procurement processes, while effectively controlling potential risks in the supply chain and optimising supply chain management.

In the selection of suppliers, we first review potential manufacturers, conduct basic background checks on them, and only cooperate with qualified asset managers and suppliers who have no conflicts of interest. After passing product quality, price evaluation and field inspections, qualified suppliers will be included in the list of approved suppliers. In order to continuously guarantee the quality of products and services supplied, we will evaluate the suppliers on a quarterly basis, and only continue to cooperate with suppliers that meet the requirements.

We encourage suppliers to maintain a high standard of business ethics and conduct, and communicate with suppliers and promote them to choose more environmentally friendly products and services that are of satisfactory environmental and social performance. In the selection and evaluation process, we have incorporated evaluation criteria such as environmental and social performance to identify environmental and social risks along the supply chain. Suppliers that fail to properly manage environmental and social risks, may not be included in our approved supplier list. In the future, the Group will work harder to plan and establish a complete production supply chain, and cooperate with suppliers with the goal of sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B6. Product Responsibility

*Quality Control*

We continuously improve the quality and safety inspection system of services, and conscientiously perform management and supervision functions, including labelling products appropriately, ensuring that the project design can meet customers' quality requirements, and attaching great importance to the continuous improvement of standards. We will review and inspect the quality requirements and target conditions at different stages of project design, development and completion. By conducting a series of system tests and program tests, the actual results are compared with the expected results, in order to find any differences and areas for improvement, and strive for excellence. We ensure that each customer's needs are met and that the standard and outcome of every product is consistent. In Financial Year 2020, the Group had no goods or orders subject to recalls for product quality, safety or health reasons.

*Customer Service*

The Group arranges personnel-in-charge to communicate with customers in the pre-project, in-project and post-project phases of the products and services, in order to understand customers' needs, safeguard customers' rights and continuously improve the quality of our services. We will understand the expectations of our customers in detail through communications before the start of a project, and determine the project work plan based on the interests of customers. During the execution process of the project, we will closely communicate with customers on the project progress, the gap between the actual progress and the plan, and their opinions on quality and service.

After the completion of a project, we will also provide customers with timely maintenance services and technical consultation, and will collect their feedback on the quality of our products and services and report to relevant departments. As such, we continuously improve the quality of our products and services. Should a complaint arise, the Group will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. If customers are not satisfied with the quality of products and services or have safety considerations for products and services, the Group arranges sufficient channels and personnel to communicate with customers in a timely manner and resolve related issues as soon as possible. In Financial Year 2020, the Group did not receive any complaints from customers due to product quality or customer service quality.

# B. SOCIAL *(CONTINUED)*

## B6. Product Responsibility *(Continued)*

*Customer Information and Privacy*

The Group also attaches great importance to data protection and privacy. All employees are required to abide by the ethics code in the employee handbook and to keep customer, product and company information strictly confidential. Our contracts with our suppliers also clearly state the confidentiality responsibilities of both parties, and no data can be used without authorisation. The legal department of the Group also reviews operation contracts with major changes to ensure that the contracts protect the rights and interests of both parties. It covers the confidential data of all customers and can only be accessed by the employees responsible for the relevant customers.

We have strictly complied with the Product Quality Law of the People's Republic of China, the Tort Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, as well as laws and regulations related to product and service quality in the European Union, the United States, Israel, and South Korea. In Financial Year 2020, the Group was not involved in any violations or any lawsuits or appeals that were relevant to the quality of products and services and had significant influence on the Group and our customers did not complain or terminate projects due to poor quality and safety issues (Financial Year 2019: nil).

## B7. Anti-corruption

*Prevention of Bribery, Extortion, Fraud and Money Laundering*

The Group is committed to operating its business with high standards of ethics, honesty and integrity, and prevents any form of corruption and bribery.

To this end, the Group has formulated a series of relevant policies and guidelines for employee conduct. The policies and guidelines are applicable to all employees of the Group, including directors, senior management and employees at all levels, to ensure that the concept of integrity management is implemented. The Group also implements an interest declaration mechanism, which clearly states that employees shall not provide or accept benefits to influence business decisions. In the event of a potential conflict of interest, it is necessary to notify the management immediately. In addition, through regular anti-corruption and bribery education and training within the Group, employees' awareness of the Group's integrity culture and work style is enhanced, and employees become strict with themselves and dedicated.

The Group never tolerates acts of corruption. The Group has set up an internal control system to clarify the procedures for reporting, handling, investigating, testifying, closing cases and punishing, and checks the effectiveness of the system every year to prevent non-compliance. The Group encourages its employees, business partners and external third parties to promptly report actual or suspected misconduct such as dereliction of duty, abuse of power, bribery, etc. for investigation and verification, and report to regulatory and law enforcement agencies when necessary. Meanwhile, the identity of the whistle-blower and the matters reported are kept extremely confidential, and the access to the information on the investigation is strictly limited.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(CONTINUED)*

### B7. Anti-corruption *(Continued)*

*Prevention of Bribery, Extortion, Fraud and Money Laundering (Continued)*

We have complied with the Criminal Law of the People's Republic of China, the Criminal Procedure Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Anti-Money Laundering Law of the People's Republic of China, the Belgian Act of 18 September 2017 on the prevention of money laundering, terrorist financing and to restrict the use of cash ("AML Act"), as well as relevant laws in the European Union, the United States, Israel, and South Korea. In Financial Year 2020, the Group was not aware of any violation of laws and regulations regarding anticorruption (Financial Year 2019: nil).

### B8. Community Investment

*Community Engagement*

Young people are a solid force for social development, so the Group values the development of young people. Relying on our global layout and strong scientific research resources, we plan and implement community investment projects, especially education investments, around the world, and are actively committed to bringing positive impact to the community and practicing corporate social responsibility.

In Belgium, we have established a close relationship with local schools. By using our own resources, we have helped five master students from two local universities to complete the research and writing of their master thesis. While providing help to students, we also demonstrated our promotion of the concept of community inclusion.

In France, every year we visit local universities and engineering schools, and hold seminars and exchanges with local students to provide students with cutting-edge knowledge in high technology and other fields to help them better understand the process and development of the times. In addition, in order to help students better adapt to the change from school to society, we encourage and regularly organise local students to actively participate in scientific research training, and help students engage in research and exploration in all aspects through months or longer. Moreover, we will regularly conduct a week-long youth scientific observation training program to cultivate young people who are interested in a career in the scientific research industry in the future.

In Israel, we have friendly cooperation with the local Kenneret College. In terms of academics, we regularly send special personnel to visit the R&D centre to conduct interactions and exchanges with students. In terms of employment, in order to improve students' social practice ability and help them adapt to society faster, we will recruit interns from Kenneret College every year, and select an excellent intern to be our new employee to help solve employment problems.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# APPENDIX 1: ESG GUIDE CONTENT INDEX

| | ESG Indicators | Disclosure Sections |
|---|---|---|
| **A1. Emissions** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| **A1.1** | The types of emissions and respective emissions data. | Emissions |
| **A1.2** | Greenhouse gas emissions and, where appropriate, intensity. | Emissions |
| **A1.3** | Total hazardous waste produced and, where appropriate, intensity. | N/A |
| **A1.4** | Total non-hazardous waste produced and, where appropriate, intensity. | N/A |
| **A1.5** | Description of emissions taget(s) set and steps taken to achieve them. | Emissions – Greenhouse Gas Management<br>Use of Resources |
| **A1.6** | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction taget(s) set and steps taken to achieve them. | Emissions – Non-hazardous Waste Management |
| **A2. Use of Resources** | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| **A2.1** | Direct or indirect energy consumption in total and intensity. | Use of Resources |
| **A2.2** | Water consumption in total and intensity. | Use of Resources |
| **A2.3** | Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources – Electricity Consumption Efficiency |
| **A2.4** | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Use of Resources – Water Consumption Efficiency |
| **A2.5** | Total packaging material used for finished products and, if applicable, with reference to per unit produced. | Use of Resources |
| **A3. The Environment and Natural Resources** | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| **A3.1** | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | N/A |
| **A4. Climate Change** | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| **A4.1** | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 1: ESG GUIDE CONTENT INDEX *(CONTINUED)*

| | ESG Indicators | Disclosure Sections |
|---|---|---|
| **B1. Employment** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment |
| **B1.1** | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Employment |
| **B1.2** | Employee turnover rate by gender, age group and geographical region. | Employment |
| **B2. Health and Safety** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| **B2.1** | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Health and Safety |
| **B2.2** | Lost days due to work injury. | Nil |
| **B2.3** | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Health and Safety |
| **B3. Development and Training** | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| **B3.1** | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| **B3.2** | The average training hours completed per employee by gender and employee category. | Development and Training |
| **B4. Labour Standards** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labour Standards |
| **B4.1** | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards |
| **B4.2** | Description of steps taken to eliminate such practices when discovered. | N/A |

## APPENDIX 1: ESG GUIDE CONTENT INDEX *(CONTINUED)*

| | ESG Indicators | Disclosure Sections |
|---|---|---|
| **B5. Supply Chain Management** | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| **B5.1** | Number of suppliers by geographical region. | Supply Chain Management |
| **B5.2** | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Supply Chain Management |
| **B5.3** | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| **B5.4** | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |
| **B6. Product Responsibility** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| **B6.1** | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Responsibility |
| **B6.2** | Number of products and service related complaints received and how they are dealt with. | Product Responsibility |
| **B6.3** | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility |
| **B6.4** | Description of quality assurance process and recall procedures. | Product Responsibility |
| **B6.5** | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Product Responsibility |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 1: ESG GUIDE CONTENT INDEX *(CONTINUED)*

| | ESG Indicators | Disclosure Sections |
|---|---|---|
| **B7. Anti-corruption** | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| **B7.1** | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption |
| **B7.2** | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | Anti-corruption |
| **B7.3** | Description of anti-corruption training provided to directors and staff. | Anti-corruption |
| **B8. Community Investment** | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| **B8.1** | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| **B8.2** | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

# INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE SHAREHOLDERS OF TUS INTERNATIONAL LIMITED**
*(Incorporated in the Cayman Islands limited liability)*

## OPINION

We have audited the consolidated financial statements of TUS International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 219, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$249,881,000 for the year ended 31 December 2020 and, as of that date the Group had net current liabilities of approximately HK$882,745,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to the key audit matters to be communicated in our report.

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS *(CONTINUED)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Assessing the fair value of financial assets at fair value through other comprehensive income** | |
| Refer to note 3, 4 and note 26 to the consolidated financial statements. | |
| At 31 December 2020, the fair value of the Group's financial assets at fair value through other comprehensive income of HK$195,118,000 was classified under the fair value hierarchy as level 3 financial instruments and change in fair value of financial assets at fair value through other comprehensive income of HK$43,822,000 was recognised to other comprehensive income during the year ended 31 December 2020.<br><br>The valuation of the Group's financial assets at fair value through other comprehensive income is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant judgement.<br><br>We identified assessing the fair value of financial assets at fair value through other comprehensive income as a key audit matter because of the degree of complexity involved in valuing financial assets at fair value through other comprehensive income and because of the degree of judgement exercised by management in determining the inputs used in the valuation methods. | Our audit procedures to assess the fair value of financial instruments included the following:<br><br>• Engaging our valuation specialists to evaluate the valuation methods used by the Group to value level 3 financial instruments and to perform, on sample basis, independent valuations for level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation methods with our knowledge of current market practice, testing inputs to the fair value calculations; and<br><br>• Assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.<br><br>We found that judgement made by the management in relation to valuation of financial assets at fair value through other comprehensive income to be supported by available evidence. |

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS *(CONTINUED)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment on goodwill and intangible assets** | |
| Refer to note 3, 4, note 21 and note 22 to the consolidated financial statements. | |
| The Group has carrying amount of goodwill and intangible assets of HK$647,950,000 and HK$369,129,000 respectively relating to each of respective cash generating units ("CGUs") of the automotive driving assistance system business and automotive-grade wireless connectivity business as at 31 December 2020.<br><br>The management performs an annual impairment test on the recoverability of the goodwill and intangible assets allocated to each CGU which is subjective in nature due to judgements having to be made of future performance.<br><br>The valuation of recoverable amounts of CGUs to which goodwill and intangible assets allocated was performed by an independent professional external valuer based on the value in use calculation. The valuation requires the application of significant judgement and estimation by the management in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuer such as pre-tax discount rates and growth rate used and cash flow projection which can have a significant impact to the valuation. | Our procedures in relation to the management's impairment assessment on goodwill and intangible assets included:<br><br>• Assessing the valuation methodology;<br><br>• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;<br><br>• Checking on sample basis, the mathematical accuracy and relevance of the input data used;<br><br>• Assessing the competence, expertise and objectivity of the management expert who calculates the recoverable amount of CGUs; and<br><br>• Engaging a valuation expert to evaluate the assumptions and methodologies used in the calculation.<br><br>We found the management's judgements and assumptions used in the impairment assessments to be consistent with the available information. |

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

**HLB Hodgson Impey Cheng Limited**
Certified Public Accountants

**Shek Lui**
Practising Certificate Number: P05895

Hong Kong, 29 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenue | 7 | **730,299** | 733,179 |
| Cost of sales | | **(612,639)** | (643,477) |
| Gross profit | | **117,660** | 89,702 |
| Other revenue | 8 | **19,323** | 10,401 |
| Other gains and losses | 9 | **70,749** | (20,059) |
| Research and development expenses | 10 | **(86,853)** | (103,377) |
| Selling and distribution expenses | | **(12,379)** | (13,144) |
| Depreciation | | **(24,354)** | (21,100) |
| Amortisation | | **(62,449)** | (51,384) |
| Administrative expenses | | **(146,544)** | (126,643) |
| Allowance under expected credit loss model, net of reversal | | **(14,402)** | (11,242) |
| Finance costs | 11 | **(110,285)** | (66,616) |
| Share of loss of a joint venture | 25 | **–** | (1,097) |
| Loss before taxation | 12 | **(249,534)** | (314,559) |
| Taxation | 13 | **18,651** | 13,221 |
| Loss for the year from continuing operations | | **(230,883)** | (301,338) |
| **Discontinued operations:** | | | |
| (Loss)/gain for the year from discontinued operations | 41 | **(18,998)** | 17 |
| Loss for the year | | **(249,881)** | (301,321) |
| **Other comprehensive (loss)/income for the year, net of income tax:** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of financial statements of foreign operations | | **(2,793)** | 2,053 |
| *Item that was reclassified to profit or loss:* | | | |
| Reclassification adjustment of exchange differences upon disposal of subsidiaries | | **15,207** | 305 |
| *Items that will not be reclassified to profit or loss:* | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | | **(43,822)** | (48,308) |
| Remeasurement of defined benefit plans | | **(1,249)** | (1,814) |
| **Other comprehensive loss for the year** | | **(32,657)** | (47,764) |
| **Total comprehensive loss for the year** | | **(282,538)** | (349,085) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | Notes | **2020**<br>**HK$'000** | 2019<br>HK$'000<br>(Restated) |
|---|---|---|---|
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | | |
| – from continuing operations | | **(226,452)** | (299,539) |
| – from discontinued operations | | **(19,625)** | 9 |
| | | **(246,077)** | (299,530) |
| **Non-controlling interests** | | | |
| – from continuing operations | | **(4,431)** | (1,799) |
| – from discontinued operations | | **627** | 8 |
| | | **(3,804)** | (1,791) |
| | | **(249,881)** | (301,321) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(280,686)** | (346,944) |
| Non-controlling interests | | **(1,852)** | (2,141) |
| | | **(282,538)** | (349,085) |
| **Loss per share attributable to owners of the Company** | 17 | | |
| **From continuing and discontinued operations** | | | |
| – Basic and diluted (HK cents) | | **(11.9)** | (15.5) |
| **From continuing operations** | | | |
| – Basic and diluted (HK cents) | 17 | **(11.0)** | (15.5) |
| **From discontinued operations** | | | |
| – Basic and diluted (HK cents) | 17 | **(0.9)** | 0.0 |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| – Property, plant and equipment | 18 | **80,982** | 80,615 |
| Right-of-use assets | 19 | **16,117** | 25,016 |
| Construction in progress | 20 | **5,554** | 12,604 |
| Finance lease receivables | 29 | **–** | 8,693 |
| Intangible assets | 21 | **369,129** | 438,699 |
| Goodwill | 22 | **647,950** | 651,329 |
| Interest in a joint venture | 25 | **–** | – |
| Interests in associates | 24 | **–** | – |
| Financial assets at fair value through other comprehensive income | 26 | **195,118** | 265,366 |
| Deferred tax assets | 35 | **2,747** | 742 |
| | | **1,317,597** | 1,483,064 |
| **Current assets** | | | |
| Inventories | 27 | **140,596** | 113,153 |
| Trade and bills receivables, prepayments and other receivables | 28 | **184,878** | 262,963 |
| Finance lease receivables | 29 | **–** | 34,256 |
| Pledged bank deposits | 30 | **–** | 3,884 |
| Cash and cash equivalents | 30 | **31,117** | 113,418 |
| | | **356,591** | 527,674 |
| Assets of a disposal group classified as held for sales | 41 | **–** | 82,678 |
| | | **356,591** | 610,352 |
| **Current liabilities** | | | |
| Trade and bills payables and other payables | 31 | **325,326** | 450,881 |
| Contract liabilities | 32 | **22,997** | 19,542 |
| Lease liabilities | 34 | **7,706** | 8,946 |
| Current tax payable | 35 | **2,268** | 9 |
| Borrowings | 36 | **881,039** | 487,049 |
| Convertible bonds | 37 | **–** | 300,000 |
| | | **1,239,336** | 1,266,427 |
| **Net current liabilities** | | **(882,745)** | (656,075) |
| **Total assets less current liabilities** | | **434,852** | 826,989 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Other payables | 31 | – | 144 |
| Net defined benefits liabilities | 33 | **9,023** | 6,416 |
| Lease liabilities | 34 | **9,039** | 16,583 |
| Deferred tax liabilities | 35 | **92,650** | 110,186 |
| Convertible bonds | 37 | **102,263** | 92,821 |
| | | **212,975** | 226,150 |
| **Net assets** | | **221,877** | 600,839 |
| **Capital and reserves** | | | |
| Share capital | 40 | **20,636** | 20,636 |
| Reserves | 40 | **167,600** | 552,953 |
| Equity attributable to owners of the Company | | **188,236** | 573,589 |
| Non-controlling interests | | **33,641** | 27,250 |
| **Total equity** | | **221,877** | 600,839 |

Approved by the Board of Directors on 29 March 2021 and signed on its behalf by:

**Ma Chi Kong Karl**
*Chairman*

**Hu Bo**
*Director*

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2020*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Statutory surplus reserve HK$'000 | Exchange reserve HK$'000 | Other reserve HK$'000 | Financial assets at fair value through other comprehensive income reserve HK$'000 | Share option reserve HK$'000 | Convertible bonds reserve HK$'000 | Warrants reserve HK$'000 | Accumulated losses HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| As at 1 January 2019 | 13,232 | 679,223 | – | (43,656) | (13,776) | (92,634) | 19,202 | 50,387 | 5,041 | (199,175) | 417,844 | 29,391 | 447,235 |
| Loss for the year | – | – | – | – | – | – | – | – | – | (299,530) | (299,530) | (1,791) | (301,321) |
| Other comprehensive (loss)/income for the year, net of income tax: | | | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | – | – | – | 2,403 | – | – | – | – | – | – | 2,403 | (350) | 2,053 |
| Reclassification adjustment of exchange differences upon disposal of subsidiaries | – | – | – | 305 | – | – | – | – | – | – | 305 | – | 305 |
| Change in fair value of financial assets at fair value through other comprehensive income | – | – | – | – | – | (48,308) | – | – | – | – | (48,308) | – | (48,308) |
| Remeasurement of defined benefits plans | – | – | – | – | (1,814) | – | – | – | – | – | (1,814) | – | (1,814) |
| Total comprehensive (loss)/income for the year | – | – | – | 2,708 | (1,814) | (48,308) | – | – | – | (299,530) | (346,944) | (2,141) | (349,085) |
| Share-based payments | – | – | – | – | – | – | 977 | – | – | – | 977 | – | 977 |
| Laspe of share option | – | – | – | – | – | – | (4,652) | – | – | 4,652 | – | – | – |
| Issue of shares (Note 40) | 6,714 | 401,781 | – | – | – | – | – | – | – | – | 408,495 | – | 408,495 |
| Conversion of convertible bond | 690 | 75,376 | – | – | – | – | – | (15,066) | – | – | 61,000 | – | 61,000 |
| Transaction costs attributable to issue of shares and convertible bonds | – | (1,120) | – | – | – | – | – | – | – | – | (1,120) | – | (1,120) |
| Issure of convertible bond (Note 37) | – | – | – | – | – | – | – | 39,924 | – | – | 39,924 | – | 39,924 |
| Deferred taxation of convertible bond (Note 35(c)) | – | – | – | – | – | – | – | (6,587) | – | – | (6,587) | – | (6,587) |
| Laspe of warrants | – | – | – | – | – | – | – | – | (5,041) | 5,041 | – | – | – |
| At 31 December 2019 and 1 January 2020 | 20,636 | 1,155,260 | – | (40,948) | (15,590) | (140,942) | 15,527 | 68,658 | – | (489,012) | 573,589 | 27,250 | 600,839 |
| Loss for the year | – | – | – | – | – | – | – | – | – | (246,077) | (246,077) | (3,804) | (249,881) |
| Other comprehensive (loss)/income for the year, net of income tax: | | | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | – | – | – | (4,745) | – | – | – | – | – | – | (4,745) | 1,952 | (2,793) |
| Reclassification adjustment of exchange differences upon disposal of subsidiaries | – | – | – | 15,207 | – | – | – | – | – | – | 15,207 | – | 15,207 |
| Change in fair value of financial assets at fair value through other comprehensive income | – | – | – | – | – | (43,822) | – | – | – | – | (43,822) | – | (43,822) |
| Remeasurement of defined benefits plans | – | – | – | – | (1,249) | – | – | – | – | – | (1,249) | – | (1,249) |
| Total comprehensive (loss)/income for the year | – | – | – | 10,462 | (1,249) | (43,822) | – | – | – | (246,077) | (280,686) | (1,852) | (282,538) |
| Capital contribution form non-concontrolling interest | – | – | – | – | – | – | – | – | – | – | – | 32,800 | 32,800 |
| Disposal of subsidiaries | – | – | – | – | 333 | – | – | – | – | (105,000) | (104,667) | (24,557) | (129,224) |
| Derecognition upon lapse of convertible bond | – | – | – | – | – | – | – | (18,271) | – | 18,271 | – | – | – |
| Disposal of financial assets at fair value though other comprehensive income | – | – | – | – | – | 43,000 | – | – | – | (43,000) | – | – | – |
| Laspe of share options | – | – | – | – | – | – | (10,200) | – | – | 10,200 | – | – | – |
| **At 31 December 2020** | **20,636** | **1,155,260** | **–** | **(30,486)** | **(16,506)** | **(141,764)** | **5,327** | **50,387** | **–** | **(854,618)** | **188,236** | **33,641** | **221,877** |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the year ended 31 December 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before taxation | | | |
| – Continuing operations | | **(249,534)** | (314,559) |
| – Discontinued operations | 41 | **(18,981)** | 1,399 |
| | | **(268,515)** | (313,160) |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | 18 | **24,360** | 21,755 |
| – Depreciation of right-of-use assets | 19 | **9,182** | 7,326 |
| – Amortisation of intangible assets | 21 | **85,054** | 61,429 |
| – Finance costs | | **110,285** | 66,616 |
| – Bank interest income | | **(970)** | (754) |
| – Share of loss of a joint venture | 25 | **–** | 1,097 |
| – Loss on disposal of property, plant and equipment | | **11** | 1,122 |
| – (Gain)/loss on disposal of subsidiaries | 43 | **(59,126)** | 10,288 |
| – Allowance under expected credit losses model, net of reversal | | **14,402** | 11,242 |
| – Share-based payments | | **–** | 977 |
| **Operating loss before changes in working capital** | | **(85,317)** | (132,062) |
| Increase in inventories | | **(49,112)** | (18,398) |
| (Increase)/decrease in trade and bills receivables, prepayments and other receivables | | **(817)** | 95,148 |
| Decrease in finance lease receivables | | **8,460** | 43,157 |
| Decrease in trade and bills payables and other payables | | **(2,137)** | (144,930) |
| Increase/(decrease) in contract liabilities | | **6,814** | (2,197) |
| Increase in net defined benefits liabilities | | **2,607** | 6,416 |
| **Cash used in operations** | | **(119,502)** | (152,866) |
| Income tax paid | 35 | **–** | (2,660) |
| Income tax refund | | **1,563** | – |
| **Net cash used in operating activities** | | **(117,939)** | (155,526) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 18 | **(18,020)** | (10,175) |
| Payment for construction in progress | 20 | **(180)** | (5,281) |
| Purchase of intangible assets | 21 | **(100,536)** | (66,991) |
| Net cash outflow on disposal of subsidiaries | | **89,914** | (2,058) |
| Bank interest received | | **970** | 754 |
| Proceed from disposal of property, plant and equipment | | **760** | 1,355 |
| Proceed from disposal of financial assets at fair value through other comprehensive income | | **30,000** | – |
| Net cash outflow on acquisition of subsidiaries | 42 | **–** | (522,869) |
| Withdrawal of pledged bank deposits | | **3,884** | 46,400 |
| **Net cash generated from/(used in) investing activities** | | **6,792** | (558,865) |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the year ended 31 December 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|---|
| **Financing activities** | | | |
| Issue of shares by subscription | | – | 381,118 |
| Transaction cost attributable to issue of shares and convertible bonds | | – | (1,120) |
| Proceeds from bank loans | | **110,293** | 404,847 |
| Repayment of bank loans | | **(186,007)** | (86,424) |
| Proceeds from other loans | | **406,907** | 63,411 |
| Repayment of other loans | | **(113,664)** | (27,386) |
| Finance costs paid | | **(71,905)** | (49,606) |
| Issue of convertible bond | | – | 89,883 |
| Redemption of convertible bond | | **(116,787)** | – |
| Repayments of lease liabilities | | **(9,545)** | (8,351) |
| **Net cash generated from financing activities** | | **19,292** | 766,372 |
| **Net increase in cash and cash equivalents** | | **(91,855)** | 51,981 |
| Effect of foreign exchange rate changes | | **9,554** | 8,239 |
| **Cash and cash equivalents as at 1 January** | | **113,418** | 53,653 |
| **Cash and cash equivalents as at 31 December** | | **31,117** | 113,873 |
| From continuing operations | 30 | **31,117** | 113,418 |
| From discontinued operation, classified as held for sales | 41 | – | 455 |
| | | **31,117** | 113,873 |

The accompanying notes from an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL INFORMATION

TUS International Limited (the "Company") was incorporated in the Cayman Islands on 26 February 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements of the Company and the subsidiaries (collectively the "Group") are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousands ("HK$'000") except when otherwise indicated.

The Group is principally engaged in research and development, production and sales of automotive driving assistance system (ADAS) and software algorithm products and automotive-grade wireless connectivity modules.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definiton of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

In addition, the Group has early applied the Amendments to HKFRS 16 *COVID-19 Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs* in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

### Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

### Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

### Impacts on early application of Amendment to HKFRS 16 Covid-19 Related Rent Concessions

The Group has applied the amendments for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19 related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

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

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

### New and amendments to HKFRSs that have been issued but are not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform-Phase 2[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to HKFRSs | Annual Improvement to HKFRSs 2018-2020[2] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual period beginning on or after 1 January 2021.

The Directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs which is a collective term that includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the disclosure requirements by the Hong Kong Companies Ordinance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

*Going concern assessment*

For the year ended 31 December 2020, the Group incurred a loss of approximately HK$249,881,000, and as of that date, the Group had net current liabilities of approximately HK$882,745,000. In addition, the Group had outstanding borrowings of approximately HK$881,039,000 which were due for repayment or renewal in the next twelve months after 31 December 2020. As at 31 December 2020, the Group has failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in aggregate of approximately HK$356,891,000 for the year ended 31 December 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 its assets and discharge its liabilities in the normal course of business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (b) Basis of preparation of the consolidated financial statements *(Continued)*

*Going concern assessment (Continued)*

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding convertible bonds and borrowings and be able to finance its future working capital and finance requirements. Certain measures have been and will be taken to manage its liquidity need and to improve its financial position which include, but are not limited to, the following:

1 Subsequent to the end of the reporting period, the Group has received conditional waiver letter from the bank for bank borrowing with outstanding amounts of approximately HK$256,891,000 as at 31 December 2020 of which the Group has failed to fulfil certain financial covenants as stated in the terms of the banking facilities.

 The waiver letter is conditional upon the satisfaction, including but not limited to, continuous financial support to the automotive-grade wireless connectivity business for the year ending 31 December 2021, re-negotiation/extension of several other debts of the Company which were overdue and other administrative requirements;

2. The Company has actively negotiated with banks to secure the renewals of the Group's bank borrowings;

3. The Group has fully settled bank borrowings of approximately HK$13,044,000 and other borrowings of approximately HK$83,213,000 respectively subsequent to the reporting period;

4. The Group has received a written confirmation dated 29 March 2021 from Tuspark Venture Investment Limited ("Tuspark Venture"), one of the major shareholders of the Company, that it will provide continuous financial support to the Group to enable the Group to meet its financial obligations as and when they fall due in the next twenty-four months from the date of approval of the consolidated financial statements for the year ended 31 December 2020. Such assistance to be received by the Group will not be secured by any assets of the Group.Subsequent to the above, Tuspark Venture received a written confirmation dated 29 March 2021 from Tus-Holdings Co., Ltd., its holding company, that it has committed to provide continuous financial support to Tuspark Venture in the following twenty-four months;

5. As at the date of approval of these consolidated financial statements, the Group has signed a facility agreement to obtain financing facilities of approximately RMB250.0 million from fellow subsidiaries of Tus-Holdings Co., Ltd.;

6. As at the date of approval of these consolidated financial statements, the Group has signed a letter of intention and is under negotiation of finalisation of a loan agreement with a financial institution amounting to a maximum of HK$220.0 million;

7. The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations;

8. The Group may consider to dispose non-core business and/or financial assets if required; and

9. The Company has actively negotiated with investors for the extension of convertible bonds and obtaining further financing when necessary including but not limited to shareholder's loan, equity financing, bank 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 prepare the consolidated financial statements on a going concern basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (b) Basis of preparation of the consolidated financial statements *(Continued)*

*Going concern assessment (Continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (c) Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

*Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (d) Business combinations or asset acquisitions

*Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

*Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

*Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (d) Business combinations or asset acquisitions *(Continued)*

*Business combinations (Continued)*

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (d) Business combinations or asset acquisitions *(Continued)*

*Business combinations (Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### (e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (f) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate and joint ventures exceeds the Group's interest in that associate and joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate and joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint ventures.

An investment in an associate and joint ventures is accounted for using the equity method from the date on which the investee becomes an associate and a joint venture. On acquisition of the investment in an associate and a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

# 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

## (f) Investment in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such change in ownership interests.

When the Group reduces its ownership interest in an associate and joint ventures but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint ventures that are not related to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (g) Non-current assets held for sale and discontinued operation

*(i) Non-current assets held for sale*

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

# 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

## (g) Non-current assets held for sale and discontinued operation *(Continued)*

*(ii) Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

## (h) Property, plant and equipment

Property, plant and equipment, including buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (h) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | | |
|---|---|---|
| – | Leasehold improvements | Shorter of the remaining lease term or 3 years |
| – | Machinery and equipment | 3-10 years |
| – | Motor vehicles | 10 years |
| – | Office equipment | 5 years |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (i) Construction in progress

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less any recognised impairment losses. Costs include professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (j) Intangible assets (other than goodwill)

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any impairment losses.

*Internally-generated intangible asset – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets there are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (j) Intangible assets (other than goodwill) *(Continued)*

*Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Amortisation of capitalised development cost is charged to profit or loss over the estimated life cycle (not more than 5 years) of the relevant products. Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives as follows:

| | | |
|---|---|---|
| – | Patents | 10-18 years |
| – | Exclusive right | 10 years |
| – | Know-how | 7 years |
| – | Brand name | 8 years |
| – | Customer relationship | 8 years |
| – | Development costs | 5 years |

Both the period and method of amortisation are reviewed annually.

### (k) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (k) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (l) Leases

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

*The Group as a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (l) Leases *(Continued)*

*The Group as a lessee (Continued)*

Right-of-use assets *(Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from the commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at the date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase options if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (l) Leases *(Continued)*

*The Group as a lessee (Continued)*

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line on the consolidated statement of financial position.

Lease modifications

Except for Covid-19 related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (l) Leases *(Continued)*

*The Group as a lessor*

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

### (m) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and other costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (n) Trade and bills receivables and other receivables

Trade and bills receivables and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for expected credit loss, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (p) Trade and bills payables and other payables

Trade and bills payables and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (q) Cash and cash equivalents

Cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### (r) Employee benefits

*(i) Short term employee benefits and contributions to defined contribution retirement benefit plans*

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (r) Employee benefits *(Continued)*

*(i) Short term employee benefits and contributions to defined contribution retirement benefit plans (Continued)*

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service costs, past service costs, as well as gains and losses on curtailment and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "employee benefits expense". Curtailment gains and losses are accounted for as past service costs.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any surplus result from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

*(ii) Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (r) Employee benefits *(Continued)*

*(ii) Share options granted to employees (Continued)*

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share options reserve.

*(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit/(loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (s) Taxation *(Continued)*

*Deferred tax (Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

*Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income or a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under 'other revenue'.

### (v) Current assets and liabilities

Current assets are expected to be realised within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (w) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (x) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets*

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets (Continued)*

(i) Classification and subsequent measurement of financial assets *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

(ii) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposit paid, other receivables, finance lease receivables assessment and cash and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets (Continued)*

(ii) Impairment of financial assets *(Continued)*

(a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets (Continued)*

(ii) Impairment of financial assets *(Continued)*

(a) Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal/or external credit rating of 'investment grade' in accordance with the globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(b) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets (Continued)*

(ii) Impairment of financial assets *(Continued)*

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(d) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 90 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial assets (Continued)*

(ii) Impairment of financial assets *(Continued)*

(e) Measurement and recognition of ECL *(Continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Group's trade and bills receivables and other receivables and finance lease receivables and cash and cash equivalents are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the financial assets at FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Financial liabilities and equity (Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

*Financial liabilities*

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payable, lease liabilities, borrowings and convertible bonds are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

*Convertible bonds*

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserves until either the bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds reserves are released directly to retained profits.

When the convertible bonds are extinguished before maturity through an early redemption or repurchase where the original conversion privileges are unchanged, the consideration paid and any transaction costs for the redemption or repurchase are allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Once the allocation of consideration and transaction costs is made, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognised in equity.

*Warrants*

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants are recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to accumulated losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (x) Financial instruments *(Continued)*

*Warrants (Continued)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### (y) Revenue recognition

*Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods on services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted and presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (y) Revenue recognition *(Continued)*

*Revenue from contracts with customers (Continued)*

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts and goods returns.

*Sales of products*

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue from sale of ADAS products and automotive-grade wireless connectivity modules is recognised at a point in time.

### (z) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference arising on the settlement of monetary items arising on the settlement of monetary items, and on the retranslation of monetary items receivable from or payable to a foreign operation for which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates at the date of transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (z) Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### (aa) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (ab) Related parties transactions

A party is considered to be related to the Group if:

(a) A person or entity that is preparing the consolidated financial statements of the Group:

(b) A person or a close member of that person's family, is related to the Group, if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (ab) Related parties transactions *(Continued)*

(c) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include.

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### (ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the consolidated financial statement.

The following are the critical judgements, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statement.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### (a) Determining the lease term

As explained in policy note 3, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

### (b) Depreciation and amortisation

Property, plant and equipment, right-of-use assets and intangible assets except for development costs (see notes 18, 19 and 21) are depreciated and amortised on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

### (c) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

### (d) Provision of allowance for credit losses for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 28.

### (e) Impairment losses for property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

### (f) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculations of the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management consider it is probable that future taxable profits will be available adjust which the temporary differences can be utilised. When the expectation is different from the original estimate such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

### (g) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3 to the consolidated financial statements. The recoverable amounts of CGUs are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

### (h) Impairment losses of interests in associate

In considering the impairment losses that may be required for the Group's associate, recoverable amount of the associate needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for the associate may not be readily available. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

### (i) Consolidation of entities with less than 50% ownership and existence of control

The directors have concluded that the Group controls Suzhou Zhihua Automobile Electronics Co., Ltd ("Suzhou Zhihua"), even though it holds less than half of the voting rights of this subsidiary. This is because the Suzhou Qiyizhi Management Enterprise Limited ("Suzhou Qiyizhi"), a wholly owned subsidiary of the Company, is the largest shareholder with 44.75% equity interests while the remaining shares are held by seven investors. Through the constitutional document of Suzhou Zhihua, its board of directors shall comprise of five members. The existing board of directors of Suzhou Zhihua consists of five directors and Suzhou Qiyizhi obtained the nomination rights to two directors out of the five board seats of Suzhou Zhihua and obtained a consent from another one director who acting in line with the decisions of two directors who were appointed by Suzhou Qiyizhi. The Group has therefore determined that it has control over this entity, even though it only holds 44.75% of the voting rights.

### (j) Fair values of unlisted equity investments

The fair value of the unlisted equity investment that are not traded in an active market, including financial assets at FVTOCI, is determined based on unobserved input using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bill receivables, other receivables, financial assets at FVTOCI, finance lease receivables, pledged bank deposits, cash and cash equivalents, trade and bills payables and other payables, lease liabilities, borrowings and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Categories of financial instruments

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| At amortised costs | **214,478** | 374,953 |
| At fair value through other comprehensive income | **195,118** | 265,366 |
| Finance lease receivables | **–** | 42,949 |
| **Financial liabilities** | | |
| At amortised costs | **1,325,373** | 1,356,424 |

### Financial risk factors

The Group is exposed to a variety of financial risks: credit, liquidity, currency and interest rate risks arise in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The credit risk of the Group mainly arises from bank balances and pledged bank deposits, finance lease receivables, bills receivables, trade receivables and deposit. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2020 and 2019.

# 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

## (a) Credit risk *(Continued)*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

Majority of the Group's revenue is received from individual customers in relation to sales of ADAS products and automotive-grade wireless connectivity modules. The Group's trade receivables arise from sales of ADAS products and automotive-grade wireless connectivity modules. As at the end of the year, the top five debtors and the largest debtor accounted for approximately 60.0% and 23.2% (2019: 77.4% and 38.2%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

For other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (a) Credit risk *(Continued)*

The Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

Finance lease receivables are mainly secured by leased assets mainly the motor vehicles (note 29) and the average lease term was between 1 to 3 years. Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 180 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 December 2019, allowance for expected credit loss of approximately HK$5,988,000 for finance lease receivables was recognised.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

| As at 31 December 2020 | **Expected loss rate %** | **Gross carrying amount HK$'000** | **Loss allowance HK$'000** |
|---|---|---|---|
| Less than 1 month past due | **3.50** | **42,984** | **1,505** |
| 1 to 3 months past due | **3.66** | **22,948** | **840** |
| 3 months to 1 year past due | **4.30** | **12,770** | **549** |
| More than 1 year | **6.91** | **4,787** | **331** |
| | | **83,489** | **3,225** |

| As at 31 December 2019 | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| Less than 1 month past due | 3.30 | 129,069 | 4,260 |
| 1 to 3 months past due | 3.34 | 20,485 | 685 |
| 3 months to 1 year past due | 4.25 | 7,077 | 301 |
| More than 1 year | 6.12 | 9,286 | 568 |
| | | 165,917 | 5,814 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (a) Credit risk *(Continued)*

*Trade receivables*

| | Lifetime ECL (not credit-Impaired) HK$'000 |
|---|---|
| As at 1 January 2019 | **2,000** |
| – Impairment losses recognised | **3,814** |
| As at 31 December 2019 and 1 January 2020 | **5,814** |
| – Reversal of loss allowance | **(2,589)** |
| As at 31 December 2020 | **3,225** |

The following tables show reconciliation of loss allowances that has been recognised for other receivables and finance lease receivables.

*Other receivables*

| | 12-month ECL HK$'000 |
|---|---|
| As at 1 January 2019 | 13,354 |
| – Impairment losses reversed | 1,440 |
| As at 31 December 2019 and 1 January 2020 | 14,794 |
| – Impairment losses recognised | 16,991 |
| Discontinued operation | (10,385) |
| As at 31 December 2020 | 21,400 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (a) Credit risk *(Continued)*

*Finance lease receivables*

| | **Lifetime ECL (credit-impaired)** HK$'000 |
|---|---|
| As at 1 January 2019 | – |
| Changes due to financial instruments recognised as at 1 January 2019: | |
| – Impairment losses recognised | 5,988 |
| As at 31 December 2019 and 1 January 2020 | 5,988 |
| Discontinued operation | (5,988) |
| As at 31 December 2020 | – |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

# 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

## (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates currently at the end of the reporting period) and the earliest date of the Group can be required to pay:

**As at 31 December 2020**

| | Weighted average effective interest rate % | On demand or less than 1 year HK$'000 | Over 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade and bills payables and other payables | – | **325,326** | – | **325,326** | **325,326** |
| Lease liabilities | **4.43** | **8,118** | **9,368** | **17,486** | **16,745** |
| Borrowings | **6.25** | **929,456** | – | **929,456** | **881,039** |
| Convertible bonds | **10.17** | **5,131** | **138,451** | **143,582** | **102,263** |
| | | **1,268,031** | **147,819** | **1,415,850** | **1,325,373** |

As at 31 December 2019

| | Weighted average effective interest rate % | On demand or less than 1 year HK$'000 | Over 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Trade and bills payables and other payables | – | 450,881 | 144 | 451,025 | 451,025 |
| Lease liabilities | 3.42 | 9,649 | 17,302 | 26,951 | 25,529 |
| Borrowings | 5.39 | 514,845 | – | 514,845 | 487,049 |
| Convertible bonds | 6.97 | 300,000 | 143,583 | 443,583 | 392,821 |
| | | 1,275,375 | 161,029 | 1,436,404 | 1,356,424 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (b) Liquidity risk *(Continued)*

The following table summaries the maturity analysis of bank borrowings with repayable on demand clause based on breach of loan covenants as stated in note 36 and agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position and negotiation with the bank for the waiver, the Directors of the Company do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The Directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

| | Maturity Analysis – bank borrowings subject to a repayment on demand clause based on scheduled repayments | | | | |
|---|---|---|---|---|---|
| | Within one year HK$'000 | More than one year but less than two years HK$'000 | Mote than two years but less than three years HK$'000 | Total undiscounted cash outflows HK$'000 | Carrying amount HK$'000 |
| As at 31 Decmeber 2020 | 190,898 | 154,512 | – | 345,410 | 329,225 |
| As at 31 Decmeber 2019 | 162,072 | 116,384 | 154,512 | 432,968 | 400,878 |

### (c) Currency risk

*Foreign Currency Risk*

The Group is exposed to currency risk primarily through bank borrowings and sales and purchases which give rise to loan balances, cash balances, receivables and payable that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which transaction relate.

The Group's foreign currency exposure arises mainly from the exchange rate movements of the Euro dollars ("EUR") against the Hong Kong dollars.

The Group's currently does not have a foreign currency hedging policy. However, the management monitors foreign currency risk exposure and will consider foreign currency hedging should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2020 and 2019 are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 | **2020 HK$'000** | 2019 HK$'000 |
| EUR | **6,455** | 9,770 | **21,497** | 11,022 |

# 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

## (c) Currency risk *(Continued)*

*Foreign Currency Risk (Continued)*

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity of the Group's post-tax profit/(loss) to a reasonably possible change in the EUR exchange rate, with all other variables held constant.

| | **2020 Increase/ (decrease) in post-tax profit HK$'000** | 2019 Decrease/ (increase) in post-tax loss HK$'000 |
|---|---|---|
| EUR – strengthened 5% (2019: 5%) | **530** | 45 |
| – weakened 5% (2019: 5%) | **(530)** | (45) |

## (d) Interest rate risk

*(i) Exposure to interest rate risk*

The Group's exposure to the risk of changes in market interest rate relates primarily to its interest-bearing bank loans. Borrowings at floating rates expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

*(ii) Sensitivity analysis*

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$2,365,000 (2019: HK$4,297,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (e) Fair values

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 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).

*Fair value hierarchy*

| | **Fair value as at** | | | **Valuation** |
|---|---|---|---|---|
| | **31 December 2020 HK$'000** | 31 December 2019 HK$'000 | **Fair value hierarchy** | **techniques and key inputs** |
| **Financial assets** | | | | |
| Financial assets at FVTOCI – Unlisted equity investments | **24,075** | 68,514 | Level 3 | Income approach – discounted cash flow analysis |
| Financial assets at FVTOCI – Unlisted equity investments | **171,043** | 196,852 | Level 3 | Cost approach |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (e) Fair values *(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 year (2019: Nil).

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2020 and 2019:

| | **Unlisted equity investments** HK$'000 |
|---|---|
| As at 1 January 2019 | 314,616 |
| Fair value change of financial assets at FVTOCI | (48,308) |
| Exchange adjustment | (942) |
| As at 31 December 2019 and 1 January 2020 | 265,366 |
| Fair value change of financial assets at FVTOCI | (43,822) |
| Disposal | (30,000) |
| Exchange adjustment | 3,574 |
| As at 31 December 2020 | 195,118 |

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

| **Valuation techniques** | **Unobservable inputs** | **As at 31 December 2020** | As at 31 December 2019 |
|---|---|---|---|
| Income approach – discounted cash flow analysis (Note (i)) | Discount rate | **16.2%-19.9%** | 9.44%-15.48% |
| Cost approach | N/A | **N/A** | N/A |

Note:

(i) A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of the Sino Partner Global Limited and More Cash Limited respectively, and vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of Sino Partner Global Limited and More Cash Limited by HK$1,439,000 and HK$Nil respectively (2019: HK$2,211,000 and HK$2,021,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### (e) Fair values *(Continued)*

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurement between Level 1 and Level 2, and there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

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

| | **As at 31 December 2020** | |
|---|---|---|
| | **Carrying amount HK$'000** | **Fair value HK$'000** |
| **Financial liabilities** | | |
| Convertible bonds | **102,263** | **98,955** |

| | As at 31 December 2019 | |
|---|---|---|
| | Carrying amount HK$'000 | Fair value HK$'000 |
| **Financial liabilities** | | |
| Convertible bonds | 392,821 | 395,952 |

## 6. 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 year, the Group disposed the car trading and provision of financing service for leasing motor vehicles and equipment business, the car-carried purifier business and the business operations of research and development of software algorithm products under ADAS and other automotive components segment. Upon such disposals, 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 ("ADAS products") and automotive-grade wireless connectivity modules ("Automotive-grade wireless connectivity business"). Comparative information has been restated to conform with the current year's presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 6. 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 sales 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 years ended 31 December 2020 and 2019. For more detail of the discontinued operations, please refer to note 41.

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 operation:

| | Continuing operations | | |
|---|---|---|---|
| | Automotive-grade wireless connectivity business HK$'000 | ADAS products HK$'000 | Total HK$'000 |
| **Year ended 31 December 2020** | | | |
| Segment revenue | 426,830 | 303,469 | 730,299 |
| Segment results | (153,844) | 11,507 | (142,337) |
| Loss on disposal of property, plant and equipment | | | (11) |
| Gain on disposal of subsidiaries, net (Note 43(a)) | | | 59,126 |
| Allowance under expected credit loss model, net of reversal | | | (14,402) |
| Unallocated corporate expense | | | (53,930) |
| Unallocated corporate income and gains | | | 12,305 |
| Finance costs | | | (110,285) |
| Loss before taxation | | | (249,534) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 6. SEGMENT INFORMATION *(CONTINUED)*

| | Continuing operations | | |
|---|---|---|---|
| | Automotive-grade wireless connectivity business HK$'000 | ADAS products HK$'000 | Total HK$'000 (Restated) |
| Year ended 31 December 2019 | | | |
| Segment revenue | 455,589 | 277,590 | 733,179 |
| Segment results | (149,634) | (47,283) | (196,917) |
| Share of loss of a joint venture | | | (1,097) |
| Loss on disposal of property, plant and equipment | | | (326) |
| Loss on disposal of subsidiaries, net (Note 43(b) and (c)) | | | (10,288) |
| Allowance under expected credit loss model, net of reversal | | | (11,242) |
| Unallocated corporate expense | | | (29,926) |
| Unallocated corporate income and gains | | | 1,853 |
| Finance costs | | | (66,616) |
| Loss before taxation | | | (314,559) |

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expense, unallocated corporate income and gains, share of loss of a joint venture, loss on disposal of property, plant and equipment, gain/loss on disposal of subsidiaries, allowance under expected credit loss model, net of reversal and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

# 6. SEGMENT INFORMATION *(CONTINUED)*

| | **Automotive -grade wireless connectivity business HK$'000** | **ADAS products HK$'000** | **Total HK$'000** |
|---|---|---|---|
| **Year ended 31 December 2020** | | | |
| Segment assets | **896,865** | **506,431** | **1,403,296** |
| Segment liabilities | **196,384** | **167,435** | **363,819** |

| | Automotive -grade wireless connectivity business HK$'000 | ADAS products HK$'000 | Total HK$'000 |
|---|---|---|---|
| Year ended 31 December 2019 | | | |
| Segment assets | 1,060,161 | 453,850 | 1,514,011 |
| Segment liabilities | 346,867 | 201,261 | 548,128 |

Reconciliation of reportable segments' assets and liabilities:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| **Assets** | | |
| Total assets of reportable segments | **1,403,296** | 1,514,011 |
| Unallocated and other corporate assets: | | |
| Prepayments and other receivables | **68,451** | 191,009 |
| Financial assets at fair value through other comprehensive income | **195,118** | 265,366 |
| Cash and cash equivalents | **5,260** | 34,148 |
| Office equipment and motor vehicles | **2,063** | 6,204 |
| Assets of a disposal group classified as held for sale | **–** | 82,678 |
| Consolidated total assets | **1,674,188** | 2,093,416 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **363,819** | 548,128 |
| Unallocated and other corporate liabilities: | | |
| Other payables | **98,373** | 56,194 |
| Borrowings | **881,039** | 487,049 |
| Convertible bonds | **102,263** | 392,821 |
| Deferred tax liabilities | **6,817** | 8,376 |
| Current tax payable | **–** | 9 |
| Consolidated total liabilities | **1,452,311** | 1,492,577 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 6. SEGMENT INFORMATION *(CONTINUED)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at fair value through other comprehensive income and other unallocated corporate assets (mainly comprising prepayments and other receivables, cash and cash equivalents, office equipment and motor vehicles, assets of a disposal group classified as held for sale); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising other payables, borrowings, convertible bonds, deferred tax liabilities and current tax payable).

### Other segment information

| Continuing operations | Automotive-grade wireless connectivity business HK$'000 | ADAS products HK$'000 | Unallocated HK$'000 | Total HK$'000 (Restated) |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| Capital expenditure (Note (a)) | **2,852** | **116,473** | **–** | **119,325** |
| Depreciation and amortisation | **78,399** | **39,424** | **803** | **118,626** |
| Taxation | **(17,093)** | **–** | **(1,558)** | **(18,651)** |
| Year ended 31 December 2019 | | | | |
| Capital expenditure (Note (a)) | 37,848 | 56,772 | 58 | 94,678 |
| Depreciation and amortisation | 60,675 | 25,995 | 1,487 | 88,157 |
| Taxation | (11,792) | 1,253 | (2,682) | (13,221) |

Note:

(a) During the years ended 31 December 2020 and 2019, capital expenditure consists of additions of property, plant and equipment, right-of-use assets, intangible assets and construction in progress.

# 6. SEGMENT INFORMATION *(CONTINUED)*

## Information about geographical areas

During the year ended 31 December 2020 and 2019, the Group was mainly operating in the PRC, Europe, the US and Asia Pacific. The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

| | Continuing operations | | | | | |
|---|---|---|---|---|---|---|
| | Automotive-grade wireless connectivity business | | ADAS products | | Total | |
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 (Restated) |
| **Revenue** | | | | | | |
| The PRC | **37,499** | – | **303,469** | 277,590 | **340,968** | 277,590 |
| Europe, the US and Asia Pacific | **389,331** | 455,589 | **–** | – | **389,331** | 455,589 |
| | **426,830** | 455,589 | **303,469** | 277,590 | **730,299** | 733,179 |
| **Non-current assets** | | | | | | |
| The PRC | **65** | – | **125,858** | 203,875 | **125,923** | 203,875 |
| Europe, the US and Asia Pacific | **352,597** | 422,155 | **–** | – | **352,597** | 422,155 |
| | **352,662** | 422,155 | **125,858** | 203,875 | **478,520** | 626,030 |

Note: Information about geographical areas at the PRC, Europe, the US and Asia Pacific were without goodwill.

## Information about major customers

For the year ended 31 December 2020, revenue generated from one (2019: two) customer(s) of the Group's Automotive-grade wireless connectivity business amounting to HK$198,572,000 (2019: HK$270,678,000) and revenue generated from one (2019: Nil) customer of the Group's ADAS products amounting to HK$90,645,000 (2019: Nil) have individually accounted for over 10% of the Group's total revenue. Save as disclosed, no other single customers contributed 10% or more to the Group's revenue for both years.

Revenue from major customers who contributed 10% or more of the Group's revenue, is set out below:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A (Note) | **N/A** | 159,947 |
| Customer B | **198,572** | 110,731 |
| Customer C (Note) | **90,645** | N/A |

Note: Revenue from the customer is less than 10% of the total revenue of the Group in corresponding year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 7. REVENUE

The Group is principally engaged in production and sales of ADAS products and automotive-grade wireless connectivity modules.

Revenue recognised during the year is analysed as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations:** | | |
| **Revenue from contracts with customers** | | |
| Recognised at a point in time: | | |
| Sales of automotive-grade wireless connectivity modules | **426,830** | 455,589 |
| Sales of ADAS products | **303,469** | 277,590 |
| | **730,299** | 733,179 |

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.

## 8. OTHER REVENUE

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations:** | | |
| Bank interest income | **970** | 588 |
| Subsidy income (Note) | **4,018** | 958 |
| Sundry income | **4,319** | 1,745 |
| Recharge income from customers | **10,016** | 7,110 |
| | **19,323** | 10,401 |

Note:

For the years ended 31 December 2020 and 2019, subsidy income mainly represents the reward for innovative and high-end technology enterprise in the PRC. Subsidy income received by the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill. The subsidy income recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to those subsidy income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 9. OTHER GAINS AND LOSSES

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations:** | | |
| Net foreign exchange gain/(loss) | **14,117** | (7,666) |
| Loss on disposal of property, plant and equipment | **(11)** | (326) |
| Gain/(loss) on disposal of subsidiaries, net | **59,126** | (10,288) |
| Others | **(2,483)** | (1,779) |
| | **70,749** | (20,059) |

## 10. RESEARCH AND DEVELOPMENT EXPENSES

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| Research and development expenses incurred | **86,853** | 103,377 |

## 11. FINANCE COSTS

| | 2020 HK$'000 | 2019 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations:** | | |
| Interest expenses on bank loans | **20,902** | 23,788 |
| Interest expenses on other loans | **51,011** | 7,845 |
| Imputed interest expenses on lease liabilities | **112** | 874 |
| Imputed interest expenses on convertible bonds | **17,409** | 34,109 |
| Finance cost on redemption of convertible bonds | **20,851** | – |
| | **110,285** | 66,616 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 12. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations:** | | |
| Auditors' remuneration | | |
| – Audit service | **1,200** | 1,200 |
| – Non-audit service | **326** | 250 |
| Staff costs (including directors' emoluments) | | |
| – Salaries, wages and bonuses | **157,753** | 158,807 |
| – Retirement scheme contributions and welfare | **5,985** | 7,396 |
| – Share-based payments | **–** | 977 |
| Depreciation of property, plant and equipment | **24,354** | 21,379 |
| Depreciation of right-of-use assets | **9,182** | 7,326 |
| Amortisation of intangible assets | **85,054** | 59,452 |
| Expenses relating to short term lease and other leases with remaining lease term terminating on or before 31 December 2019 | **6,807** | 5,996 |
| Cost of inventories | **509,157** | 494,848 |
| Written-off inventories | **7,024** | – |

## 13. TAXATION

### (a) Income tax recognised in profit or loss:

| | 2020<br>HK$'000 | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| **Continuing operations:** | | |
| **Current tax:** | | |
| PRC Enterprise Income Tax | **–** | 1,253 |
| Hong Kong Profits Tax | **–** | (19) |
| Other than Hong Kong and the PRC | **696** | – |
| Over-provision in prior year (other than Hong Kong and PRC) | **–** | (916) |
| **Deferred tax:** | | |
| Current year (Note 35(b) and (c)) | **(19,347)** | (13,539) |
| Taxation | **(18,651)** | (13,221) |

## 13. TAXATION *(CONTINUED)*

### (a) Income tax recognised in profit or loss: *(Continued)*

*PRC Enterprise Income Tax*

Pursuant to the income tax rules and regulations of the PRC, provision for PRC Enterprise Income Tax of major subsidiaries of the Group is calculated based on the following rates:

| | Notes | **2020** | 2019 |
|---|---|---|---|
| Shanghai Nanlang Finance Lease Limited ("Shanghai Nanlang") | (i) | **25%** | 25% |
| Hunan Delu Car Trading Limited ("Hunan Delu") | (i) | **25%** | 25% |
| Suzhou Yadu Cloud Technology Co., Limited ("Yadu Cloud") | (i) | **25%** | 25% |
| Suzhou Zhihua Automobile Electronic Co., Ltd ("Suzhou Zhihua") | (ii) | **15%** | 15% |
| Beijing Yinwo Automobile Technology Company Limited ("Beijing Yinwo") | (i) | **25%** | 25% |
| Qidi Zhixing Technology (Beijing) Limited ("Qidi Zhixing") | (i) | **25%** | 25% |
| TUS Yunzhi Technology (Beijing) Limited ("TUS Yunzhi") | (i) | **25%** | 25% |
| TUS Cloud Control (Beijing) Technology Limited ("TUS Cloud Control") | (i) | **25%** | 25% |
| Chian Tus Titan Limited ("China Tus Titan") | (i) | **25%** | 25% |

Notes:

(i) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

(ii) Suzhou Zhihua is "encouraged hi-tech enterprise" and entitled to reduce the tax rate to 15%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 13. TAXATION *(CONTINUED)*

### (a) Income tax recognised in profit or loss: *(Continued)*

*PRC Enterprise Income Tax (Continued)*

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

*Hong Kong Profit Tax*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rate regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 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.

*Other Jurisdictions*

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.

### (b) Reconciliation between income tax and accounting profit at applicable tax rates

| | **2020**<br>**HK$'000** | 2019<br>HK$'000<br>(Restated) |
|---|---|---|
| Continuing operations: | | |
| Loss before taxation | **(249,534)** | (314,559) |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned | **(86,635)** | (55,308) |
| Tax effect of non-deductible expenses | **30,142** | 21,499 |
| Tax effect of non-taxable revenue | **(3,485)** | (155) |
| Tax effect of unrecognised temporary differences and tax losses | **41,327** | 21,659 |
| Over-provision in prior year | **–** | (916) |
| Taxation | **(18,651)** | (13,221) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 14. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, are as follows:

**Year ended 31 December 2020**

| | Fees HK$'000 | Salaries, allowance and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Sub-total HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Ma Chi Kong Karl *(Chairman)* (redesignated as non-executive director on 8 February 2021) | – | 1,200 | – | 12 | 1,212 | – | 1,212 |
| Mr. Hu Bo (redesignated to executive director on 11 December 2020) | – | 407 | – | – | 407 | – | 407 |
| Mr. Shen Xiao (resigned on 11 June 2020) | – | 1,433 | – | 3 | 1,436 | – | 1,436 |
| Mr. Lin Jian (appointed on 1 April 2020 and resigned on 24 December 2020) | – | 877 | – | – | 877 | – | 877 |
| **Non-executive directors** | | | | | | | |
| Mr. Tsang Ling Biu Gilbert | 360 | – | – | – | 360 | – | 360 |
| Mr. Qin Zhiguang (resigned on 1 April 2020) | 90 | – | – | – | 90 | – | 90 |
| Mr. Du Peng (redesignated to non-executive director on 3 July 2020 and resigned on 6 November 2020) | 736 | – | – | 9 | 745 | – | 745 |
| **Independent non-executive directors** | | | | | | | |
| Hon. Quat Elizabeth *(JP)* | 360 | – | – | – | 360 | – | 360 |
| Mr. Poon Chiu Kwok (resigned on 17 July 2020) | 196 | – | – | – | 196 | – | 196 |
| Mr. Wong Yuk Lun Alan (resigned on 17 July 2020) | 98 | – | – | 1 | 99 | – | 99 |
| Mr. Koong Hing Yeung Victor (appointed on 17 July 2020) | 165 | – | – | – | 165 | – | 165 |
| Mr. Lee Kwok Tung Louis (appointed on 10 August 2020) | 141 | – | – | – | 141 | – | 141 |
| Total | 2,146 | 3,917 | – | 25 | 6,088 | – | 6,088 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 14. DIRECTORS' REMUNERATION *(CONTINUED)*

Year ended 31 December 2019

| | Fees HK$'000 | Salaries, allowance and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Sub-total HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Mr. Ma Chi Kong Karl | – | 1,200 | – | 18 | 1,218 | – | 1,218 |
| Mr. Du Peng | – | 1,200 | – | 18 | 1,218 | 441 | 1,659 |
| Mr. Shen Xiao | – | 3,225 | – | 18 | 3,243 | 441 | 3,684 |
| **Non-executive directors** | | | | | | | |
| Mr. Tsang Ling Biu Gilbert | 360 | – | – | – | 360 | – | 360 |
| Mr. Qin Zhiguang | 360 | – | – | – | 360 | – | 360 |
| Mr. Hu Bo (appointed on 29 April 2019) | 242 | – | – | – | 242 | – | 242 |
| **Independent non-executive directors** | | | | | | | |
| Hon. Quat Elizabeth *(JP)* | 360 | – | – | – | 360 | – | 360 |
| Mr. Poon Chiu Kwok | 360 | – | – | – | 360 | – | 360 |
| Mr. Wong Yuk Lun Alan | 180 | – | – | 9 | 189 | – | 189 |
| Total | 1,862 | 5,625 | – | 63 | 7,550 | 882 | 8,432 |

None of director agreed to waive or has waived any emolument during year ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 15. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group, included Nil (2019: three) directors whose emoluments are disclosed in note 14. The detail of the emoluments in respect of the remaining five (2019: two) individual who were neither a director nor chief executive of the Company for the years ended 31 December 2020 and 2019 are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Salaries and other emoluments | **10,930** | 2,468 |
| Retirement scheme contributions | **942** | 32 |
| | **11,872** | 2,500 |

The emoluments of the individuals who are not the director of the Company with the highest emoluments are within the following band:

| | **2020**<br>**Number of individuals** | 2019<br>Number of individuals |
|---|---|---|
| HK$1,000,001 – HK$1,500,000 | **–** | 2 |
| HK$1,500,001 – HK$2,000,000 | **1** | – |
| HK$2,000,001 – HK$2,500,000 | **3** | – |
| HK$3,000,001 – HK$3,500,000 | **1** | – |

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 16. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 December 2020 (2019: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 17. LOSS PER SHARE

### (a) Basic loss per share

*Continuing and discontinued operations*

The calculation of basic loss per share from continuing and discontinued operations for the year ended 31 December 2020 is based on the loss for the year attributable to owners of the Company from continuing and discontinued operations of approximately HK$246,077,000 (2019: approximately HK$299,530,000) and the weighted average of number of approximately ordinary share 2,063,615,000 (2019: approximately 1,929,699,000) ordinary shares in issue during the year.

*Continuing operations*

The calculation of the basic loss per share for the year ended 31 December 2020 from continuing operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of approximately HK$226,452,000 (2019: approximately HK$299,539,000) and the weighted average number of ordinary shares of approximately 2,063,615,000 (2019: approximately 1,929,699,000) during the year.

*Discontinued operation*

The calculation of the basic loss per share for the year ended 31 December 2020 from discontinued operation are based on loss for the year attributable to ordinary equity holders of the Company from discontinued operations of approximately HK$19,625,000 (2019: profit of approximately: HK$9,000) and the weighted average number of ordinary shares of approximately 2,063,615,000 (2019: approximately 1,929,699,000) during the year.

### (b) Diluted loss per share

*Continuing and discontinued operations*

During the years ended 31 December 2020 and 2019, the computation of diluted loss per share does not include the Company's outstanding share options and outstanding convertible bonds because the effect was anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 18. FIXED ASSETS

| | Leasehold improvements HK$'000 | Machinery and equipment HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| As at 1 January 2019 | 4,118 | 22,092 | 4,181 | 7,051 | 37,442 |
| Additions | 236 | 7,702 | 673 | 1,564 | 10,175 |
| Transfer from construction in progress (Note 20) | 835 | – | – | – | 835 |
| Disposal | (1,285) | (1,551) | (261) | (6) | (3,103) |
| Acquisition of subsidiaries (Note 42) | 4 | 69,049 | – | 1,220 | 70,273 |
| Disposal of subsidiary | (31) | (983) | (897) | (334) | (2,245) |
| Exchange alignment | 160 | 2,675 | (32) | (3,381) | (578) |
| **As at 31 December 2019 and 1 January 2020** | 4,037 | 98,984 | 3,664 | 6,114 | 112,799 |
| Additions | 116 | 16,260 | 199 | 1,445 | 18,020 |
| Transfer from construction in progress (Note 20) | – | 7,014 | – | 52 | 7,066 |
| Disposal | (358) | (1,621) | – | (70) | (2,049) |
| Disposal of subsidiary | (153) | (8,429) | – | (333) | (8,915) |
| Exchange alignment | 186 | 10,243 | 64 | 461 | 10,954 |
| As at 31 December 2020 | 3,828 | 122,451 | 3,927 | 7,669 | 137,875 |
| **Accumulated depreciation:** | | | | | |
| As at 1 January 2019 | 931 | 5,697 | 1,537 | 3,226 | 11,391 |
| Charge for the year | 973 | 19,364 | 508 | 910 | 21,755 |
| Written back on disposal | – | (481) | (138) | (6) | (625) |
| Disposal of subsidiary | (1) | (195) | (150) | (22) | (368) |
| Exchange alignment | 192 | 1,574 | (12) | (1,723) | 31 |
| **As at 31 December 2019 and 1 January 2020** | 2,095 | 25,959 | 1,745 | 2,385 | 32,184 |
| Charge for the year | 1,497 | 21,528 | 369 | 966 | 24,360 |
| Written back on disposal | (357) | (852) | – | (69) | (1,278) |
| Disposal of subsidiary | (153) | (3,007) | – | (103) | (3,263) |
| Exchange alignment | 173 | 4,433 | 40 | 244 | 4,890 |
| As at 31 December 2020 | 3,255 | 48,061 | 2,154 | 3,423 | 56,893 |
| **Carrying out amounts:** | | | | | |
| **As at 31 December 2020** | **573** | **74,390** | **1,773** | **4,246** | **80,982** |
| As at 31 December 2019 | 1,942 | 73,025 | 1,919 | 3,729 | 80,615 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 19. RIGHT-OF-USE ASSETS

| | Office premises HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| As at 1 January 2019 | 4,217 | – | – | 4,217 |
| Acquisition of subsidiaries | 13,480 | 2,462 | – | 15,942 |
| Additions | 6,987 | 4,997 | 247 | 12,231 |
| Exchange adjustment | (69) | – | – | (69) |
| As at 1 January 2020 | 24,615 | 7,459 | 247 | 32,321 |
| Exchange adjustment | 411 | – | – | 411 |
| As at 31 December 2020 | 25,026 | 7,459 | 247 | 32,732 |
| **Accumulated depreciation:** | | | | |
| As at 1 January 2019 | – | – | – | – |
| Charge for the year | 5,815 | 1,445 | 66 | 7,326 |
| Exchange adjustment | (21) | – | – | (21) |
| As at 1 January 2020 | 5,794 | 1,445 | 66 | 7,305 |
| Charge for the year | 6,937 | 2,171 | 74 | 9,182 |
| Exchange adjustment | 128 | – | – | 128 |
| As at 31 December 2020 | 12,859 | 3,616 | 140 | 16,615 |
| **Carrying amounts:** | | | | |
| **As at 31 December 2020** | **12,167** | **3,843** | **107** | **16,117** |
| As at 31 December 2019 | 18,821 | 6,014 | 181 | 25,016 |

## 20. CONSTRUCTION IN PROGRESS

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| As at 1 January | **12,604** | 8,186 |
| Additions | **180** | 5,281 |
| Transfer to property, plant and equipment (Note 18) | **(7,066)** | (835) |
| Exchange alignment | **(164)** | (28) |
| As at 31 December | **5,554** | 12,604 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 21. INTANGIBLE ASSETS

| | Development costs HK$'000 | Patents HK$'000 | Exclusive right HK$'000 | Customer relationship HK$'000 | Brand name HK$'000 | Know-how HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| As at 1 January 2019 | 106,424 | – | 39,847 | – | – | – | 146,271 |
| Additions | 66,991 | – | – | – | – | – | 66,991 |
| Exchange alignment | (1,882) | – | (307) | – | – | – | (2,189) |
| Acquisition of subsidiaries (Note 42) | – | – | – | 15,472 | 93,023 | 274,491 | 382,986 |
| Assets classified as held for sales (Note 41) | (42,738) | – | (39,540) | – | – | – | (82,278) |
| As at 31 December 2019 and 1 January 2020 | 128,795 | – | – | 15,472 | 93,023 | 274,491 | 511,781 |
| Additions | 99,872 | 664 | – | – | – | – | 100,536 |
| Exchange alignment | 13,644 | 36 | – | – | – | – | 13,680 |
| Disposal of subsidiaries (Note 43) | (104,753) | – | – | – | – | – | (104,753) |
| **As at 31 December 2020** | **137,558** | **700** | **–** | **15,472** | **93,023** | **274,491** | **521,244** |
| **Accumulated amortisation and impairment:** | | | | | | | |
| As at 1 January 2019 | 56,778 | – | 5,313 | – | – | – | 62,091 |
| Amortisation charge for the year | 15,473 | – | 1,977 | 1,612 | 9,690 | 32,677 | 61,429 |
| Exchange alignment | (410) | – | 311 | – | – | – | (99) |
| Assets classified as held for sales (Note 41) | (42,738) | – | (7,601) | – | – | – | (50,339) |
| As at 31 December 2019 and 1 January 2020 | 29,103 | – | – | 1,612 | 9,690 | 32,677 | 73,082 |
| Amortisation charge for the year | 32,260 | 19 | – | 1,934 | 11,628 | 39,213 | 85,054 |
| Exchange alignment | 3,896 | 1 | – | – | – | – | 3,897 |
| Disposal of subsidiaries (Note 43) | (9,918) | – | – | – | – | – | (9,918) |
| **As at 31 December 2020** | **55,341** | **20** | **–** | **3,546** | **21,318** | **71,890** | **152,115** |
| **Carrying amounts:** | | | | | | | |
| **As at 31 December 2020** | **82,217** | **680** | **–** | **11,926** | **71,705** | **202,601** | **369,129** |
| As at 31 December 2019 | 99,692 | – | – | 13,860 | 83,333 | 241,814 | 438,699 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 21. INTANGIBLE ASSETS *(CONTINUED)*

Development costs represent costs incurred to develop ADAS products and other automotive components.

During the year ended 31 December 2020, the research and development expenses approximately of HK$99.9 million (2019: approximately of HK$67.0 million) was capitalised in development costs under intangible assets.

Know-how represents technical knowledge using 2G to 5G to develop automotive cellular module products which acquired by Titan Group for auto grade cellular module business during the year ended 31 December 2019. The directors consider that the estimated useful life of the know-how to be 7 years.

Brand name represents the reputation built after years of operation as the Titan Group is a well-know automotive-grade wireless connectivity modules provider, that has gained certain market share activity as global automotive communication module suppliers.

Customer relationship represents customer portfolio and relationship form a major part of the business as Titan Group has been serving several large automotive original equipment manufacturers in different regions such as Continental, Bosch, Tesla etc.

Amortisation charge for the year ended 31 December 2020 of HK$Nil (2019: HK$71,000) included in "research and development expenses".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 22. GOODWILL

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **651,329** | 164,773 |
| (Amount decreased from disposal of subsidiaries)/ additional amount recognised from acquisition of subsidiaries during the year (Note 41 and 42) | **(3,379)** | 486,556 |
| As at 31 December | **647,950** | 651,329 |

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

### Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the following CGUs. The carrying amount of goodwill (net of impairment loss) as at 31 December 2020 and 2019 are allocated as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Development, production and sales of ADAS and other automotive components | **161,394** | 161,394 |
| Development, manufacture and sales of auto grade cellular module (Note 42) | **486,556** | 486,556 |
| Finance lease of motor vehicles and equipment | **–** | 3,379 |
| | **647,950** | 651,329 |

*Development, production and sales of ADAS products*

The recoverable amount of this CGU is determined by reference to the income approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 11.91% (2019: 12.33%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady 2.6% (2019: 3.0%) growth rate.

*Development, manufacture and sales of auto grade cellular module*

The recoverable amount of this CGU is determined by reference to the income approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 19.89% (2019: 19.18%) that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady 1.6% (2019: 1.8%) growth rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 22. GOODWILL *(CONTINUED)*

### Impairment tests for cash-generating units containing goodwill *(Continued)*

*Finance lease of motor vehicles and equipment*

The recoverable amount of this CGU is determined by reference to the income approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 8.45% as at 31 December 2019 that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady growth rate of approximately 3.0% as at 31 December 2019.

The key assumptions included in the discounted cash flows were as follows:

- For the CGUs to continue as a going concern, it will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the CGUs in accordance with the business plans;
- Market trends and conditions where the CGUs operate will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the CGUs;
- There will be no material changes in the business strategy of the CGUs and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the CGUs will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organisation required to operate in the localities where the CGUs operate or intend to operate will not be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the CGUs operate or intend to operate, which would adversely affect the revenues and profits attributable to CGUs.

As the recoverable amounts of the CGUs to which the goodwill is allocated is higher than its carrying amounts, no impairment loss on goodwill of these CGUs are recognised in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 23. PARTICULARS OF SUBSIDIARIES

**(a)** The details of the Group's principal subsidiaries at the end of the reporting period are set out below:

| Name of Company | Place of incorporation/ registration/ operations | Class of shares held | Paid up/ registration capital | Proportion of ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | | Indirectly | | |
| | | | | **2020** % | 2019 % | **2020** % | 2019 % | |
| Sunlight Management Limited | Hong Kong, limited liability company | Ordinary | HK$1 | – | – | **100** | 100 | Administration and management service to the Group |
| Shanghai Nanlang (note (i)) | The PRC, limited liability company | Registered and paid up capital | RMB114,002,987 | – | – | – | 51 | Provision of financing service for leasing motor vehicles and equipment in the PRC |
| Hunan Delu (note (i)) | The PRC, limited liability company | Registered and paid up capital | RMB5,000,000 | – | – | – | 100 | Car trading in the PRC |
| Suzhou Zhihua | The PRC, limited liability company | Registered and paid up capital | RMB38,700,000 | – | – | **44.8** | 44.8 | Development, production and sale of ADAS products in the PRC |
| Beijing Yinwo | The PRC, limited liability company | Registered and paid up capital | RMB1,000,000 | – | – | **44.8** | 44.8 | Development, production and sale of automotive electronics products in the PRC |
| Yadu Cloud (note (i)) | The PRC, limited liability company | Registered and paid up capital | RMB80,000,000 | – | – | – | 51 | Sale of car-carried purifiers in the PRC |
| China Tus Titan | The PRC, limited liability company | Registered and paid up capital | RMB1,083,000 | – | – | **100** | 100 | Sales of automotive-grade wireless connectivity module in the PRC |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 23. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

**(a)** The details of the Group's principal subsidiaries at the end of the reporting period are set out below: *(Continued)*

| Name of Company | Place of incorporation/ registration/ operations | Class of shares held | Paid up/ registration capital | Proportion of ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | | Indirectly | | |
| | | | | **2020** % | 2019 % | **2020** % | 2019 % | |
| Qidi Zhixing | The PRC, limited liability company | Registered and paid up capital | RMB6,760,495 | – | – | **100** | 100 | Administration and management service to the Group |
| TUS Cloud Control (note (i)) | The PRC, limited liability company | Registered and paid up capital | Nil | – | – | **–** | 70 | Development of the technologies for the intelligent and connected vehicles cloud control platform |
| Titan Automotive Solutions N.V. (note (ii)) | Belgium, limited liability company | Registered and paid up capital | Euro44,416,270 | – | – | **100** | 100 | Development, manufacture and sales of auto grade cellular module |
| Titan Automotive Solutions S.A.R.L (note (ii)) | France, limited liability company | Registered and paid up capital | Euro107,874 | – | – | **100** | 100 | Development and presale of products |

Notes:

(i) The Company was disposed during the year ended 31 December 2020.

(ii) The Companies were acquired during the year ended 31 December 2019.

### (b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

| Name of company | Place of incorporation/ registration/ operations | Proportion of ownership interests held by non-controlling interests | | Proportion of voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2020** % | 2019 % | **2020** % | 2019 % | **2020** HK$'000 | 2019 HK$'000 | **2020** HK$'000 | 2019 HK$'000 |
| Suzhou Zhihua and its subsidiary | The PRC | **55.2** | 55.2 | **55.2** | 55.2 | **1,350** | 1,176 | **33,641** | 30,846 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 23. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

### (b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

**Suzhou Zhihua and its subsidiary**

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Current assets | **247,776** | 218,871 |
| Non-current assets | **125,858** | 81,964 |
| Current liabilities | **(316,476)** | (247,181) |
| Non-current liabilities | **(94)** | (144) |
| Equity attributable to owners of the Company | **23,423** | 22,664 |
| Non-controlling interests | **33,641** | 30,846 |
| Revenue | **290,741** | 276,438 |
| Expenses | **(288,358)** | (274,310) |
| Profit for the year | **2,383** | 2,128 |
| Profit attributable to owners of the Company | **1,033** | 952 |
| Profit attributable to non-controlling interests | **1,350** | 1,176 |
| Profit for the year | **2,383** | 2,128 |
| Total comprehensive income attributable to owners of the Company | **759** | 618 |
| Total comprehensive income attributable to non-controlling interests | **2,795** | 1,058 |
| Total comprehensive income for the year | **3,554** | 1,676 |
| Net cash inflow from operating activities | **18,907** | 55,035 |
| Net cash outflow from investing activities | **(35,049)** | (43,002) |
| Net cash inflow/(outflow) from financing activities | **11,214** | (16,123) |
| Net cash outflow | **(4,928)** | (4,090) |

*Significant restrictions*

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations result in restrictions on exporting capital from the PRC, other than through normal dividends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 24. INTERESTS IN ASSOCIATES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Cost of investment in an associate (unlisted) | **10,000** | 10,000 |
| Share of post-acquisition loss and other comprehensive income, net of dividend received | **(4,881)** | (4,881) |
| Impairment loss recognised on amount due from an associate | **(5,119)** | (5,119) |
| | **–** | – |

Details of the Group's associates at the end of the reporting period are as follows:

| Name of entity | Place of incorporation | Principal place of business | Class of shares held | Proportion of ownership interest held by the Group 2020 % | 2019 % | Proportion of voting rights held by the Group 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Tuspark Global Limited ("Tuspark Global") | British Virgin Islands | HK | Ordinary | **28.57%** | 28.57% | **28.57%** | 28.57% | Investment holdings |

## 25. INTEREST IN A JOINT VENTURE

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Cost of investment in a joint venture | **1,097** | 1,097 |
| Share of post acquisition loss and other comprehensive income of a joint venture | **(1,097)** | (1,097) |
| Share of net assets | **–** | – |

Details of the Group's joint venture at the end of the reporting period are as follows:

| Name | Place of incorporation | Principal place of business | Proportion of ownership interest held by the Group 2020 | 2019 | Proportion of voting rights held by the Group 2020 | 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| TUS Star International Management Limited ("TUS Star") | British Virgin Islands | The United States | **50%** | 50% | **50%** | 50% | Incubator for the motor vehicle industry |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 26. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Financial asset at FVTOCI (Note (a)-(f)) | **195,118** | 265,366 |

During the year ended 31 December 2020, the fair value change in respect of the Group's financial assets at FVTOCI amounted to HK$43,822,000 (2019: HK$48,308,000).

Notes:

(a) On 13 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 18% of the entire issued share capital of More Cash Limited at a consideration of HK$73.0 million. More Cash Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn owns 75% equity interest in a company established in the PRC of which is principally engaged in estate industry. The principal assets of the PRC company are properties which comprise, among others, car park, shopping mall, office, apartment, hotel and restaurant in a commercial and residential complex located in Guangzhou City, the PRC. The development of such complex has been completed and the sale of which commenced since year 2012. Upon completion, the Group becomes indirectly interested in 18% of the entire issued share capital of More Cash Limited and becomes indirectly interested in 13.5% equity interest in the PRC company. 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 to Hung Hon Man, an independent third party, at a consideration of HK30.0 million.

(b) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for acquiring 7.88% of the entire issued share capital of Sino Partner Global Limited ("Sino Partner") at a consideration of HK$136.0 million. Sino Partner Global Limited 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 Global Limited 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. In 2019, following the completion of the conversion of a convertible note issued by Sino Partner, the effective equity interests held by the Group was diluted from 7.88% to 2.46% as at 31 December 2019 and 2020.

(c) In 2016, the Group acquired 14% of the total issued share capital of Tus Suzhou Modern Education Development Company Limited ("Tus Suzhou")* (蘇州啟迪時尚教育發展有限公司) at a consideration of RMB126.8 million. Tus Suzhou and its subsidiaries are 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 of rental incomes.

(d) On 18 November 2017, TusStar Incubator Investment Ltd. ("TusStar"), of which Tus-Holdings Co., Ltd is the holding company, The Regents of the University of Michigan ("MICHIGAN") and the Company have entered a gap fund agreement in relation to the proposed establishment of the gap fund with a proposed size of up to USD1.0 million (equivalent to approximately HK$7.78 million), which will be principally engaged in advancing the commercialisation potential of MICHIGAN research discoveries. On 29 August 2018, the Company further invest of USD100,000 in the gap fund. As at 31 December 2019, USD200,000 (equivalent to approximately HK$1,556,000) (2018: USD200,000, equivalent to approximately HK$1,556,000) has been injected in the gap fund.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 26. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(CONTINUED)*

Notes: *(Continued)*

(e) Through the acquisition of Suzhou Zhihua Automobile Electronics Co., Ltd and Beijing Yinwo Automobile Technology Company Limited (collectively, "Suzhou Zhihua Group") during the year 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 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 sale and purchase agreement with an independent third party for acquiring 9.09% of the entire issued share capital of China Intelligent and Connected Vehicle (Beijing) Research Institute Co. Ltd ("National Innovation Center") at a consideration of RMB50.0 million (equivalent to approximately HK$58.8 million). National Innovation Centre is 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. Since additional capital contribution to the National Innovation Center was made by new shareholders during the year ended 31 December 2020, the effective equity interests held by the Group was diluted from 5.55%.

## 27. INVENTORIES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Raw materials | **61,542** | 38,684 |
| Work-in-progress | **3,351** | 3,823 |
| Finished goods | **75,703** | 70,646 |
| | **140,596** | 113,153 |

## 28. TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables (Note (a)) | **80,264** | 160,103 |
| Bills receivables | **15,406** | 6,016 |
| Deposits and prepayments | **1,517** | 5,312 |
| Other receivables | **87,691** | 91,532 |
| | **184,878** | 262,963 |

## 28. TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

As at 31 December 2020, HK$4,743,000 (2019: HK$3,876,000) of bills receivables were pledged to the banks to issue bills payables as set out in note 31 to the consolidated financial statements. All the bills receivables will be matured within six months after the end of the reporting period. All the bills receivables are denominated in RMB.

As at 31 December 2020, included in other receivables mainly comprise amount due from a non-controlling interest shareholder amounting to HK$30,000,000 (2019: HK$27,555,000).

The Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

During the year ended 31 December 2020, reversal of loss allowance for expected credit losses on the trade receivables of HK$2,589,000 (2019: loss allowance of HK$3,814,000) and loss allowance for expected credit losses on the other receivables of HK$16,991,000 (2019: reversal of allowance of HK$1,440,000) was recognised to profit or loss as detailed in note 5(a).

All of the trade receivables, bills receivables and other receivables are expected to be recovered within one year.

### (a) Ageing analysis

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 3 months | **64,426** | 144,609 |
| Over 3 months but less than 6 months | **9,690** | 8,991 |
| Over 6 months but less than 12 months | **1,692** | 815 |
| Over 12 months | **4,456** | 5,688 |
| | **80,264** | 160,103 |

The Group generally grants a credit period normally not more than 90 days from the date of billing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 29. FINANCE LEASE RECEIVABLES

| | 2019 |
|---|---|
| | HK$'000 |
| Current portion | 34,256 |
| Non-current portion | 8,693 |
| | 42,949 |

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.

### Amounts receivable under finance leases

| | Minimum lease payments 2019 | Present value of minimum lease payments 2019 |
|---|---|---|
| Not later than 1 year | 37,006 | 34,256 |
| Later than 1 year not later than 5 years | 9,636 | 8,693 |
| | 46,642 | 42,949 |
| Less: unearned finance income | (3,693) | – |
| Present value of minimum lease payment receivables | 42,949 | 42,949 |

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 11.3% per annum for the year ended 31 December 2019.

In the carrying amount of the above finance lease receivables as at 31 December 2019 was net of allowance of expected credit loss of approximately HK$5,988,000 as detailed in note 5 (a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 30. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Pledged bank deposits with original maturity over 3 months (Note (i)) | – | 3,884 |
| Cash and cash equivalents (Note (ii)) | **31,117** | 113,418 |
| | **31,117** | 117,302 |

Notes:

(i) As at 31 December 2019, the interest rates on the pledged bank deposits ranged from 0.35% to 1.30% per annum. As at 31 December 2020, bank deposits of RMBNil (31 December 2019: RMB3,877,000) were pledged to secure general banking facilities granted to Suzhou Zhihua and HK$Nil (2019: HK$7,000) were pledged for bills payables.

(ii) Bank balances carried interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents of the Group of HK$9,980,000 (2019: HK$47,123,000) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 31. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Non-current liability: | | |
| Other payables | – | 144 |
| Current liabilities: | | |
| Trade payables (Note (a)) | **190,630** | 301,975 |
| Bills payables | **4,743** | 8,205 |
| Other payables and accruals | **129,953** | 140,701 |
| | **325,326** | 450,881 |

The credit period on trade payables is normally 90 days.

As at 31 December 2020, HK$Nil (2019: HK$15,171,000) included in other payables was deposits paid by customers for the financing services for leasing motor vehicles.

### (a) Ageing analysis

The ageing analysis of trade payables is as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Within 3 months | **70,327** | 181,987 |
| Over 3 months but less than 6 months | **109,552** | 102,359 |
| Over 6 months but less than 12 months | **4,478** | 7,763 |
| Over 12 months | **6,273** | 9,866 |
| | **190,630** | 301,975 |

As at 31 December 2020, bills payables were pledged with bank deposits and bills receivables amounting to approximately HK$Nil (2019: HK$6,000) and HK$4,743,000 (2019: HK$3,876,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 32. CONTRACT LIABILITIES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Contract liabilities | **22,997** | 19,542 |

**Movements in contract liabilities:**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | **19,542** | 29,755 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period | **(19,542)** | (14,932) |
| Increase in contract liabilities as a result of receiving deposits from customer | **22,997** | 4,719 |
| At 31 December | **22,997** | 19,542 |

The contract liabilities will be recognised as revenue when the Group fulfil the contract's obligation.

## 33. NET DEFINED BENEFITS LIABILITIES

The Group operates a retirement benefits plan for its Germany employees. Under the plan, the employees will be paid their average salary amount of their final six months under employment multiplied by the number of years vested.

For the year ended 31 December 2020, the actuarial valuation of plan assets and the present value of the retirement benefits liabilities were performed by reputable actuaries, Rüss, Dr. Eimmermann und Partner (GbR). The present value of the retirement benefits liabilities, the related current service cost and past service cost were measured using the project unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | **0.43%** | 0.90% |
| Expected rate of salary increase | **2.00%** | 1.00% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 33. NET DEFINED BENEFITS LIABILITIES *(CONTINUED)*

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Present value of funded defined benefit obligation | **9,023** | 6,416 |
| Net liability arising from defined benefit obligation | **9,023** | 6,416 |

Movements in the present value of the defined benefit obligation were as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At 1 January | **6,416** | – |
| Acquisition of subsidiaries | **203** | 4,142 |
| Current service costs | **422** | 409 |
| Interest cost on benefit obligations | **–** | 58 |
| Re-measurement losses recognised in other comprehensive income: | | |
| – Actuarial losses arising from changes in demographic assumptions | **(546)** | 24 |
| – Actuarial losses arising from changes in financial assumptions | **700** | 1,341 |
| – Actuarial losses arising from experience adjustments | **1,094** | 449 |
| Exchange alignment | **734** | (7) |
| At 31 December | **9,023** | 6,416 |

## 33. NET DEFINED BENEFITS LIABILITIES *(CONTINUED)*

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk, longevity risk and salary risk.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected rate of salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the relevant periods, while holding all other assumptions constant.

– for the year ended 31 December 2020, if the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by approximately HK$1,396,000 (increase by approximately HK$2,981,000).

– for the year ended 31 December 2020, if the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by approximately HK$93,000 (decrease by approximately HK$87,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 34. LEASE LIABILITIES

The following tables shows the remaining contractual maturities of the Group's lease liabilities as at 31 December 2020:

| | Present value of the minimum lease payment | | The minimum lease payment | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within 1 year | **7,847** | 8,946 | **8,118** | 9,649 |
| After 1 year but within 2 years | **4,473** | 7,311 | **4,724** | 7,697 |
| Over 2 years | **4,425** | 9,272 | **4,644** | 9,605 |
| | **16,745** | 25,529 | **17,486** | 26,951 |
| Less: total future interest expenses | | | **(741)** | (1,422) |
| Total lease liabilities | | | **16,745** | 25,529 |
| Less: non-current portion | | | **(9,039)** | (16,583) |
| Current portion | | | **7,706** | 8,946 |

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

Total cash outflow for leases during the year ended 31 December 2020 and 2019 was HK$9,545,000. (2019: HK$8,351,000).

Further details on the impact of the transition to HKFRS 16 are set out in note 2.

## 35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current tax payable in the consolidated statement of financial position represents:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **9** | 969 |
| Provision for income tax for the year (Note 13): | | |
| – PRC Enterprise Income Tax | **–** | 2,635 |
| – Hong Kong Profits Tax | **–** | (19) |
| – Other than Hong Kong and PRC | **696** | (916) |
| Income tax paid | **–** | (2,660) |
| Income tax refund | **1,563** | – |
| As at 31 December | **2,268** | 9 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

### (b) Deferred tax asset recognised

The components of deferred tax assets recognised in the consolidated statements of financial position and the movement during the year are as follows:

| | Defined benefit obligation HK$'000 | Right-of-use assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 1 January 2019 | – | – | – |
| Acquisition of subsidiary (Note 42) | 952 | 390 | 1,342 |
| Charge to consolidated statements of profit or loss and other comprehensive income (Note 13) | (210) | (390) | (600) |
| As at 31 December 2019 and1 January 2020 | 742 | – | 742 |
| Credit to consolidated statements of profit or loss and other comprehensive income (Note 13) | 1,811 | – | 1,811 |
| Exchange difference | 194 | – | 194 |
| As at 31 December 2020 | 2,747 | – | 2,747 |

In accordance with the accounting policy set out in note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$187,684,000 (2019: HK$159,945,000) as it is not probable that the future taxable profits against which the losses can be utilised will be available in relevant tax jurisdiction and entity. The cumulative tax losses of which HK$85,023,000 (2019: HK$82,907,000) in PRC will expire in the coming two to five years (2019: two to five years).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

### (c) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Development costs HK$'000 | Acquired know-how, brand name and customer relationship HK$'000 | Convertible bonds HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| As at 1 January 2019 | – | – | 4,451 | 4,451 |
| Issue of convertible bond | – | – | 6,587 | 6,587 |
| Acquisition of subsidiaries (Note 42) | – | 113,287 | – | 113,287 |
| Charge/(credit) to consolidated statement of profit or loss and other comprehensive income (Note 13) | 1,532 | (13,009) | (2,662) | (14,139) |
| As at 31 December 2019 and 1 January 2020 | 1,532 | 100,278 | 8,376 | 110,186 |
| Credit to consolidated statement of profit or loss and other comprehensive income (Note 13) | (367) | (15,610) | (1,559) | (17,536) |
| **As at 31 December 2020** | **1,165** | **84,668** | **6,817** | **92,650** |

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Deferred tax liabilities recognised on the consolidated statement of financial position | **92,650** | 110,186 |

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax liabilities and assets have been offset within the same tax jurisdiction. The following is the analyst of the deferred tax balances for financial reporting purposes:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Deferred tax asset | **2,747** | 742 |
| Deferred tax liabilities | **(92,650)** | (110,186) |
| | **(89,903)** | (109,444) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 36. BORROWINGS

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Bank borrowings (Note (a) and (b)) | **329,225** | 400,878 |
| Other borrowings (Note (c), (d) and (e)) | **551,814** | 86,171 |
| | **881,039** | 487,049 |
| Secured (Note (a), (b), (d) and (e)) | **582,438** | 354,743 |
| Unsecured (Note (c) and (e)) | **298,601** | 132,306 |
| | **881,039** | 487,049 |
| Carrying amount repayable: | | |
| On demand or within one year | **881,039** | 487,049 |
| Less: amounts classified as current liabilities | **(881,039)** | (487,049) |
| Non-current liabilities | **–** | – |

As at 31 December 2020 and 2019, terms of bank and other borrowings were summarised as follows:

(a) As at 31 December 2020, the short-term secured bank borrowings of HK$72,334,000 (31 December 2019: HK$98,654,000) carries fixed interest rate ranged from 4.35% to 5.44% (31 December 2019: 3.98% to 6.00%) per annum and repayable within one year and of which HK$24,902,000 (31 December 2019: HK$30,170,000) were secured by personal guarantee given by a director of a subsidiary, HK$47,432,000 (31 December 2019: HK$22,348,000) were secured by pledging certain financial assets at FVTOCI of the Group and the remaining HK$nil (31 December 2019: HK$46,135,000) were unsecured.

(b) As at 31 December 2020, the secured bank borrowings of HK$256,891,000 (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 was secured by certain receivables and the entire issued share capital of which held the equity interest in the automotive-grade wireless connectivity business. 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 consolidated financial statements, the Group obtained waivers for strict compliance on the relevant financial covenant requirements from the relevant bank which will be effective until the second half of 2021 with several conditions subsequent to be satisfied.

(c) As at 31 December 2020, other borrowings of HK$198,601,000 (31 December 2019: HK$86,171,000) 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 which include HK$133,228,000 were borrowing from related parties. Please refer to Note 45(c) for details.

(d) As at 31 December 2020, other borrowings of HK$170,000,000 (31 December 2019: HK$Nil) were secured by the entire ownership of a property held by a subsidiary of one of the shareholders of the Company and by a corporate guarantee provided from that subsidiary. The borrowings carry interests at 12.00% and are repayable within one year.

(e) As at 31 December 2020, other borrowings of HK$183,213,000 (31 December 2019: HK$Nil) were reclassified from convertible bonds which were due on 9 June 2020 (note 37(b)) give the conversion rights lapsed on 9 June 2020. Except for the amount of HK$83,213,000 which was secured by the entire share capital of a subsidiary which held the equity interest in the ADAS business, the remaining amount of HK$100,000,000 was unsecured, carrying interests at 15.00%. The directors of the Company are under negotiation with the bondholders on a restructure of repayment schedule.

Further details of the Group's management of liquidity risk are set out in note 5(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 37. CONVERTIBLE BONDS

| | CB1 (Note (a)) HK$'000 | CB2 (Note (b)) HK$'000 | CB3 (Note (c)) HK$'000 | CB4 (Note (d)) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Liability component at 1 January 2019 | 58,282 | 294,400 | 35,044 | – | 387,726 |
| Add: Liability component on initial recognition at 27 February 2019 | – | – | – | 49,959 | 49,959 |
| Add: Imputed interest expense | 2,718 | 23,573 | 3,497 | 4,321 | 34,109 |
| Less: Interest charged | – | (17,973) | – | – | (17,973) |
| Less: Conversion of convertible bond on 24 May 2019 | (61,000) | – | – | – | (61,000) |
| Liability component at 31 December 2019 | – | 300,000 | 38,541 | 54,280 | 392,821 |
| Less: Amount classified under current liabilities | – | (300,000) | – | – | (300,000) |
| Non-current liabilities | – | – | 38,541 | 54,280 | 92,821 |
| Liability component at 1 January 2020 | – | 300,000 | 38,541 | 54,280 | 392,821 |
| Add: Imputed interest expense | – | 7,967 | 3,858 | 5,584 | 17,409 |
| Less: Interest charged | – | (7,967) | – | – | (7,967) |
| Less: Derecognition upon lapse of conversion rights | – | (300,000) | – | – | (300,000) |
| Liability component at 31 December 2020 | – | – | 42,399 | 59,864 | 102,263 |
| Less: Amount classified under current liabilities | – | – | – | – | – |
| Non-current liabilities | – | – | 42,599 | 59,864 | 102,263 |

Notes:

(a) On 16 May 2016, the Group entered into a sale and purchase agreement with an independent third party for acquiring 7.88% of the issued share capital of Sino Partner at a consideration of HK$136,000,000, of which HK$61,000,000 was settled by the issue of convertible bond (the "CB 1"). Completion took place on 27 May 2016. The CB 1 initially matures at the third anniversary of the issue date (i.e. 26 May 2019). The initial conversion price was HK$0.884 per conversion share. The CB 1 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves". The effective interest rate of the liability component is 12.40%.

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.

## 37. CONVERTIBLE BONDS *(CONTINUED)*

Notes: *(Continued)*

(a) *(Continued)*

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

| | HK$'000 |
|---|---|
| Fair value of CB 1 | 61,000 |
| Equity component | (18,043) |
| Liability component on initial recognition and amortised cost at 27 May 2016 | 42,957 |

As at 31 December 2020 and 2019, the principal amount of the CB 1 was HK$61,000,000 which was converted at the conversion price of HK$0.884 per ordinary 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% (2019: 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 matures at the second anniversary of the issue date (i.e. 8 June 2019). The CB 2 bears interest of 6% per annum and payable every six months in arrears on the interest payment date. The initial conversion price was HK$0.9103 per conversion share. The CB 2 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves". The effective interest rate of the liability component is 12.49%. On 25 April 2019, the Company and the subscriber entered into a supplementary agreement to extend the maturity date and conversion period 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.

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

| | HK$'000 |
|---|---|
| Fair value of CB 2 | 300,000 |
| Equity component | (22,179) |
| Less: Commission | (1,500) |
| Liability component on initial recognition and amortised cost as at 9 June 2017 | 276,321 |

As at 31 December 2020 and 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% (2019: 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 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 37. CONVERTIBLE BONDS *(CONTINUED)*

Notes: *(Continued)*

(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.

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

| | HK$'000 |
|---|---|
| Fair value of CB 3 | 53,700 |
| Equity component | (20,419) |
| Liability component on initial recognition and amortised cost as at 21 June 2018 | 33,281 |

As at 31 December 2020 and 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% (2019: 10.04%) to the liability component.

## 37. CONVERTIBLE BONDS *(CONTINUED)*

Notes: *(Continued)*

(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 share, were duly issued to Tuspark Venture at the total consideration representing 100% of the principal amount pursuant to the Tuspark Subscription Agreement. The CB 4 will be matured on 26 February 2025 which contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible bonds reserves". The effective interest rate of the liability component is 10.28% (2019: 10.28%).

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

| | HK$'000 |
|---|---|
| Fair value of CB 4 | 89,883 |
| Equity component | (39,924) |
| Liability component on initial recognition and amortised cost at 27 February 2019 | 49,959 |

As at 31 December 2020, the outstanding principal amount of the CB4 was HK$89,882,500. Interest expense on the CB4 is calculated using the effective interest method by applying the effective interest rate of 10.28% (2019: 10.28%) to the total liability component.

## 38. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

In Europe and other countries where the Group operates, the Group also participates in social security schemes, net defined benefits plan or other equivalent pension plans organised by the relevant local government authorities for eligible employees, under which the Group makes contributions in an amount equivalent to a specified percentage of employee's monthly salaries.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

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*For the year ended 31 December 2020*

## 39. SHARE OPTION SCHEMES

A summary of the share option scheme of the Company are set out in the section headed "Share Option Schemes" in the Report of the Directors of this annual report.

No share options were granted during the year ended 31 December 2020 and 2019. 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 year ended 31 December 2020, no share options were cancelled or exercised. A total of 29,440,000 (2019: 15,720,000) share options were lapsed.

The particulars of the changes of the share options under the scheme during the year ended 31 December 2020 are as follows:

| Grantee | Date of grant | Vesting period | Exercisable period | Exercise price per share | At 1 January 2020 | Granted during the year | Lapsed during the year | At 31 December 2020 |
|---|---|---|---|---|---|---|---|---|
| Directors | 22 January 2016 | 1 year | 22 January 2017 to 21 January 2026 | 0.820 | 13,920,000 | – | (9,280,000) | 4,640,000 |
| 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 | – | (9,280,000) | – |
| Employee | 18 April 2018 | 1 year | 18 April 2019 to 17 April 2028 | 0.620 | 1,000,000 | – | (1,000,000) | – |
| | | | | | 43,360,000 | – | (29,440,000) | 13,920,000 |
| Exercisable at the end of the year | | | | | | | | 13,920,000 |
| Weighted average exercise price (HK$) | | | | | 0.773 | – | 0.751 | 0.821 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 39. SHARE OPTION SCHEMES *(CONTINUED)*

The particulars of the changes of the share options under the scheme during the year ended 31 December 2019 are as follows:

| Grantee | Date of grant | Vesting period | Exercisable period | Exercise price per share | At 1 January 2019 | Granted during the year | Lapsed during the year | At 31 December 2019 |
|---|---|---|---|---|---|---|---|---|
| Directors | 22 January 2016 | 1 year | 22 January 2017 to 21 January 2026 | 0.820 | 27,840,000 | – | (13,920,000) | 13,920,000 |
| Employees | 22 January 2016 | 1 year | 22 January 2017 to 21 January 2026 | 0.820 | 1,400,000 | – | (800,000) | 600,000 |
| 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 |
| | | | | | 59,080,000 | – | (15,720,000) | 43,360,000 |
| Exercisable at the end of the year | | | | | | | | 43,360,000 |
| Weighted average exercise price (HK$) | | | | | 0.784 | – | 0.814 | 0.773 |

The fair value of the options granted is estimated at the date of grant using Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The fair values of options granted during the year ended 31 December 2019 and 2018 were estimated on the date of grant using the following assumptions:

| | Share Option 1 | Share Option 2 | Share Option 3 | Share Option 4 |
|---|---|---|---|---|
| Date of grant | 22 January 2016 | 12 October 2016 | 31 March 2017 | 18 April 2018 |
| Fair value at measurement date | HK$0.294 | 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 year ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 40. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

### (a) Share capital

*Authorised and issued share capital*

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Number of shares ‘000** | **HK$’000** | Number of shares ‘000 | HK$’000 |
| *Authorised:* | | | | |
| Ordinary shares of HK$0.01 each | **10,000,000** | **100,000** | 10,000,000 | 100,000 |
| *Issued:* | | | | |
| As at 1 January | **2,063,615** | **20,636** | 1,323,185 | 13,232 |
| Subscription of shares (Note (i)) | **–** | **–** | 671,426 | 6,714 |
| Issue of shares upon conversion of convertible bond (Note (ii)) | **–** | **–** | 69,004 | 690 |
| | **2,063,615** | **20,636** | 2,063,615 | 20,636 |

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 convertible bond at the conversion price of HK$0.884 per conversion share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 40. CAPITAL AND RESERVES *(CONTINUED)*

### (b) Nature and purpose of reserves

*(i) Share premium*

The application of the share premium account is governed by the Company Law of Cayman Islands.

*(ii) Statutory surplus reserve*

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

*(iii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies.

*(iv) Other reserve*

Other reserve of the Group comprises the following:

- the fair value of existing share of net identifiable assets of a jointly controlled entity or an associate acquired over its carrying amount of net identifiable assets of subsidiaries at date of which control is obtained by the Group;

- the excess of purchase consideration on acquisition of non-controlling interests over the carrying value of share of net assets acquired in accordance with the accounting policy adopted for subsidiaries and non-controlling interests; and

- gain on deemed disposal or partial disposal of subsidiaries where the Group's interest in a subsidiary is increased without losing control in accordance with the accounting policy adopted for subsidiaries and non-controlling interests.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 40. CAPITAL AND RESERVES *(CONTINUED)*

### (b) Nature and purpose of reserves *(Continued)*

*(v) Share option reserve*

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employees, Directors, consultants or advisors of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the share option scheme which is set out in the section headed "Share Option Schemes" in Report of the Directors of this report.

*(vi) Convertible bonds reserves*

The convertible bonds reserves represent the equity components of the convertible bonds issued. Convertible bonds issued are split into liability and equity components at initial recognition at the fair values of the convertible bonds, which is determined by independent qualified professional valuers.

*(vii) Warrants reserve*

The warrants reserve represents the fair value of the unexercised warrants issued by the Group recognised in accordance with the Group's accounting policy adopted for equity instruments.

### (c) Distributability of reserves

The Company had distributable reserves of HK$374,417,000 at 31 December 2020 (2019: HK$466,142,000), which include the Company's share premium and accumulated losses.

### (d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt to capital ratio. Debt is calculated as aggregate of convertible bonds, lease liabilities, bank and other borrowings. Total equity comprises all components of equity attributable to the owners of the Company.

During the year ended 31 December 2020 and 2019, the Group has complied with all the externally imposed capital requirements.

## 40. CAPITAL AND RESERVES *(CONTINUED)*

### (d) Capital management *(Continued)*

The following is the debt to capital ratio at the end of each reporting year:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Debt (Note (a)) | **1,000,047** | 905,399 |
| Total equity (Note (b)) | **188,236** | 573,589 |
| Debt to capital ratio | **531.27%** | 157.85% |

Notes:

(a) Debt comprises lease liabilities, borrowings and convertible bonds as detailed in notes 34, 36 and 37 respectively.

(b) Equity includes all capital and reserves attributable to owners of the Company.

## 41. DISCONTINUED OPERATIONS

On 12 April 2019, an indirect wholly owned subsidiary of the Company, Suzhou Qiyixin Enterprise Ltd entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Suzhou Yadu Cloud Technology Co. Limited (蘇州亞都雲科技有限公司) ("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. The disposal was completed on 25 December 2020. Details of which were set out in the announcements of the Company dated 12 April 2019, 31 May 2019 and the circular of the Company dated 10 June 2019.

The profit/(loss) for the period/year from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the car-carried purifiers business as a discontinued operation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 41. DISCONTINUED OPERATIONS *(CONTINUED)*

| | **From 1 January 2020 to 25 December 2020 HK$'000** | From 1 January 2019 to 31 December 2019 HK$'000 |
|---|---|---|
| Loss for the period/year | **(24)** | (2,036) |
| Gain on disposal | **3,575** | – |
| Profit/(loss) for the period/year from discontinued operation | **3,551** | (2,036) |
| Attributable to: | | |
| Owners of the Company | **3,563** | (1,039) |
| Non-controlling interests | **(12)** | (997) |
| | **3,551** | (2,036) |

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

| | **From 1 January 2020 to 25 December 2020 HK$'000** | From 1 January 2019 to 31 December 2019 HK$'000 |
|---|---|---|
| Revenue | **–** | – |
| Cost of sales | **–** | – |
| Gross profit | **–** | – |
| Other revenue | **1** | 2 |
| Selling and distribution expenses | **–** | (1,977) |
| Administrative expenses | **(25)** | (61) |
| Loss before taxation | **(24)** | (2,036) |
| Taxation | **–** | – |
| Loss for the period/year from discontinued operation | **(24)** | (2,036) |
| Loss for the year attributable to: | | |
| Owners of the Company | **(12)** | (1,039) |
| Non-controlling interests | **(12)** | (997) |
| | **(24)** | (2,036) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 41. DISCONTINUED OPERATIONS *(CONTINUED)*

The net assets disposed as at 25 December 2020 and major classes of assets of the discontinued operation classified as held for sales as at 31 December 2019 are as follows:

| | **25 December 2020 HK$'000** | 31 December 2019 HK$'000 |
|---|---|---|
| Intangible assets | **33,894** | 31,939 |
| Deposit | **47,432** | 44,696 |
| Other receivables | **4,142** | 5,587 |
| Cash and cash equivalents | **458** | 455 |
| Tax recoverable | **–** | 1 |
| Net asset disposed of | **85,926** | |
| Assets classified as held for sales | | 82,678 |

Summary of the effects of the disposal of Suzhou Yadu:

| | HK$'000 |
|---|---|
| Cash consideration received | 48,381 |
| **Gain on disposal of Suzhou Yadu:** | |
| Consideration received | 48,381 |
| Less: net assets disposal of | (85,926) |
| Add: non-controlling interests | 42,980 |
| Less: release of exchange reserve | (1,860) |
| Gain on disposal | 3,575 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration received | 48,381 |
| Less: cash and cash equivalents balances disposal of | (458) |
| | 47,923 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 41. DISCONTINUED OPERATIONS *(CONTINUED)*

On 26 June 2020, a direct wholly owned subsidiary of the Company, Quan Tai Limited entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Optimus Financial Group Limited ("Optimus") to Goldbond Group Holdings Limited.（金榜集團）at a consideration of HK$41.8 million. Optimus is principally engaged 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. Details of which were set out in the announcements of the Company dated 26 June 2020.

The (loss)/profit for the period/year from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the finance lease of motor vehicles and equipment business as a discontinued operation.

| | **From 1 January 2020 to 30 June 2020 HK$'000** | From 1 January 2019 to 31 December 2019 HK$'000 |
|---|---|---|
| Profit for the period/year | **1,303** | 2,053 |
| Loss on disposal | **(23,852)** | – |
| (Loss)/profit for the period/year from discontinued operation | **(22,549)** | 2,053 |
| Attributable to: | | |
| Owners of the Company | **(23,187)** | 1,047 |
| Non-controlling interests | **638** | 1,006 |
| | **(22,549)** | 2,053 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 41. DISCONTINUED OPERATIONS *(CONTINUED)*

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

| | From 1 January 2020 to 30 June 2020 HK$'000 | From 1 January 2019 to 31 December 2019 HK$'000 |
|---|---|---|
| Revenue | **10,040** | 48,622 |
| Cost of sales | **(9,060)** | (40,490) |
| Gross profit | **980** | 8,132 |
| Other revenue | **1,671** | 382 |
| Other gain and losses | **–** | 490 |
| Selling and distribution expenses | **(273)** | (1,191) |
| Depreciation | **(5)** | (376) |
| Administrative expenses | **(1,053)** | (4,002) |
| Profit before taxation | **1,320** | 3,435 |
| Taxation | **(17)** | (1,382) |
| Profit for the period/year from discontinued operation | **1,303** | 2,053 |
| Profit for the period/year attributable to: | | |
| Owners of the Company | **665** | 1,047 |
| Non-controlling interests | **638** | 1,006 |
| | **1,303** | 2,053 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 41. DISCONTINUED OPERATIONS *(CONTINUED)*

Summary of the effects of the disposal of Optimus:

| | HK$'000 |
|---|---|
| Cash consideration received | 41,800 |
| **Analysis of assets and liabilities over which control was lost:** | |
| Property, plant and equipment | 3,302 |
| Goodwill | 3,379 |
| Finance lease receivable | 35,158 |
| Deposits | 12 |
| Other receivables | 44,911 |
| Cash and cash equivalents | 66,957 |
| Other borrowings | (10,692) |
| Other payables and accruals | (20,159) |
| Net assets disposed of | 122,868 |
| **Loss on disposal of Optimus:** | |
| Consideration received | 41,800 |
| Less: net assets disposal of | (122,868) |
| Add: non-controlling interests | 67,832 |
| Less: release of exchange reserve | (10,616) |
| Loss on disposal | (23,852) |
| **Net cash outflow arising on disposal:** | |
| Cash consideration received | 41,800 |
| Less: cash and cash equivalents balances disposal of | (66,957) |
| | (25,157) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 42. ACQUISITION OF SUBSIDIARIES

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

For the year ended 2019:

On 12 July 2018, Shine Venture Limited and the Company as buyers, Telit Communications PLC and Telit Wireless Solutions S.R.L. as vendors, entered into a sale and purchase agreement, pursuant to which the Company agreed to buy and the vendors agreed to sell all the issued shares of Titan Automotive Solutions N.V. at an aggregate consideration of US$105,000,000 (equivalent to approximately HK$824,250,000), subject to adjustments with reference to the aggregate cash, debt and working capital of Titan Automotive Solutions N.V. and its subsidiaries and transfer costs at completion date. The final purchase consideration amounted to HK$530,400,816 was arrived at after adjustments including debt of HK$302,225,000, cash and working capital of approximately HK$8,375,816 (in aggregate amount equals HK$824,250,000) of Titan Automotive Solutions N.V. and its subsidiaries at completion date. The acquisition of the entire equity interest in the Titan Group was completed on 27 February 2019.

The Titan Group is principally engaged in the businesses of automotive business, which involves the development, manufacture and sale of auto grade cellular modules. Management considered the business strategies of the Group and the satisfactory business performance as well as the growth potential of the Titan Group, the acquisition was in line with the Group's strategy of developing intelligent connected vehicles, and will enable the Group to leverage the expertise of the Titan Group and its strong presence and research and development capabilities in various countries, which will create favourable synergies for the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 42. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

| | **Titan Group** HK$'000 |
|---|---|
| Property, plant and equipment | 70,273 |
| Right-of-use assets | 15,942 |
| Intangible assets | 382,986 |
| Inventories | 4,831 |
| Trade receivables | 51,922 |
| Amount due from ultimate holding company | 251,832 |
| Prepayments, deposits and other receivables | 24,450 |
| Cash and cash equivalents | 7,532 |
| Trade and bills payables | (62,466) |
| Other payables and accruals | (571,063) |
| Net defined benefits liabilities | (4,142) |
| Lease liabilities | (15,978) |
| Current tax payable | (329) |
| Deferred tax assets | 1,342 |
| Deferred tax liabilities | (113,287) |
| Fair value of net identifiable assets and liabilities acquired | 43,845 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 42. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Goodwill arising on acquisition:

| | HK$'000 |
|---|---|
| Cash consideration | 530,401 |
| Less: fair value of identifiable net assets acquired | (43,845) |
| Goodwill arising on acquisition | 486,556 |

Net cash outflow on acquisition of subsidiaries:

| | **Titan Group** HK$'000 |
|---|---|
| Consideration paid in cash | 530,401 |
| Less: cash and cash equivalent balances acquired | (7,532) |
| Net cash outflow | 522,869 |

### Impact of acquisition on the results of the Group

Acquisition-related costs amounting to HK$9,098,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2019, within the 'Administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Included in the loss for the year ended 31 December 2019 is HK$167,906,000 attributable to the additional business generated by Titan Group. Revenue for the year ended 31 December 2019 includes HK$455,589,000 generated from Titan Group.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been HK$522,503,000, and loss for the year ended 31 December 2019 of the Group would have been HK$173,512,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Titan Group been acquired at the beginning of the year ended 31 December 2019, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

The fair value and gross contractual amount of trade receivables and prepayments, deposits and other receivables at the date of acquisition amounted to HK$51,922,000 and HK$24,450,000 respectively. The estimate at acquisition date of contractual cash flows not expected to be collected is insignificant. None of the goodwill recognised is expected to be deductible for income tax purpose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 43. DISPOSAL OF SUBSIDIARIES

(a) On 14 September 2020, an indirect wholly owned subsidiary of the Company, TUS Yunzhi Technology (Beijing) Limited (啟迪雲智科技(北京)有限公司) entered into an equity transfer agreement and agreed to sell 70% of the equity interests in TUS Cloud Control (Beijing) Technology Limited and its subsidiary ("Cloud Control business") to Qingdao YHU Jing Pan Equity Investment Partnership (Limited Partnership) (青島頤和晶盤股權投資合夥企業(有限合夥)), Yangzhou Qidi Zhi Wang Investment Centre (Limited Partnership) (揚州啟迪智網投資中心(有限合夥)), Suzhou Shui Mui Shi Shang Investment Centre (Limited Partnership) (蘇州水木時尚投資中心(有限合夥)) and Huang Bing Qian (黃冰倩) at a consideration of RMB105.0 million (equivalent to approximately HK$123.9 million). The disposal was completed on 16 November 2020. Details of which were set out in the announcements of the Company dated 14 September 2020 and 14 October 2020 and the circular of the Company date 25 September 2020.

Summary of the effects of the disposal of Cloud Control Business:

| | HK$'000 |
|---|---|
| Cash consideration received | 123,941 |
| **Analysis of assets and liabilities over which control was lost:** | |
| Property, plant and equipment | 2,350 |
| Intangible assets | 94,835 |
| Deferred tax assets | 924 |
| Inventories | 21,000 |
| Trade receivables | 11,787 |
| Prepayments and other receivables | 10,787 |
| Cash and cash equivalents | 56,793 |
| Trade payables | (23,629) |
| Other payables and accruals | (91,487) |
| Net assets disposed of | 83,360 |
| **Loss on disposal of Cloud Control Business:** | |
| Consideration received | 123,941 |
| Less: net assets disposal of | (83,360) |
| Add: non-controlling interests | 21,276 |
| Less: release of exchange reserve | (2,731) |
| Gain on disposal | 59,126 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration received | 123,941 |
| Less: cash and cash equivalents balances disposal of | (56,793) |
| | 67,148 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 43. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) On 28 November 2019, Herr Dirk Brunnengräber, Herr Martin Glänzer, Freiherr Michael Voith von Voithenberg, Herr Dr. Dirk Dickmanns and Herr Lode Theunynck who are independent third parties ("Joint Holders"), Kymati GmbH, which is held as to approximately 75.28% by an indirect wholly-owned subsidiary of the Company entered into a shareholder agreement, pursuant to which the Company and Joint Holders shall make respective capital contributions of EUR643,328 in cash to the registered capital of Kymati GmbH by end of September 2019. Upon early November 2019, the Group failed to do capital contribution and the Group lost control over Kymati GmbH and it was ceased to be subsidiary of the Group under deemed disposal.

Summary of the effects of the disposal of Kymati GmbH is as follows:

| | HK$'000 |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 1,879 |
| Trade receivables, prepayments and other receivables | 2,360 |
| Cash and cash equivalents | 2,040 |
| Trade and other payables | (1,381) |
| Current tax payables | (868) |
| | 4,030 |
| Release of exchange reserve | (303) |
| Gain on deemed disposal | (3,727) |
| Consideration for disposal of Kymati GmbH | – |

Net cash outflow on disposal of Kymati GmbH:

| | HK$ |
|---|---|
| Consideration received in cash and cash equivalent for disposal of Kymati GmbH | – |
| Less: cash and cash equivalent balances disposed of | 2,040 |
| Net cash outflow | 2,040 |

(c) During the year ended 31 December 2019, the Group deregistered and dissolved numbers of wholly-owned subsidiaries of the Company. These subsidiaries are dormant. The loss on disposal of approximately HK$14,015,000 was recognised to the consolidated statement of profit or loss during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 44. IMPAIRMENT TESTING ON CASH-GENERATING UNITS

### Research and development, production and sales of ADAS products

The Group carried out an impairment testing on this CGU. The review was performed by an independent qualified valuer as at 31 December 2020 and the value in use of the CGU has been measured by using cash flow projection based on the cash flows covering a 5-year period with discount rate and terminal growth rate of 11.91% (2019: 12.33%) and 2.6% (2019: 3.0%) respectively. No impairment loss has been recognised during the year ended 31 December 2020 and 2019 (Note 22). Any adverse change in assumptions used in the calculation of recoverable amount of the CGU would result in impairment loss on the goodwill.

### Research and development and sales of automotive-grade wireless connectivity modules

The Group carried out an impairment testing on this CGU. The review was performed by an independent qualified valuer as at 31 December 2020 and the value in use of the CGU has been measured by using cash flow projection base on the cash flows covering a 5-year period with discount rate and terminal growth rate of 19.89% (2019: 19.18%) and 1.6% (2019: 1.8%). No impairment loss has been recognised during the year ended 31 December 2020 and 2019 (Note 22). Any adverse change in assumptions used in the calculation of recoverable amount of the CGU would result in impairment loss on the goodwill.

### Finance lease of motor vehicles and equipment

The Group carried out an impairment testing on this CGU. The review was performed by an independent qualified valuer as at 31 December 2019 and the value in use of the CGU has been measured by using cash flow projection based on the cash flows covering a 5-year period with discount rate and terminal growth rate of 8.45% and 3.0% respectively. No impairment loss has been recognised during the year ended 31 December 2019 (Note 22). Any adverse change in assumptions used in the calculation of recoverable amount of the CGU would result in impairment loss on the goodwill.

## 45. MATERIAL RELATED PARTIES TRANSACTIONS

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year.

### (a) Transactions with related parties

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Finance costs incurred on the convertible bonds and borrowings from | | |
| Tuspark Venture (note (i)) | **19,544** | 4,321 |
| Harvest Easy Limited ("Harvest Easy") (note (ii)) | **12,650** | 98 |

Notes:

(i) It is a related party of the Group as Tuspark Venture is one of the major shareholders of the Company.

(ii) It is a related party of the Group as Harvest Easy is one of the subsidiary of Tus-Holdings Co., Ltd. who is holding company of Tuspark Venture.

### (b) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 14 and certain of the highest paid employee as disclosed in note 15, is as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Short-term employee benefits | **6,063** | 7,487 |
| Post-employment benefits | **25** | 63 |
| Share-based payments | **–** | 882 |
| | **6,088** | 8,432 |

Total remuneration is included in "staff costs" (see Note 12).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 45. MATERIAL RELATED PARTIES TRANSACTIONS *(CONTINUED)*

### (c) Borrowings from related parties

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Outstanding balance of short-term borrowings from related parties, included in "Borrowings" (Note 36) | | |
| Harvest Easy (note (a)) | **133,228** | 11,400 |
| Tuspark Venture (note (b)) | **100,000** | – |
| | **233,228** | 11,400 |

Note (a): Harvest Easy is a fellow subsidiary of Tuspark Venture which was under common control of TUS-Holdings Co., Ltd. The short-term borrowings were unsecured, bear interest ranging from 8.0% to 12.0% and repayable on demand or within three months (2019: unsecured, bear interest ranging from 8.0% to 12.0% and repayable on demand or within three months)

Note (b): On 9 June 2020, convertible bonds with principal amount of HK$100,000,000 held by Tuspark Venture were due for repayment and of which such conversion right was lapsed. Therefore, such convertible bonds were derecognised and the outstanding amount was reclassified as other borrowings (Note 37(b)) as at 31 December 2020. The amount was unsecured, bears interest at 21% and repayable on demand

**(d)** Corporate guarantee is provided by Harvest Easy and also pledged the entire ownership of a property held by Harvest Easy for the other borrowings disclosed in note 36.

## 46. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to bills payables or borrowings of the Group as follows:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Bills receivables | **10,663** | 3,876 |
| Pledged bank deposits | – | 3,884 |
| FVTOCI | **1,686** | – |
| | **12,349** | 7,760 |

Certain financial assets at FVTOCI and all shares of the subsidiaries in the automotive-grade wireless connectivity business were pledged for an aggregate banking facilities of approximately HK$304.3 million (31 December 2019: approximately HK$324.6 million).

All shares of a subsidiary which held certain subsidiaries of the ADAS business were pledged to a former convertible bond holder for an overdue aggregated outstanding payable of approximately HK$83.0 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **8** | 13 |
| Investments in subsidiaries | **–** | – |
| Financial assets at fair value through other comprehensive income | **525** | 525 |
| | **533** | 538 |
| **Current assets** | | |
| Prepayments and other receivables | **12,049** | 24,605 |
| Amounts due from subsidiaries | **1,091,656** | 994,566 |
| Pledged bank deposits | **–** | – |
| Cash and cash equivalents | **3,618** | 84 |
| | **1,107,323** | 1,019,255 |
| **Current liabilities** | | |
| Other payables and accruals | **53,859** | 21,824 |
| Amount due to a subsidiary | **–** | 6,750 |
| Borrowings | **495,185** | 20,094 |
| Convertible bonds | **–** | 300,000 |
| | **549,044** | 348,668 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **6,817** | 8,376 |
| Convertible bonds | **102,263** | 92,821 |
| | **109,080** | 101,197 |
| **Net current assets** | **558,279** | 670,587 |
| **Net assets** | **449,732** | 569,928 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Capital and reserves** | | |
| Share capital | **20,636** | 20,636 |
| Reserves | **429,096** | 549,292 |
| **Total equity** | **449,732** | 569,928 |

Approved and authorised for issue by the Board of Directors on 29 March 2021.

| | |
|---|---|
| **Ma Chi Kong Karl** | **Hu Bo** |
| *Chairman* | *Director* |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

### Reserve of the Company

| | Share capital HK$'000 | Share premium HK$'000 | Share option reserve HK$'000 | FVTOCI reserve HK$'000 | Convertible bonds reserves HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 1 January 2019 | 13,232 | 679,223 | 19,202 | (755) | 50,387 | (351,292) | 409,997 |
| Other comprehensive loss for the year net of income tax | – | – | – | (280) | – | – | (280) |
| Loss for the year | – | – | – | – | – | (342,478) | (342,478) |
| Issue of shares | 6,714 | 401,781 | – | – | – | – | 408,495 |
| Conversion of convertible bonds | 690 | 75,376 | – | – | (15,066) | – | 61,000 |
| Transaction costs attributable to issues of shares and convertible bonds | – | (1,120) | – | – | – | – | (1,120) |
| Issue of convertible bond | – | – | – | – | 39,924 | – | 39,924 |
| Deferred taxation of convertible bonds | – | – | – | – | (6,587) | – | (6,587) |
| Share-based payments | – | – | 977 | – | – | – | 977 |
| Lapse of share option | – | – | (4,652) | – | – | 4,652 | – |
| As at 31 December 2019 and 1 January 2020 | 20,636 | 1,155,260 | 15,527 | (1,035) | 68,658 | (689,118) | 569,928 |
| Loss for the year | – | – | – | – | – | (120,196) | (120,196) |
| Lapse of convertible bond | – | – | – | – | (18,271) | 18,271 | – |
| Lapse of share option | – | – | (10,200) | – | – | 10,200 | – |
| **As at 31 December 2020** | 20,636 | 1,155,260 | 5,327 | (1,035) | 50,387 | (780,843) | 449,732 |

## 48. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Borrowings HK$'000 | Convertible bonds HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| As at 1 January 2019 | 133,336 | 387,726 | 4,400 | 525,462 |
| Changes from financing cash flows: | | | | |
| Proceeds from borrowings | 468,258 | – | – | 468,258 |
| Repayment of borrowings | (113,810) | – | – | (113,810) |
| Issue of convertible bond | – | 49,959 | – | 49,959 |
| Acquisition of subsidiaries (Note 42) | – | – | 15,978 | 15,978 |
| Repayments of lease liabilities | – | – | (8,351) | (8,351) |
| New leases entered | – | – | 12,231 | 12,231 |
| Interest paid | (31,633) | (17,973) | – | (49,606) |
| Total changes from financing cash flows | 322,815 | 31,986 | 19,858 | 374,659 |
| Other changes: | | | | |
| Interest expenses | 31,633 | 34,109 | 874 | 66,616 |
| Issue of share upon conversion of convertible bonds | – | (61,000) | – | (61,000) |
| Foreign exchange movement | (735) | – | 397 | (338) |
| Total other changes | 30,898 | (26,891) | 1,271 | 5,278 |
| As at 31 December 2019 and 1 January 2020 | 487,049 | 392,821 | 25,529 | 905,399 |
| Changes from financing cash flows: | | | | |
| Proceeds from borrowings | **517,200** | **–** | **–** | **517,200** |
| Repayment of borrowings | **(299,671)** | **–** | **–** | **(299,671)** |
| Redemption of convertible bond | **(116,787)** | **–** | **–** | **(116,787)** |
| Discontinued operations (Note 41) | **(10,692)** | **–** | **–** | **(10,692)** |
| Transfer from convertible bond | **300,000** | **(300,000)** | **–** | **–** |
| Repayments of lease liabilities | **–** | **–** | **(9,545)** | **(9,545)** |
| Interest paid | **(63,938)** | **(7,967)** | **–** | **(71,905)** |
| Total changes from financing cash flows | **326,112** | **(307,967)** | **(9,545)** | **8,600** |
| Other changes: | | | | |
| Interest expenses | **92,764** | **17,409** | **112** | **110,285** |
| Other non-cash movement | **(28,826)** | **–** | **–** | **(28,826)** |
| Foreign exchange movement | **3,940** | **–** | **649** | **4,589** |
| Total other changes | **67,878** | **17,409** | **761** | **86,048** |
| **As at 31 December 2020** | **881,039** | **102,263** | **16,745** | **1,000,047** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 50. MAJOR NON-CASH TRANSACTION

(i) During the year ended 31 December 2019, the Company, Dawin (H.K.) Limited ("Dawin") and Mr. Piao Xingfeng ("Mr. Piao"), the ultimate beneficial owner of entire issued share capital of Dawin entered into a subscription agreement (the "Dawin Subscription Agreement"), pursuant to which Dawin conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, approximately 45,000,000 new Shares at the subscription price of HK$0.6084 per Share under general mandate at the total consideration of approximately HK$27.4 million, which was settled by way of set off against the equivalent amount of the outstanding loan amount of the unsecured loan facilities of up to US$8 million granted by Mr. Piao to the Company pursuant to the loan agreement dated 7 June 2018 entered into between the Company as borrower and Mr. Piao as lender, as amended and supplemented by the supplemental agreements dated 14 September 2018 and 28 January 2019 entered into by the same parties.

(ii) During the year ended 31 December 2019, the Group entered into new lease agreements for the use of office premises, motor vehicles and office equipment for 2 to 5 years. On the lease commencement, the Group recognised HK$12,231,000 of right-of-use assets and HK$12,231,000 lease liabilities.

## 51. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2021, the Company granted share options to an executive director, Mr. Hu Bo, under the 2019 Share Option Scheme. For details, please refer to the announcement of the Company dated 11 January 2021.

On 1 February 2021, a wholly owned subsidiary of the Company, TUS Zhixing Technology (Beijing) Limited* (啟迪智行科技(北京)有限公司), entered into a sale and purchase agreement and agreed to dispose its wholly owned subsidiary, TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) which holds 4.55% of equity interests in National Innovation Center (a financial asset at FVTOCI). The disposal has been completed on 10 February 2021. For details, please refer to the announcements of the Company dated 1 February 2021 and 4 February 2021.

Save as disclosed herein, no subsequent events occurred after 31 December 2020 and up to the date of this report, which may have a significant effect on the assets and liabilities or future operations of the Group.

## 52. COMPARATIVE FIGURES

The comparative statement of profit or loss has been restated as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

## 53. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

# FIVE-YEAR FINANCIAL SUMMARY

*For the year ended 31 December 2020*

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2016<br>HK$'000 | 2017<br>HK$'000 | 2018<br>HK$000 | 2019<br>HK$'000<br>(restated) | **2020**<br>**HK$'000** |
| **Continuing operations:** | | | | | |
| **Operating results** | | | | | |
| Revenue | 216,802 | 202,693 | 457,237 | 733,179 | **730,299** |
| Loss before taxation | (40,362) | (80,846) | (130,078) | (314,559) | **(249,534)** |
| Taxation | 2,564 | 10,323 | 1,608 | (13,222) | **(18,651)** |
| **Loss for the year** | (37,798) | (70,523) | (128,470) | (301,338) | **(230,883)** |
| **Attributable to:** | | | | | |
| Owners of the Company | (30,608) | (75,283) | (122,385) | (299,539) | **(226,452)** |
| Non-controlling interests | (7,190) | 4,760 | (6,084) | (1,799) | **(4,431)** |
| **Loss for the year** | (37,798) | (70,523) | (128,469) | (301,338) | **(230,883)** |
| Loss per share<br>– Basic and diluted | (3.30) cents | (8.11) cents | (11.69) cents | (15.52) cents | **(11.92) cents** |
| **Assets and liabilities** | | | | | |
| Non-current assets | 260,743 | 699,595 | 661,131 | 1,483,064 | **1,317,597** |
| Net current assets/(liabilities) | 276,977 | 172,154 | 120,182 | (656,075) | **(882,745)** |
| Total assets less current liabilities | 537,720 | 871,749 | 781,313 | 826,989 | **434,852** |
| Non-current liabilities | (57,335) | (338,749) | (333,894) | (226,150) | **(212,975)** |
| **Net assets** | 480,385 | 533,000 | 447,419 | 600,839 | **221,877** |
| **Capital and reserves** | | | | | |
| Share capital | 9,282 | 9,282 | 13,232 | 20,636 | **20,636** |
| Reserves | 517,662 | 478,838 | 404,796 | 552,953 | **167,600** |
| Equity attributable to<br>owners of the Company | 526,944 | 488,120 | 418,028 | 573,589 | **188,236** |
| Non-controlling interests | (46,559) | 44,880 | 29,391 | 27,250 | **33,641** |
| **Total equity** | 480,385 | 533,000 | 447,419 | 600,839 | **221,877** |