啟迪國際
TUS INTERNATIONAL

TUS INTERNATIONAL LIMITED
啟 迪 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 872)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

	2019	2018	Change
	HK$ million	*HK$ million*	*%*
Continuing operations			
Revenue	**781.8**	457.2	71.0
Gross profit	**97.8**	60.8	60.9
Research and development expenses	**103.4**	10.1	923.8
Finance costs	**66.6**	54.0	23.3
Loss before taxation	**(311.1)**	(125.9)	147.1
Loss for the year from continuing operations	**(299.3)**	(124.3)	140.8
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic and diluted *(HK cents)*	**(15.52)**	(11.69)	32.8

Reference is made to the announcement of TUS International Limited (the "Company") dated 30 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "2019 Unaudited Annual Results Announcement").

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce that the auditing process of the annual results of the Group for the year ended 31 December 2019 has been completed. As certain adjustments have been made to the unaudited annual results of the Group as contained in the 2019 Unaudited Annual Results Announcement, the differences between the unaudited annual results and the audited annual results contained in this announcement are set out in the section headed "Material Differences between 2019 Unaudited and Audited Annual Results" in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audited consolidated results for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Continuing operations:			
Revenue	7	**781,801,363**	457,237,213
Cost of sales		**(683,967,661)**	(396,454,551)
Gross profit		**97,833,702**	60,782,662
Other revenue	8	**10,784,990**	3,256,133
Other gains and losses	9	**(19,568,694)**	(9,013,255)
Research and development expenses		**(103,377,165)**	(10,095,011)
Selling and distribution expenses		**(14,335,534)**	(12,152,427)
Administrative expenses		**(203,506,288)**	(101,260,090)
Allowance under expected credit loss model, net of reversal		**(11,242,054)**	11,303
Finance costs	10	**(66,616,412)**	(53,969,334)
Share of loss of an associate		**–**	(1,587,696)
Share of loss of a joint venture		**(1,096,586)**	(1,868,704)
Loss before taxation	11	**(311,124,041)**	(125,896,419)
Taxation	12	**11,839,096**	1,608,306
Loss for the year from continuing operations		**(299,284,945)**	(124,288,113)
Discontinued operation:			
Loss for the year from discontinued operation	18	**(2,036,518)**	(4,181,119)
Loss for the year		**(301,321,463)**	(128,469,232)

	Notes	**2019** HK$	2018 HK$
Other comprehensive (loss)/income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**2,054,450**	(42,100,757)
Share of exchange differences of an investment in associates		**–**	97,996
Share of exchange differences of an investment in a joint venture		**–**	14,247
Reclassification adjustment of exchange differences upon disposal of subsidiaries		**303,551**	(13,221,081)
Items that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(48,308,189)**	(100,700,755)
Remeasurement of defined benefit plans		**(1,813,650)**	–
Other comprehensive loss for the year		**(47,763,838)**	(155,910,350)
Total comprehensive loss for the year		**(349,085,301)**	(284,379,582)
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		**(298,492,195)**	(120,252,473)
– from discontinued operation		**(1,038,624)**	(2,132,371)
		(299,530,819)	(122,384,844)
Non-controlling interests			
– from continuing operations		**(792,750)**	(4,035,640)
– from discontinued operation		**(997,894)**	(2,048,748)
		(1,790,644)	(6,084,388)
		(301,321,463)	(128,469,232)

	Notes	2019 HK$	2018 HK$
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(346,944,501)**	(273,019,105)
Non-controlling interests		**(2,140,800)**	(11,360,477)
		(349,085,301)	(284,379,582)
Loss per share attributable to owners of the Company	*14*		
From continuing and discontinued operations			
– Basic and diluted *(HK cents)*		**(15.52)**	(11.69)
From continuing operations			
– Basic and diluted *(HK cents)*	*14*	**(15.47)**	(11.48)
From discontinued operation			
– Basic and diluted *(HK cents)*	*14*	**(0.05)**	(0.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$	2018 HK$
Non-current assets			
Fixed assets			
– Property, plant and equipment		**80,614,712**	26,050,469
Right-of-use assets		**25,015,971**	–
Construction in progress		**12,604,121**	8,186,268
Deposit	*16*	**–**	45,539,400
Finance lease receivables		**8,693,237**	16,689,888
Intangible assets		**438,699,395**	84,179,470
Goodwill		**651,328,971**	164,772,765
Interests in associates		**–**	–
Interest in a joint venture		**–**	1,096,586
Financial assets at fair value through other comprehensive income		**265,365,619**	314,616,087
Deferred tax assets		**742,069**	–
		1,483,064,095	661,130,933
Current assets			
Inventories	*15*	**113,153,452**	91,767,498
Trade and bills receivables, prepayments and other receivables	*16*	**262,963,299**	304,983,330
Finance lease receivables		**34,255,867**	76,729,195
Pledged bank deposits		**3,883,581**	50,344,939
Cash and cash equivalents		**113,418,336**	53,653,443
		527,674,535	577,478,405
Assets of a disposal group classified as held for sales	*18*	**82,678,114**	–
		610,352,649	577,478,405

	Notes	2019 HK$	2018 HK$
Current liabilities			
Trade and bills payables and other payables	*17*	**450,881,287**	234,954,138
Contract liabilities		**19,541,583**	29,754,161
Lease liabilities		**8,945,719**	–
Current tax payable		**8,688**	969,505
Borrowings		**487,049,413**	133,335,973
Convertible bonds		**300,000,000**	58,282,301
		1,266,426,690	457,296,078
Net current (liabilities)/assets		**(656,074,041)**	120,182,327
Total assets less current liabilities		**826,990,054**	781,313,260
Non-current liabilities			
Other payables	*17*	**144,331**	–
Net defined benefits liabilities		**6,416,315**	–
Lease liabilities		**16,582,712**	–
Deferred tax liabilities		**110,186,453**	4,450,766
Convertible bonds		**92,820,659**	329,443,363
		226,150,470	333,894,129
Net assets		**600,839,584**	447,419,131
Capital and reserves			
Share capital	*20*	**20,636,153**	13,231,849
Reserves		**552,952,938**	404,795,989
Equity attributable to owners of the Company		**573,589,091**	418,027,838
Non-controlling interests		**27,250,493**	29,391,293
Total equity		**600,839,584**	447,419,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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$") except when otherwise indicated.

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

2. REVIEW OF AUDITED ANNUAL RESULTS

The audited annual results have been reviewed by the audit committee of the Company.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("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. 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 of the Hong Kong Companies Ordinance.

4. 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.

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, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

For the year ended 31 December 2019, the Group incurred a loss of approximately HK$301,321,463 and a net cash outflow from operating activities of approximately HK$155,524,806. As at 31 December 2019, the Group had net current liabilities of approximately HK$656,074,041. In addition, the Group had outstanding convertible bonds and borrowings of approximately HK$300,000,000 and HK$487,049,413 respectively which were due for repayment or renewal in the next twelve months after 31 December 2019.

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

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. The Company has actively negotiated with banks to secure the renewals of the Group's bank loans to meet its liabilities when fall due;

2. The Group is currently in discussions with a bank on a waiver and potential restricting of certain financial covenants under the loan agreement;

3. The Group has received a written confirmation dated 15 March 2020 from Tuspark Venture Investment Limited ("Tuspark Venture"), one of the major shareholders of the Company, that it will provide financial support to the Group in the following 24 months on a going concern basis. 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 20 May 2020 from Tus-Holdings Co., Ltd., its holding company, that it will provide financial support to the Tuspark Venture in the following 24 months;

4. As at the date of approval of these consolidated financial statements, the Group has signed an agreement to obtain a financing from a financial institution;

5. 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;

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

7. 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 borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

In the opinion of the Directors, 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 are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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.

5. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs ("New and Amendments to HKFRSs") issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the New and 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 consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statement.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong, the People's Republic of China (the "PRC" or "China") and Europe was determined on a portfolio basis;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 1.6% to 5.5%.

Impact on transition

The following table summarises the impact of transition to HKFRS 16 in accumulated losses as at 1 January 2019:

	1 January 2019 *HK$*
Accumulated losses as at 31 December 2018	(198,991,218)
Adjustment under HKFRS 16	(183,081)
Accumulated losses as at 1 January 2019 (Restated)	(199,174,299)

The following table reconciles the operating lease commitments as disclosed in annual report as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$*
Operating lease commitment as at 31 December 2018	7,595,170
Less: short-term lease and other lease with remaining lease term ending on or before 31 December 2019	(1,066,528)
Less: total future interest expenses	(2,129,024)
Lease liabilities as at 1 January 2019	4,399,618
Analysed as:	
– Current	3,191,783
– Non-current	1,207,835
Lease liabilities as at 1 January 2019	4,399,618

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

	1 January 2019
	HK$
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,216,537
By class:	
Office premises	4,216,537

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	**Adjustment**	**Carrying amount under HKFRS 16 at 1 January 2019**
	HK$	*HK$*	*HK$*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-uses assets	–	4,216,537	4,216,537
Total non-current assets	661,130,933	4,216,537	665,347,470
Lease liabilities (current)	–	3,191,783	3,191,783
Total current liabilities	457,296,078	3,191,783	460,487,861
Net current assets	120,182,327	(3,191,783)	116,990,544
Lease liabilities (non-current)	–	1,207,835	1,207,835
Total non-current liabilities	333,894,129	1,207,835	335,101,964
Net assets	**447,419,131**	**(183,081)**	**447,236,050**
Reserves	**404,795,989**	**(183,081)**	**404,612,908**

Effect on cashflow

For the purpose of reporting cashflows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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[2]
HKFRS 3 (Amendments)	Definition of a Business[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]

[1] *Effective for annual periods beginning on or after 1 January 2020.*

[2] *Effective for annual periods beginning on or after 1 January 2021.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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.

6. SEGMENT INFORMATION

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

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

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

(a) ADAS and other automotive components – (i) sale of ADAS and other automotive components in the People's Republic of China ("PRC"); (ii) development, manufacture and sales of auto grade cellular modules in Europe, the US and Asia Pacific

(b) Car trading – sale of premium cars in Hong Kong and sale of cars in the PRC

(c) Finance lease of motor vehicles and equipment – providing financing service for leasing motor vehicles and equipment in the PRC

For car-carried purifiers – sales of car-carried purifiers in the PRC, the management considered that it is an operating segment presented as discontinued operation. The segment information report below does not included any amounts from the discontinued operation during the year ended 31 December 2019. For details of the discontinued operation, please refer to note 18.

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			
	ADAS and other automotive components *HK$*	**Car trading** *HK$*	**Finance lease of motor vehicles and equipment** *HK$*	**Total** *HK$*
Year ended 31 December 2019				
Segment revenue	**733,179,156**	**–**	**48,622,207**	**781,801,363**
Segment results	**(196,916,754)**	**(58,351)**	**5,211,879**	**(191,763,226)**
Share of loss of a joint venture	**–**	**–**	**–**	**(1,096,586)**
Loss on disposal of property, plant and equipment	**(325,595)**	**–**	**(797,341)**	**(1,122,936)**
Loss on disposal of subsidiaries, net	**–**	**–**	**–**	**(10,288,159)**
Allowance under expected credit loss model				**(11,242,054)**
Unallocated corporate expense				**(30,847,188)**
Unallocated corporate income				**1,852,520**
Finance costs				**(66,616,412)**
Loss before taxation				**(311,124,041)**

	Continuing operations			
	ADAS and other automotive components	Car trading	Finance lease of motor vehicles and equipment	Total
	HK$	*HK$*	*HK$*	*HK$*
Year ended 31 December 2018				
Segment revenue	328,004,405	2,029,362	127,203,446	457,237,213
Segment results	(203,415)	(14,613)	15,418,594	15,200,566
Share of loss of an associate	–	–	–	(1,587,696)
Share of loss of a joint venture	–	–	–	(1,868,704)
Loss on disposal of property, plant and equipment	–	–	–	(508,652)
Impairment loss recognised on amount due from an associate	–	–	–	(5,119,061)
Allowance under expected credit loss model, net of reversal				11,303
Unallocated corporate expense				(79,834,574)
Unallocated corporate income				1,779,733
Finance costs				(53,969,334)
Loss before taxation				(125,896,419)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate expense, unallocated corporate income, share of loss of an associate, share of loss of a joint venture, loss on disposal of property, plant and equipment, loss on disposal of subsidiaries, impairment loss recognised on amount due from an associate, allowance under expected credit loss model, net of reversal and finance costs. This is the measure reported to the chief operating decision makers 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.

	ADAS and other automotive components *HK$*	Car trading *HK$*	Finance lease of motor vehicles and equipment *HK$*	Total *HK$*
Year ended 31 December 2019				
Segment assets	**1,513,981,074**	**5,307,803**	**132,201,921**	**1,651,490,798**
Segment liabilities	**900,559,473**	**3,308**	**23,543,358**	**924,106,139**

	ADAS and other automotive components *HK$*	Car trading *HK$*	Finance lease of motor vehicles and equipment *HK$*	Total *HK$*
Year ended 31 December 2018				
Segment assets	453,572,896	5,473,393	173,391,131	632,437,420
Segment liabilities	240,755,451	9,999	32,733,706	273,499,156

Reconciliation of reportable segments' assets and liabilities:

	2019	2018
	HK$	*HK$*
Assets		
Total assets of reportable segments	**1,651,490,798**	632,437,420
Unallocated and other corporate assets:		
Prepayments and other receivables	**90,799,596**	131,861,729
Financial assets at fair value through other comprehensive income	**265,365,619**	314,616,087
Cash and cash equivalents	**249,900**	75,105,586
Office equipment and motor vehicles	**2,832,717**	2,894,590
Interest in a joint venture	**–**	1,096,586
Assets of a disposal group classified as held for sale	**82,678,114**	80,597,340
Consolidated total assets	**2,093,416,744**	1,238,609,338
Liabilities		
Total liabilities of reportable segments	**924,106,139**	273,499,156
Unallocated and other corporate liabilities:		
Other payables	**43,360,780**	78,303,246
Borrowings	**22,094,441**	46,241,870
Convertible bonds	**392,820,659**	387,725,664
Deferred tax liabilities	**110,186,453**	4,450,766
Current tax payable	**8,688**	969,505
Consolidated total liabilities	**1,492,577,160**	791,190,207

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 interests in a joint venture); 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	**ADAS and other automotive components**	**Car trading**	**Finance lease of motor vehicles and equipment**	**Unallocated**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2019					
Capital expenditure *(note a)*	**94,619,724**	**–**	**–**	**57,833**	**94,677,557**
Depreciation and amortisation	**86,670,178**	**–**	**376,322**	**1,486,814**	**88,533,314**
Taxation	**(10,539,591)**	**–**	**1,382,328**	**(2,681,833)**	**(11,839,096)**
Year ended 31 December 2018					
Capital expenditure *(note b)*	51,712,103	–	1,652,819	30,194,290	83,559,212
Depreciation and amortisation	22,420,169	–	333,396	1,220,627	23,974,192
Taxation	(55,480)	–	(1,651,421)	98,595	(1,608,306)

Note:

(a) During the year ended 31 December 2019, capital expenditure consists of additions of property, plant and equipment, right-of-use assets, intangible assets and construction in progress.

(b) During the year ended 31 December 2018, capital expenditure consists of additions of property, plant and equipment, intangible assets and construction in progress.

Information about geographical areas

During the year ended 31 December 2019, the Group was mainly operating in the PRC, Europe, the US and Asia Pacific (2018: the PRC). The Group's revenue from external customers based on the location of the operation by geographical location are presented below:

	Continuing operations							
	ADAS and other automotive components		Car trading		Finance lease of motor vehicles and equipment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue								
The PRC	**274,554,663**	328,004,405	**–**	2,029,362	**48,622,207**	127,203,446	**323,176,870**	457,237,213
Europe, the US and Asia Pacific	**458,624,493**	–	**–**	–	**–**	–	**458,624,493**	–
	733,179,156	328,004,405	**–**	2,029,362	**48,622,207**	127,203,446	**781,801,363**	457,237,213
Non-current assets								
The PRC	**203,874,819**	214,351,423	**–**	–	**12,064,939**	24,688,077	**215,939,758**	239,039,500
Europe, the US and Asia Pacific	**908,711,266**	–	**–**	–	**–**	–	**908,711,266**	–
	1,112,586,085	214,351,423	**–**	–	**12,064,939**	24,688,077	**1,124,651,024**	239,039,500

Information about major customers

For the year ended 31 December 2019, revenue generated from two (2018: two) customer(s) of the Group's ADAS and other automotive components business amounting to HK$317,635,991 (2018: HK$274,057,858) has 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:

	2019	2018
	HK$	*HK$*
Customer A *(note)*	**–**	153,315,810
Customer B *(note)*	**186,102,014**	–
Customer C *(note)*	**–**	120,742,048
Customer D *(note)*	**131,533,977**	–

Note: The revenue contributed by Customer A and C during the year ended 31 December 2019 and Customer B and D during the year ended 31 December 2018 was less than 10% of the Group's revenue.

7. REVENUE

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

Revenue recognised during the year is analysed as follows:

	2019	2018
	HK$	*HK$*
Continuing operations:		
Revenue from contracts with customers		
Recognised at a point in time:		
Sales of ADAS and other automotive components	**733,179,156**	328,004,405
Sales of cars	**–**	2,029,362
	733,179,156	330,033,767
Revenue from other source:		
Finance lease income	**48,622,207**	127,203,446
	781,801,363	457,237,213

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

	2019	2018
	HK$	*HK$*
Continuing operations:		
Bank interest income	**754,101**	1,893,167
Subsidy income *(Note)*	**958,101**	871,400
Sundry income	**1,963,153**	491,566
Recharge income from customers	**7,109,635**	–
	10,784,990	3,256,133

Note:

For the years ended 31 December 2019 and 2018, 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.

9. OTHER GAINS AND LOSSES

	2019	2018
	HK$	*HK$*
Continuing operations:		
Net foreign exchange loss	**7,666,241**	3,481,318
Loss on disposal of property, plant and equipment	**1,122,936**	508,652
Impairment loss on interest in associate	**–**	5,119,061
Loss/(gain) on disposal of subsidiaries, net	**10,288,159**	(95,776)
Others	**491,358**	–
	19,568,694	9,013,255

10. FINANCE COSTS

	2019	2018
	HK$	*HK$*
Continuing operations:		
Interest expenses on bank loans	**23,788,054**	4,489,287
Interest expenses on other loans	**7,846,014**	11,387,882
Imputed interest expenses on lease liabilities	**873,803**	–
Imputed interest expenses on convertible bonds	**34,108,541**	38,092,165
	66,616,412	53,969,334

11. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	2019	2018
	HK$	*HK$*
Continuing operations:		
Auditors' remuneration		
– Audit service	**1,200,000**	900,000
– Non-audit service	**48,998**	680,000
Staff costs (including directors' emoluments)		
– Salaries, wages and bonuses	**56,039,687**	34,196,745
– Retirement scheme contributions and welfare	**8,905,890**	3,754,300
– Share-based payments	**977,071**	2,435,003
Depreciation of property, plant and equipment	**21,754,892**	5,366,400
Depreciation of right-of-use assets	**7,325,964**	–
Amortisation of intangible assets	**59,452,458**	18,607,792
Operating lease charges in respect of rented properties	**–**	6,887,356
Expenses relating to short term lease and other leases with unit remaining lease term on or before 31 December 2019	**5,995,944**	–
Cost of inventories	**507,569,989**	86,307,755

12. TAXATION

Income tax recognised in profit or loss:

	2019	2018
	HK$	*HK$*
Continuing operations:		
Current tax:		
PRC Enterprise Income Tax	**2,634,958**	1,706,901
Hong Kong Profits Tax	**(19,366)**	–
Over-provision in prior year (other than Hong Kong and PRC)	**(916,112)**	–
Deferred tax:		
Current year	**(13,538,576)**	(3,315,207)
Taxation	**(11,839,096)**	(1,608,306)

PRC Enterprise Income Tax

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 2019 and 2018.

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

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.

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 December 2019 (2018: Nil).

14. 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 2019 is based on the loss for the year attributable to owners of the Company from continuing and discontinued operations of HK$299,530,819 (2018: HK$122,384,844) and the weighted average of 1,929,699,250 (2018: 1,047,225,984) ordinary shares in issue during the year.

Continuing operations

The calculation of the basic loss per share for the year ended 31 December 2019 from continuing operations are based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of HK$298,492,195 (2018: HK$120,252,473) and the weighted average number of ordinary shares of 1,929,699,250 (2018: 1,047,225,984) during the year.

Discontinued operation

The calculation of the basic loss per share for the year ended 31 December 2019 from discontinued operation are based on loss for the year attributable to ordinary equity holders of the Company from discontinued operations of HK$1,038,624 (2018: HK$2,132,371) and the weighted average number of ordinary shares of 1,929,699,250 (2018: 1,047,225,984) during the year.

(b) Diluted loss per share

Continuing and discontinued operations

During the years ended 31 December 2019 and 2018, the computation of diluted loss per share does not include the Company's outstanding share options and outstanding convertible bonds because the effect was anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

15. INVENTORIES

	2019	2018
	HK$	*HK$*
Raw materials	**38,684,002**	36,056,756
Work-in-progress	**3,823,321**	3,947,310
Finished goods	**70,646,129**	51,763,432
	113,153,452	91,767,498

16. TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$	*HK$*
Non-current:		
Deposit	**–**	45,539,400
Current:		
Trade receivables *(Note (a))*	**160,102,608**	106,881,719
Bills receivables	**6,016,293**	27,680,625
Deposits and prepayments	**5,311,521**	78,872,643
Other receivables	**91,532,877**	91,548,343
	262,963,299	304,983,330

Note:

(a) Ageing analysis

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

	2019	2018
	HK$	*HK$*
Within 3 months	**144,608,943**	98,560,529
Over 3 months but less than 6 months	**8,990,625**	4,109,961
Over 6 months but less than 12 months	**814,953**	3,073,072
Over 12 months	**5,688,087**	1,138,157
	160,102,608	106,881,719

The Group generally grants a credit period normally not more than 90 days from the date of billing.

17. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	2019	2018
	HK$	*HK$*
Non-current liability:		
Other payable	**144,331**	–
Current liabilities:		
Trade payables *(Note (a))*	**301,975,479**	103,225,264
Bills payables	**8,204,943**	15,415,087
Other payables and accruals	**140,700,865**	116,313,787
	450,881,287	234,954,138

The credit period on trade payables is normally 90 days.

(a) Ageing analysis

The ageing analysis of trade payables is as follows:

	2019	2018
	HK$	*HK$*
Within 3 months	**181,988,010**	99,212,152
Over 3 months but less than 6 months	**102,359,013**	3,296,550
Over 6 months but less than 12 months	**7,762,686**	581,232
Over 12 months	**9,865,770**	135,330
	301,975,479	103,225,264

18. DISCONTINUED OPERATIONS

On 12 April 2019, an indirect wholly owned subsidiary of the Company, Suzhou Qiyixin Enterprise Management Co., Ltd entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Suzhou Yadu Cloud Technology Co. Limited（蘇州亞都雲科技有限公司）("Suzhou Yadu") to Yadu Technology Group Co., Ltd.（亞都科技集團有限公司）at a consideration of RMB40.8 million (equivalent to approximately HK$46.1 million). Suzhou Yadu is principally engaged in the research and development of car-carried purifiers and related air technology and the sale of car-carried purifiers in the PRC. Pursuant to the terms of the said sale and purchase agreement, the date on which filing in relation to the change in the shareholding in Suzhou Yadu with relevant industry and commerce administration authorities is completed shall be regarded as the date of completion of the disposal. As at the date hereof, completion has not taken place.

The loss for the year ended 31 December 2019 and 2018 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.

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

	2019	2018
	HK$	*HK$*
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other revenue	**1,513**	4,731
Administrative expenses	**(2,038,031)**	(4,185,850)
Loss before taxation	**(2,036,518)**	(4,181,119)
Taxation	**–**	–
Loss for the year from discontinued operation	**(2,036,518)**	(4,181,119)
Loss for the year attributable to:		
Owners of the Company	**(1,038,624)**	(2,132,371)
Non-controlling interests	**(997,894)**	(2,048,748)
	(2,036,518)	(4,181,119)
Loss per share attributable to owners of the Company from discontinued operation:		
– Basic and diluted *(HK cents per share)*	**(0.05)**	(0.21)

The cumulative exchange reserve recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2019 were HK$1,579,907 (2018: HK$4,809,346).

The major classes of assets of the discontinued operation classified as held for sales as at 31 December 2019 are as follows:

	31 December 2019
	HK$
Intangible assets	**31,939,016**
Deposit	**44,696,000**
Other receivables	**5,587,000**
Cash and cash equivalents	**455,339**
Current tax recoverable	**759**
Assets classified as held for sales	**82,678,114**
Net assets directly associated with the disposal group	**82,678,114**

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

	2019	2018
	HK$	*HK$*
Amortisation of intangible assets	**1,977,014**	4,113,587

19. 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%

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.

	Titan Group
	HK$
Property, plant and equipment	70,273,099
Right-of-use assets	15,942,331
Intangible assets	382,985,800
Inventories	4,830,519
Trade receivables	51,922,428
Amount due from ultimate holding company	251,831,572
Prepayments, deposits and other receivables	24,450,361
Cash and cash equivalents	7,531,592
Trade and bills payables	(62,466,399)
Other payables and accruals	(571,062,688)
Net defined benefits liabilities	(4,142,313)
Lease liabilities	(15,978,187)
Current tax payable	(328,716)
Deferred tax assets	1,342,411
Deferred tax liabilities	(113,287,200)
Fair value of net identifiable assets and liabilities acquired	43,844,610

Goodwill arising on acquisition:

	HK$
Cash consideration	530,400,816
Less: fair value of identifiable net assets acquired	(43,844,610)
Goodwill arising on acquisition	486,556,206

Net cash outflow on acquisition of subsidiaries:

	Titan Group
	HK$
Consideration paid in cash	530,400,816
Less: cash and cash equivalent balances acquired	(7,531,592)
Net cash outflow	522,869,224

Impact of acquisition on the results of the Group

Acquisition-related costs amounting to HK$9,097,950 have been excluded from the consideration transferred and have been recognised as an expense in the current year, 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 is HK$167,906,268 attributable to the additional business generated by Titan Group. Revenue for the year includes HK$455,589,241 generated from Titan Group.

Had the acquisition been completed on 1 January 2019, the effect to the Group's revenue and loss for the year ended 31 December 2019 would have been materially difference from HK$522,503,489 and HK$173,511,806 respectively. 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 current year, 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$51,922,428 and HK$24,450,361 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.

20. SHARE CAPITAL

Authorised and issued share capital

	2019		2018	
	Number of shares	***HK$***	*Number of shares*	*HK$*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000,000**	10,000,000,000	100,000,000
Issued:				
As at 1 January	**1,323,184,888**	**13,231,849**	928,184,888	9,281,849
Subscription of shares *(Note (i))*	**671,425,871**	**6,714,259**	395,000,000	3,950,000
Issue of shares upon conversion of convertible bond *(Note (ii))*	**69,004,524**	**690,045**	–	–
	2,063,615,283	**20,636,153**	1,323,184,888	13,231,849

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.

On 21 June 2018 and 12 September 2018, the Company completed the allotment and issue of shares to subscribers of 295,000,000 subscription shares and of 100,000,000 subscription shares respectively at the subscription price of HK$0.537 per subscription 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.

21. COMPARATIVE FIGURE

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies will be disclosed in the annual report.

In addition, certain comparative figure have been reclassified to be consistent with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MATERIAL DIFFERENCES BETWEEN 2019 UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the Year had not been completed as at the date of publication of 2019 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Results *HK$*	Unaudited Results *HK$*	Differences *HK$*	*Notes*
Continuing operations:				
Cost of sales	(683,967,661)	(682,428,812)	1,538,849	*(a)*
Other revenue	10,784,990	11,203,380	(418,390)	*(b)*
Other gains and losses	(19,568,694)	(18,753,461)	815,233	*(c)*
Research and development expenses	(103,377,165)	(101,072,279)	2,304,886	*(d)*
Selling and distribution expenses	(14,335,534)	(15,112,134)	(776,600)	*(c)*
Administrative expenses	(203,506,288)	(197,368,801)	6,137,487	*(d), (e)*
Allowance under expected credit loss model, net of reversal	(11,242,054)	(5,253,404)	5,988,650	*(f)*
Finance costs	(66,616,412)	(66,472,223)	144,189	*(c)*
Taxation	11,839,096	12,629,576	(790,480)	*(g)*
Discontinued operation:				
Loss for the year	(2,036,518)	(4,013,532)	(1,977,014)	*(h)*
Other comprehensive (loss)/income:				
Exchange differences on translation of financial statements of foreign operations	2,054,450	(166,720)	2,221,170	*(m)*
Change in fair value of financial assets at fair value through other comprehensive income	(48,308,189)	(6,590,188)	41,718,001	*(i)*
Remeasurement of defined benefits plans	(1,813,650)	–	1,813,650	*(c)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited Results *HK$*	Unaudited Results *HK$*	Differences *HK$*	*Notes*
Non-current assets				
Property, plant and equipment	80,614,712	86,325,327	(5,710,615)	*(e)*
Intangible assets	438,699,395	433,518,362	5,181,033	*(c)*
Financial assets at fair value through other comprehensive income	265,365,619	307,083,619	(41,718,000)	*(i)*
Deferred tax assets	742,069	–	742,069	*(g)*
Current assets				
Inventories	113,153,452	107,080,655	6,072,797	*(j)*
Contract assets	–	2,131,113	(2,131,113)	*(j)*
Trade and bills receivables, prepayments and other receivables	262,963,299	269,902,387	(6,939,088)	*(b), (f)*
Finance lease receivables	34,255,867	40,243,737	(5,987,870)	*(f)*
Pledged bank deposits	3,883,581	–	3,883,581	*(k)*
Cash and cash equivalents	113,418,336	117,301,917	(3,883,581)	*(k)*
Assets of a disposal group classified as held for sales	82,678,114	80,722,664	1,955,450	*(h)*
Current liabilities				
Trade and bills payables and other payables	450,881,287	441,136,875	9,744,412	*(l)*
Contract liabilities	19,541,583	22,658,850	(3,117,267)	*(l)*
Non-current liabilities				
Other payables	144,331	6,560,646	(6,416,315)	*(k)*
Net defined benefits liabilities	6,416,315	–	6,416,315	*(k)*
Deferred tax liabilities	110,186,453	108,653,904	1,532,549	*(g)*

Note:

(a) The differences represented the cut-off adjustment recognised in respect of cost of sales.

(b) The differences represented reversal adjustment on other income and other receivable and certain cut-off adjustment.

(c) The differences represented certain cut-off adjustment in respect of other gains and losses, selling and distribution expenses, finance costs, remeasurement of defined benefits plans and intangible assets.

(d) The differences represented the additional recognition of research and development expenses and reclassification to administrative expenses.

(e) The difference represented the further depreciation recognised in respect of the property, plant and equipment.

(f) The differences represented the additional allowance for expected credit loss recognised in respect of trade receivables and finance lease receivables.

(g) The differences represented the recognition of deferred tax assets on defined benefits plans and deferred tax liabilities on accelerated tax depreciation.

(h) The differences represented the over-provision of amortisation on intangible assets and the corresponding exchange differences arising on translation of foreign operation.

(i) The differences represented the adjustment to reflect the fair value of the financial assets at fair value through other comprehensive income.

(j) The differences represented the cut-off adjustment and reclassification from contract assets.

(k) The differences represented reclassification of certain balances.

(l) The difference represented the reclassification of trade and bill payables and other payables from contract liabilities and certain cut off adjustment in respect of trade and bill payables and other payables.

(m) Exchange difference arising on translation of foreign operation due to above adjustment.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the 2019 Unaudited Annual Results Announcement.

BUSINESS REVIEW

The Group is dedicated to developing autonomous driving systems based on highly integrated multi-sensors, vehicle cloud computing and deep learning artificial intelligence and is committed to provide full-stack autonomous driving solutions. ADAS, as a transitional technology to complete autonomous driving, comprises several control points, among others, sensors, connectivity, mapping, processors and software algorithms which are designed to improve pedestrian and passenger safety and to help the driver to remain in control to avoid accidents and reduce damage.

2019 was a tough year for global auto industry due to saturation in developed markets, slow economic growth in China and increasing trade war tariffs as a result of China-US trade dispute. The number of cars sold worldwide was decreased to approximately 90.3 million units (2018: 94.4 million units) while China auto sales fell by 7.9% to approximately 25.8 million units (2018: 28.0 million units). It is expected that slowdown of global auto industry will continue in 2020 owing to weakening demand in China and Western Europe and outbreak of COVID-19 coronavirus in January 2020 which disrupted the supply chains of the industry and decreased the passenger vehicle sales in China by 92% in the first half of February 2020. The slowdown in auto industry will affect the ADAS and autonomous driving industry in the first half of 2020 despite being a fast growing industry in the past years. The global ADAS market size is projected to reach US$189 billion by 2026 with compound annual growth rate (“CAGR”) of 21.4% from 2019 to 2026. The major factors driving the growth of the ADAS 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 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 installing cost in vehicles and complex structure of systems which requires skilled workers could impact on the growth of the ADAS market significantly. The ADAS segment of the Group includes intelligent connected vehicles business, radar-based ADAS business, software algorithms business and Titan Automotive Solutions N.V. (previously named as Telit Automotive Solutions N.V.) (the “Wireless Business Group”).

The Group has tapped into intelligent connected vehicles business since 2017 through 44.7538% equity interest in Suzhou Zhihua Automobile Electronics Co., Ltd ("Suzhou Zhihua") and Beijing Yinwo Automobile Technology Company Limited (collectively, "Suzhou Zhihua Group"). Suzhou Zhihua Group is principally engaged in production and sales of ADAS products among others, around view monitoring systems, lane departure warning systems, forward collision warning systems ("camera-based ADAS"), which possesses competitive advantage in camera-based ADAS solutions with strong client base in China. In the event that the Company fully exercises the option granted by Suzhou Zhihua in favour of Suzhou Qiyizhi Management Enterprise Limited ("Suzhou Qiyizhi"), a subsidiary of the Company, it is expected that the Company will indirectly hold an aggregate of approximately 51.5384% equity interests in Suzhou Zhihua Group. The Company is considering to collaborate with different strategic partners in order to strengthen its technological capabilities and share investment risks in camera-based ADAS business.

For radar-based ADAS business, Kymati GmbH, a joint venture which is held as to approximately 75.28% by an indirect wholly-owned subsidiary of the Company, was formed for the development, production and international marketing of automotive millimeter wave radar sensor components and sensor systems for environment recognition, distance and position measuring, measuring of objects and performance of related services. Since establishment, the Group has contributed approximately EUR18,821 and EUR1.36 million to the joint venture as share capital and capital reserve. The Group intends to leverage existing camera-based ADAS's business relationships in China to promote the radar solution from the joint venture and strengthen the functionality of its products by the combined use of cameras and millimeter wave radars for sensor fusion. Reference is made to the announcement on 8 January 2020. Having considered the continuing net operating loss of the joint venture of approximately EUR149,000 for the year ended 31 December 2018 and EUR772,000 for the eleven months ended 30 November 2019 and future growth potential of the joint venture, the Group decided not to make further investment in the joint venture and in December 2019, the shares held by the Group had been compulsorily redeemed in full pursuant to the terms of the shareholders agreement. Since completion of the redemption, the joint venture ceased to be a subsidiary of the Company and the assets and liabilities and results of operation of the joint venture were no longer consolidated into the consolidated financial statements of the Company. As a result, the Group recorded an impairment loss of approximately HK$4.7 million.

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

In 2018, each of TUS Cloud Control and certain leading enterprises of the industry including automotive original equipment manufacturers and mobility service providers, contributed an aggregate of RMB50.0 million, jointly established the National Innovation Center which was positioned as the core source of forward-looking and common cross key technologies, core public platform of research and development, transformation of technological achievements, innovation and development of the industry, and the base in gathering and cultivating high-end talents. As of 31 December 2019, there were 18 members (2018: 18) in the National Innovation Center with registered share capital of RMB900.0 million (including unpaid registered capital of RMB70.0 million) (2018: RMB900 million) of which 5.56% (2018: 5.56%) was contributed by the Group.

In May 2019, TUS Cloud Control released the Shanghai Cloud Control Demonstration Project and Cooperation Program for L3/L4 China Standard to build a Chinese-charactered intelligent vehicle industry based on cloud control. The Shanghai Cloud Control Demonstration Project is a comprehensive demonstration project of "vehicle-road-cloud computing autonomous driving solutions" based on the intelligent vehicle cloud control basic platform. This project is awarded by National Development Reform Commission ("NDRC") as "Made-in-China Core Competence Enhancing Project 2019". The Shanghai Cloud Control Demonstration Project includes city road of 51.8 km in Jiading District Shanghai and expressway of 20 km from Hongqiao Airport to Shanghai Auto City. The Group will standardise the design, construction, implementation and commercial operation of the cloud control infrastructure platform system after completing this demonstration project. The Group will also promote such standard and provide support for the innovation of industrial form and business model, and build an integrated intelligent automobile industry ecosystem. During the year ended 31 December 2019 (the "Year"), the software algorithms business recorded revenue of approximately HK$29.0 million (2018: nil). The Company is considering to collaborate with different strategic partners in order to strengthen its technological capabilities and share investment risks in software algorithms business.

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

The acquisition of the Wireless Business Group was completed on 27 February 2019 and the results of the Wireless Business Group have been consolidated into the consolidated financial statement of the Company upon completion of the acquisition on 27 February 2019. During the Year, the Wireless Business Group contributed revenue of approximately HK$455.6 million (2018: nil). Intangible assets including technical know-how, brand name and customer relationship, and goodwill arising from acquisition as of the date of completion amounted to approximately HK$383.0 million and HK$486.5 million respectively.

Other Businesses

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

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

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

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

FUTURE PLANS AND PROSPECTS

In the short run, the Group will maintain the competitiveness through capturing the market share in camera-based ADAS business in China and leveraging on the synergistic effect with the 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 inhouse research and development efforts.

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

* *For identification purposes only*

FINANCIAL REVIEW

The revenue and gross profit of the Group for the Year increased by approximately 71.0% and 60.9% to approximately HK$781.8 million and HK$97.8 million respectively (2018: HK$457.2 million and HK$60.8 million respectively). Such increase was primarily due to the acquisition of automotive-grade connectivity module business which was completed on 27 February 2019. The results of the Wireless Business Group have been consolidated into the consolidated financial statements of the Company upon completion of such acquisition on 27 February 2019. Despite such increase in revenue and gross profit, the net loss for the Year increased by 134.5% to approximately HK$301.3 million (2018: HK$128.5 million). It was primarily due to the significant increase in research and development expenses, finance costs and administrative expenses by 923.8%, 23.3% and 100.9% respectively to approximately HK$103.4 million, HK$66.6 million and HK$203.5 million respectively (2018: HK$10.1 million, HK$54.0 million and HK$101.3 million respectively).

ADAS Products

Revenue of ADAS products ("ADAS Segment") is mainly generated from camera-based ADAS, radar-based ADAS, software algorithms business and auto-grade wireless communication module. Major customers of ADAS segment comprise mainstream automakers in China and blue-chip OEMs and tier one suppliers in Europe, the US and Asia Pacific. Revenue and gross profit of ADAS Segment grew by 123.5% and 130.6% to approximately HK$733.2 million and HK$89.7 million respectively for the Year (2018: HK$328.0 million and HK$38.9 million) as a result of completion of acquisition of the Wireless Business Group in February 2019. The ADAS Segment recorded gross profit margin of 12.2% for the Year (2018: 11.9%).

Going forward, camera-based ADAS and Wireless Business Group could lower cost of sales by improving products quality through research and development and streamline supply chains to improve operation efficiency of the Company. Software algorithms business would leverage the experience gained this year to develop cloud platform businesses in China. In the long run, camera-based ADAS segment will collaborate with others ADAS business to develop new products in China and expand its market channel overseas. Camera-based ADAS would strengthen its capabilities through collaboration with different strategic partners to diversify existing product mix to tap into commercial vehicles sector, develop high-end products and increase sales mix of services income. It is expected that the above strategic moves could improve gross profit margin and financial performance accordingly.

Car-carried Purifiers

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

Car Trading

Car trading segment business has been suspended during the Year due to the changes of the Company's overall strategy since 2017 and the Group intended to focus its resources to develop ADAS's business segment. As a result, there was no revenue and gross profit for the car trading during the Year (2018: HK$2.0 million and HK$0.1 million respectively).

Finance Lease of Motor Vehicles and Equipment

The revenue and gross profit of finance lease of motor vehicles and equipment business dropped by 61.8% and 62.7% to approximately HK$48.6 million and HK$8.1 million respectively during the Year (2018: HK$127.2 million and HK$21.7 million). It is expected that the revenue of the segment will be decreasing as the Group has focused its resources to develop cloud control and intelligent autonomous driving services since 2017.

Other Revenue

During the Year, other revenue of the Group increased to approximately HK$10.8 million (2018: HK$3.3 million) which mainly included bank interest income and recharge income from customer of approximately HK$0.8 million (2018: HK$1.9 million) and HK$7.1 million (2018: nil) respectively.

Other Gain and Loss

During the Year, other losses increased to approximately HK$19.6 million (2018: HK$9.0 million) which was primarily due to the loss on disposal of subsidiaries and exchange difference of approximately HK$10.3 million and HK$7.3 million respectively.

Research and Development Expenses

During the Year, research and development expenses before capitalisation amounted to approximately HK$170.4 million (2018: HK$75.8 million) in which approximately HK$67.0 million (2018: HK$65.7 million) was capitalised as intangible assets. Research and development expenses after capitalisation for the Year surged by 923.8% to approximately HK$103.4 million (2018: HK$10.1 million). Such increase was primarily due to completion of acquisition of the Wireless Business Group in February 2019 which has approximately 89 research and development staff in France, Belgium and Israel. As of the date of this announcement, the Group also has 186 research and development staff in Suzhou and Beijing for the development of camera-based ADAS and intelligent and connected vehicles big data cloud platform technology and related business.

Selling and distribution expenses

During the Year, selling expenses and distribution expenses, representing 1.8% of the Group's revenue (2018: 2.7%), grew by 17.2% to approximately HK$14.3 million (2018: HK$12.2 million). Such increase was primarily due to completion of acquisition of the Wireless Business Group in February 2019.

Administrative Expenses

During the Year, administrative expenses, representing 26.0% of the Group's revenue (2018: 22.1%), rose by 100.9% to approximately HK$203.5 million (2018: HK$101.3 million) which was primarily due to increase in depreciation and amortisation and salaries as a result of the completion of acquisition of the Wireless Business Group in February 2019.

Finance Costs

During the Year, finance costs grew by 23.3% to approximately HK$66.6 million (2018: HK$54.0 million) as a result of the increase in interest expenses on bank loans from approximately HK$4.5 million for the year ended 31 December 2018 to approximately HK$23.8 million for the Year.

Share of loss of an associate

There was no share of loss of an associate for the Year (2018: HK$1.6 million).

Share of loss of a joint venture

Share of loss of a joint venture for the Year amounted to approximately HK$1.1 million (2018: HK$1.9 million).

Taxation

Certain subsidiaries of the Company in the PRC generated net profit and the Group recorded PRC income tax expense amounting to approximately HK$2.6 million for the Year (2018: HK$1.7 million). On the other hand, the Group recorded a deferred tax credit of approximately HK$13.5 million (2018: HK$3.3 million) due to the reversal of temporary differences and HK$0.9 million (2018: nil) due to over-provision in prior year. As a result, the Group recorded income tax credit of approximately HK$11.8 million during the Year (2018: HK$1.6 million).

Net loss attributable to shareholders

As a result of the factors discussed above, the Group's net loss for the Year widened to approximately HK$301.3 million (2018: HK$128.5 million).

Financial assets at fair value through other comprehensive income

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

As at 31 December 2019, investments of approximately HK$265.4 million were classified under FVTOCI (31 December 2018: HK$314.6 million) and impairment loss of approximately HK$45.6 million (2018: HK$100.7 million) was recognised due to changes in fair value of investments during the Year.

Details of the investments are as follows:

	31 December 2019 HK$ million	Impairment gain/(loss) recognised through OCI during the Year HK$ million	Exchange differences HK$ million	Investments acquired during the Year HK$ million	31 December 2018 HK$ million
18% equity interest in More Cash Limited *(note 1)*	30.4	(40.7)	–	–	71.1
2.46% equity interest in Sino Partner Global Limited	36.6	(2.5)	–	–	39.1
14% equity interest in Tus Suzhou Fashion & Education Development Co., Ltd ("Tus Suzhou") * (蘇州啟迪時尚教育發展有限公司) *(note 2)*	149.4	(1.4)	–	–	150.8
5.56% equity interest in National Innovation Center of Intelligent Connected Vehicles ("the National Innovation Center")	46.9	(3.4)	(0.9)	–	51.2
Gap fund with TusStar and MICHIGAN *(note 3)*	0.5	(0.3)	–	–	0.8
9.8% equity interest in Suzhou Udas Automotive Technology Co., Ltd* (蘇州優達斯汽車科技有限公司) ("Suzhou Udas")	1.6	–	–	–	1.6
Total	265.4	(48.3)	(0.9)	–	314.6

* *For identification purpose only*

Note 1: 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 Hung Hon Man, an independent third party, at a consideration of HK30.0 million.

Note 2: Formally known as Suzhou Ziguang Innovative Education Development Company Limited

Note 3: On 18 November 2017, TusStar Incubator Investment Ltd. ("TusStar"), of which Tus-Holdings Co., Ltd is the holding company, the Regents of the University of Michigan ("MICHIGAN") and the Company entered into a gap fund agreement in relation to a proposed establishment of the gap fund with a proposed size of up to USD1.0 million (approximately HK$7.78 million), which will be principally engaged in advancing the commercialisation potential of MICHIGAN research discoveries.

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 2019

	Value of input (e.g. the projected cash flow, discount rate and growth rate) used in the valuations together with the basis and assumptions	Valuation methodology	Reasons for subsequent changes in value of input and assumptions or changes in the valuation methodology from those previously adopted
18% equity interest in More Cash Limited	Weight average cost of capital ("WACC"): 9.44% (31 December 2018: 9.09%); Discount for lack of control: 9.7%; Long term growth rate: 3.00%	Income approach – discount cash flow	N/A
2.46% equity interest in Sino Partner Global Limited	WACC: Supercar segment 16.04% (2018: 18.03%); Discount for lack of marketability: 20.00% (2018: 25.00%); Long term growth rate: 2.0%	Income approach – discount cash flow	N/A
14% equity interest in Tus Suzhou	No unobservable inputs	Asset approach	N/A
5.56% equity interest in the National Innovation Center	No unobservable inputs	Asset approach	N/A
Gap fund with TusStar and MICHIGAN	No unobservable inputs	Asset approach	N/A
9.8% equity interest in Suzhou Udas	WACC: 15.48% (31 December 2018: 14.66%); Discount for lack of control: 22.60%; Long term growth rate: 3.00%	Income approach	N/A

In 2015, the Group acquired 18% of the entire issued share capital of More Cash Limited and its subsidiaries (the "More Cash Group") 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. Based on the unaudited financial statements of More Cash Limited, the revenue and gross profit of More Cash Group for the Year amounted to approximately HK$56.3 million and HK$28.2 million respectively (2018: HK$77.4 million and HK$41.9 million) and it recorded net profit of approximately HK$10.7 million for the Year (2018: HK$10.0 million). As of 31 December 2019, as a result of changes in exchange reserve, the total assets and net asset value of More Cash Group were approximately HK$1,501.9 million and HK$620.7 million respectively (31 December 2018: HK$1,595.9 million and HK$699.3 million). During the Year, the Group did not receive any dividend from the investment. As of 31 December 2019, fair value of the Group's 18% equity interest in More Cash Limited was approximately HK$30.4 million (2018: HK$71.1 million) and impairment loss of approximately HK$40.7 million was recorded during the Year (2018: impairment loss of HK$1.9 million). 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 Hung Hon Man, an independent third party, at a consideration of HK30.0 million.

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. On 2 October 2018, Sino Partner issued convertible note at the principal amount of approximately HK$55.2 million which was fully converted on 16 January 2019. As a result of the conversion, the Company's effective equity interest in Sino Partner decreased from 7.88% to 2.46%. Based on the audited financial statements of Sino Partner, Sino Partner recorded revenue and gross profit of approximately HK$4.3 million and HK$3.9 million respectively for nine months ended 30 September 2019 (for the year ended 31 December 2018: revenue of HK$5.4 million and gross loss of HK$3.9 million) and net loss of approximately HK$15.4 million for the nine months ended 30 September 2019 (for the year ended 31 December 2018: HK$77.4 million). As of 30 September 2019, the total assets and net liabilities of Sino Partner were approximately HK$168.1 million and HK$14.0 million respectively (31 December 2018: total assets of HK$129.8 million and net liabilities of HK$63.5 million). During the Year, the Group did not receive any dividend from the investment. As of 31 December 2019, fair value of the Group's 2.46% equity interest in Sino Partner was approximately HK$36.6 million (2018: HK$39.1 million) and impairment loss of approximately HK$2.5 million was recorded during the Year (2018: HK$96.9 million).

In 2016, the Group acquired 14% of the total issued share capital of Tus Suzhou 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 amounted to approximately RMB18.7 million (2018: RMB13.8 million) and the net profit for the Year amounted to approximately RMB6.9 million. As of 31 December 2019, the total assets and net asset value of Tus Suzhou were approximately RMB1,522.1 million and RMB613.7 million respectively (31 December 2018: RMB1,466.7 million and RMB606.8 million). During the Year, the Group did not receive any dividend from the investment. As of 31 December 2019, fair value of the Group's 14% equity interest in Tus Suzhou was approximately HK$149.4 million (2018: HK$150.8 million). Exchange loss and increment in fair value adjustments in respect of Tus Suzhou during the Year amounted to approximately nil and HK$1.4 million respectively (2018: HK$8.2 million and HK$5.5 million).

In 2018, the Group acquired 9.09% of the total share capital of 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. Based on the audited financial statements of National Innovation Center, the revenue for the Year amounted to approximately RMB3.9 million (2018: RMB0.8 million) and the net loss for the Year amounts to approximately RMB50.5 million (2018: RMB15.8 million). As of 31 December 2019, National Innovation Center has total assets and net asset value of approximately RMB908.6 million and RMB763.7 million respectively (31 December 2018: RMB843.7 million and RMB814.2 million). During the Year, the Group did not receive any dividend from the investment. As of 31 December 2019, fair value of 5.56% equity interest in National Innovation Center was approximately HK$46.9 million (2018: HK$51.2 million). Exchange loss and impairment loss during the Year amounted to approximately HK$0.9 million and HK$3.4 million respectively (2018: HK$1.7 million and HK$5.8 million).

GOODWILL

During the Year, goodwill arising on acquisition of the Wireless Business Group amounted to approximately HK$486.5 million, representing the differences between the consideration and fair value of identifiable net assets acquired. As of 31 December 2019, goodwill amounted to approximately HK$651.3 million (2018: HK$164.8 million). For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") as follows:

	31 December 2019	**Impairment**	**Addition during the Year**	**31 December 2018**
	HK$ million	*HK$ million*	*HK$ million*	*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	651.3	–	486.5	164.8

The Group carried out an impairment testing on each CGU with reference to the valuation report issued by the independent valuer as at 31 December 2019.

The value in use of the camera-based ADAS 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 12.33% (2018: 12.75%) and 3% (2018: 3%) respectively. For the goodwill impairment test of 2019, the assumptions are consistent and there are no significant changes to the assumptions. As the recoverable amount of the cash-generating unit is higher than its corresponding carrying amount, no impairment is needed as at 31 December 2019 in accordance with the valuation result.

The value in use of the finance lease CGU has been measured by using cash flow projection based on the cash flows covering 5-year period with discount rate and terminal growth rate of 8.91% (2018: 9.62%) and 3% (2018: 3%) respectively. For the goodwill impairment test of 2019, the assumptions are consistent and there are no significant changes to the assumptions. As the recoverable amount of the cash-generating unit is higher than its corresponding carrying amount, no impairment is needed as at 31 December 2019 in accordance with the valuation result.

The value in use of the Wireless Business Group CGU has been measured by using cash flow projection based on the cash flows covering 5-year period with discount rate and terminal growth rate of 19.18% and 1.8% respectively. As the recoverable amount of the cash-generating unit of Wireless Business Group CGU is higher than its corresponding carrying amount, no impairment is needed as at 31 December 2019 in accordance with the valuation result.

Use of Proceeds

References are made to the announcements of the Company dated 11 January 2019, 15 January 2019, 30 January 2019 and 27 February 2019 and the circular of the Company dated 15 January 2019 in relation to the issuance of shares and convertible bonds by the Company. On 11 January 2019, the Company and Tuspark Venture Investment Ltd. ("Tuspark Venture") entered into a subscription agreement (the "Tuspark Subscription Agreement") to allot and issue approximately 239,000,000 new ordinary shares with a par value of HK$0.01 each in the capital of the Company (the "Share(s)") at the subscription price of HK$0.6084 per Share and the 0% coupon convertible bonds due 2025 in the aggregate principal amount of approximately HK$89.9 million at the total consideration representing 100% of the principal amount which may be converted into approximately 147,700,000 conversion Shares at the initial conversion price of HK$0.6084 per share (the "Tuspark Subscription"). On 11 January 2019, the Company and E-Town International Holding (Hong Kong) Co., Limited ("E-Town") entered into a subscription agreement (the "E-Town Subscription Agreement") to allot and issue, approximately 387,100,000 new Shares at the subscription price of HK$0.6084 per Share (the "E-Town Subscription"). Tuspark Venture is a substantial shareholder of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Tuspark Subscription constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, the E-Town Subscription was subject to shareholders' approval. Completion of the Tuspark Subscription and the E-Town Subscription took place on 27 February 2019. The net proceeds were approximately HK$470.0 million, all of which were used for settlement of the consideration for the acquisition of Telit Automotive Solutions N.V. (The name of Telit Automotive Solutions NV was changed to Titan Automotive Solutions N.V. on 14 May 2019). The closing price of the Shares as quoted on the Stock Exchange on 11 January 2019, being the date of the Tuspark Subscription Agreement and the E-Town Subscription Agreement, was HK$0.71 per Share. The net price per subscription Share and conversion Share was approximately HK$0.6070.

References are made to the announcements of the Company dated 30 January 2019 and 27 February 2019. The Company, Dawin (H.K.) Limited ("Dawin") and Mr. Piao Xingfeng ("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. Thus, no cash proceeds were received by the Company from such subscription. Completion of such subscription by Dawin took place on 27 February 2019. The closing price of the Shares as quoted on the Stock Exchange on 30 January 2019, being the date of the Dawin Subscription Agreement, was HK$0.72 per Share. The net price per subscription Share was approximately HK$0.6084.

References are made to the announcement on 16 May 2016 and 27 May 2016 for the issuance of HK$61.0 million 0% convertible bonds due 2019 with initial conversion price of HK$0.884. On 24 May 2019, approximately 69.0 million new ordinary shares were alloted and issued at HK$0.884 per share.

LIQUIDITY, FINANCIAL RESOURCES , CAPITAL STRUCTURE AND FUNDING AND TREASURY POLICY

Going Concern

The Group recorded a net loss of approximately HK$301.3 million for the Year (2018: HK$128.5 million) and net current liabilities of approximately HK$656.1 million as of 31 December 2019 (31 December 2018: net current assets of approximately HK$120.2 million) which may have a considerable impact on the liquidity position of the Group. Nevertheless, the management of the Company considers the liquidity position of the Group is sufficient to operate as a going concern in the foreseeable future as the Group maintains a healthy financial position as of 31 December 2019 with cash and cash equivalents and net assets value of approximately HK$117.3 million and HK$600.8 million respectively. In particular, the management of the Company has given consideration to the following steps taken which are expected to strengthen the Group's financial position:

1. The Company has actively negotiated with banks to secure the renewals of the Group's bank loans to meet its liabilities when fall due;

2. The Group is currently in discussions with a bank on a waiver and potential restricting of certain financial covenants under the loan agreement;

3. The Group has received a written confirmation dated 15 March 2020 from Tuspark Venture Investment Limited ("Tuspark Venture"), one of the major shareholders of the Company, that it will provide financial support to the Group in the following 24 months on a going concern basis. 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 20 May 2020 from Tus-Holdings Co., Ltd., its holding company, that it will provide financial support to the Tuspark Venture in the following 24 months;

4. As at the date of approval of these consolidated financial statements, the Group has signed an agreement to obtain a financing from a financial institution;

5. 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;

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

7. 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 borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

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

Net Borrowing Position

The total borrowings, including borrowings and convertible bonds, as at 31 December 2019 increased by approximately 68.9% to approximately HK$879.9 million (31 December 2018: HK$521.1 million). The change in total borrowings was mainly attributable to a new banking facility of US$38.5 million for the purpose of acquisition of the Wireless Business Group, which was partly offset by the conversion of all of the 0% coupon convertible bonds due May 2019 in the aggregate principal amount of HK$61.0 million during the Year. In addition, cash and bank balances and pledged deposits as at 31 December 2019 remained at similar level of approximately HK$117.3 million (31 December 2018: HK$104.0 million). As such, the net borrowings increased by 82.8% to approximately HK$762.6 million (31 December 2018: HK$417.1 million).

Structure of Interest-Bearing Borrowings and Net Borrowing Position

The Group's short-term borrowings increased to approximately HK$487.0 million as at 31 December 2019 (31 December 2018: HK$133.3 million). Such increase was primarily due to a new 36-month fixed term loan (the "Banking Facilities") in the aggregate principal amount of US$38.5 million with certain financial covenants. Based on the audited account of the Wireless Business Group for the Year, it has failed to fulfil certain financial covenants as stated in the terms of the Banking Facilities. Therefore, US$38.5 million was reclassified as short-term borrowings. Such breach entitles the lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Banking Facilities immediately due and payable.

As at the date of this announcement, the lender has not declared any outstanding amount to be due and payable under the Banking Facilities. The Company is currently in discussions with the lender on a waiver and potential restructuring of certain financial covenants under the Banking Facilities and there has been good progress in the discussions. The Board, based on legal advise, also wishes to emphasize that there has been no cross default under any outstanding convertible bonds issued by the Company. The Company remains in full compliance with the terms and conditions of all its outstanding convertible bonds.

Short-term borrowings included bank loans in an aggregate principal amount of approximately HK$400.9 million (31 December 2018: HK$83.6 million) with floating interest rate of LIBOR plus 2.1% – 2.4% and fixed interest rates of 4.79% – 6.80% (31 December 2018: 4.79% – 5.66%), and other loans of approximately HK$86.1 million (31 December 2018: HK$49.7 million) with fixed interest rates of 4.4% – 14.0% (31 December 2018: 4.4% – 14.0%) and were repayable on demand as of 31 December 2019. The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group. Approximately HK$52.5 million and HK$348.4 million of the bank loans were denominated in Renminbi and US dollar as at 31 December 2019 (31 December 2018: approximately HK$83.7 million and nil). As for the other loans, approximately HK$8.7 million, HK$24.0 million and HK$53.4 million were denominated in US dollar, Hong Kong dollar and Renminbi respectively as at 31 December 2019 (31 December 2018: approximately HK$34.5 million, HK$10.7 million and HK$4.4 million respectively).

As at 31 December 2019, the Group had convertible bonds of approximately HK$392.8 million (31 December 2018: HK$387.7 million) in which approximately HK$300.0 million (31 December 2018: HK$58.3 million) was classified under current liabilities and approximately HK$92.8 million (31 December 2018: HK$329.4 million) was classified under non-current liabilities. During the Year, all of the HK$61 million 0% coupon bond due 2019 was converted into 69,004,524 shares on 27 May 2019. In addition, HK$300.0 million 6% coupon bond due 2019 (the "CB2") in which the Company exercised its right to extend the maturity date to 9 June 2020 during the Year was reclassified from non-current liabilities to current liabilities. As such, convertible bonds classified under current liabilities as at 31 December 2019 increased to approximately HK$300.0 million (31 December 2018: HK$58.3 million).

Turnover Days, Liquidity Ratios and Gearing Ratios

Credit terms, normally not more than 90 days from the date of billing, are granted to customers, depending on their credit worthiness and business relationships with the Group. Trade receivable turnover days (trade receivable over revenue excluding finance lease of motor vehicles and equipment segment) for the Year was approximately 83 days (31 December 2018: 154 days). Trade payable turnover days and inventory turnover days for the Year were approximately 176 days and 63 days respectively (31 December 2018: 149 days and 115 days respectively). The change in turnover days of trade receivables, trade payables and inventory was primarily due to the consolidation of results of the Wireless Business Group into the consolidated financial statement of the Company since February 2019.

The current ratio and quick ratio as at 31 December 2019 decreased to approximately 0.48 (31 December 2018: 1.26) and 0.39 (31 December 2018: 1.06) respectively. Such decrease was primarily due to reclassification of Convertible Bond from non-current liabilities to current liabilities during the Year. Gearing ratio which was derived from total of debts (i.e. total of borrowings and convertible bonds) to total equity and total of debts was approximately 0.59 (31 December 2018: 0.55).

Treasury Policy

The Group intends to principally finance its operations and investing activities, with among others, its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. However, in order to execute the strategies of the Group, the Directors will continue to monitor both the equity and debt capital markets to replenish funds, as and when appropriate, for future expansion and creation of shareholders' value. The Group adopts a treasury policy which allows the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles.

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

CHARGE OF ASSETS

As at 31 December 2019, bills payables were pledged with bank deposits and bills receivables amounting to approximately HK$3.9 million and HK$4.3 million respectively (31 December 2018: approximately HK$4.0 million and HK$8.2 million respectively). In addition, all shares of the Wireless Business Group were pledged for the banking facilities of US$38.5 million (31 December 2018: nil). Save as disclosed herein, the Group had no pledge of assets as at 31 December 2019.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENT

Save as disclosed in the section headed "Acquisition of Subsidiaries" herein, there was no significant investment during the Year.

IMPORTANT TRANSACTIONS DURING THE YEAR

Material Acquisitions And Disposals

Acquisition of the entire issued share capital of Titan Automotive Solutions N.V. (previously known as Telit Automotive Solutions NV)

References are made to the announcements of the Company dated 12 July 2018, 31 October 2018, 11 December 2018, 29 January 2019, 1 February 2019, 20 February 2019 and 27 February 2019 and the circular of the Company dated 26 December 2018 in relation to, among others, the acquisition of Titan Automotive Solutions N.V. (the "Titan Acquisition").

On 12 July 2018, the Company entered into an acquisition agreement to buy all the issued shares of Titan Automotive Solutions N.V. at the aggregate consideration of US$105.0 million (equivalent to approximately HK$824.25 million), (subject to adjustments with reference to the aggregate cash, debt and working capital of Titan Automotive Solutions N.V. at completion ("Completion")) and the relevant transfer costs. The consideration was settled by the Company in cash upon Completion and was funded by equity and debt financing by issuing approximately 626.4 million new shares of the Company and the 0% coupon convertible bonds due 2025 in the aggregate principal amount of approximately HK$89.9 million and obtaining bank borrowings in the principal amount of US$38.5 million. The Titan Acquisition constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Completion took place on 27 February 2019, upon which Titan Automotive Solutions N.V. became a wholly-owned subsidiary of the Company.

The Directors believe the Titan Acquisition is beneficial to the Group, creating synergy in terms of customer relationships, complementary technologies and research and development capabilities.

Suzhou Yadu Disposal

On 12 April 2019, the Group entered into a disposal agreement to dispose 51% of the equity interest of Suzhou Yadu at the consideration of RMB40.8 million (equivalent to approximately HK$46.1 million).

Suzhou Qiyixin was held as to approximately 27.2% by Tus-Technology City Group Co., Ltd.*（啟迪科技城集團有限公司）("Tus Technology City"), 4.9% by each of Suzhou Ziguang Innovative Education Development Co., Ltd.*（蘇州紫光創新教育發展有限公司）("Suzhou Ziguang") and 21.3% by Madam Mi Ying, the spouse of Mr. Ma Chi Kwong Karl, the Chairman of the Board and an executive Director.

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. Tus Technology City and Suzhou Ziguang, each being a subsidiary of Tus-Holdings, together hold approximately 32.1% of the Vendor. Accordingly, Suzhou Qiyixin is an associate of Tuspark Venture and Tus-Holdings, and is a connected person of the Company under Chapter 14A of the Listing Rules, and the transaction contemplated under the Disposal Agreement 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.

Save for the Titan Acquisition and the Suzhou Yadu Disposal, the Group did not have any material acquisitions or disposals during the Year.

CONNECTED TRANSACTIONS

Save for the Tuspark Subscription as set forth in the section headed "Use of Proceeds" and the Suzhou Yadu Disposal as set forth in the section headed "Material Acquisitions and Disposals", the Group had no connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

* *For identification purposes only*

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 coronavirus in January 2020 has disrupted the supply chains of the global auto industry which decreased the passenger vehicle sales in China by 92% in the first half of 2020. The slowdown in auto industry has been affecting the ADAS and autonomous driving industry in the first half of 2020. Together with the travel restrictions in the PRC, Hong Kong and Europe which affected consumer sentiment in auto industry since February 2020, the above events may have significant impact on the Group's operations and financial results in the first half of 2020.

Save as disclosed herein, no subsequent events occurred after 31 December 2019 and up to the date of this announcement, 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 41.0% (2018: 100%) of the revenue denominated in Renminbi while approximately 59.0% (2018: nil) of the revenue denominated in Korean Won, Euro and US dollar. During the Year, the Group did not carry out any hedging activity against foreign currency risk (2018: nil). Any substantial exchange rate fluctuation of foreign currencies against Renminbi, Korean Won, Euro and US dollar may have a financial impact on the Group's operations in the PRC and Europe.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 601 staff in the PRC, the US, Europe, Asia Pacific and Hong Kong (31 December 2018: 424). Remuneration of employees including Directors' emoluments was approximately HK$65.9 million for the Year (2018: HK$40.4 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.

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.

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the Year (2018: Nil).

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Corporate Governance Code

Saved as mentioned below, the Company has complied with all of the code provisions as set out in the Corporate Governance Code (the "CG Code") under the Appendix 14 to the Listing Rules during the Year.

Under code provision A.2.1 of the CG Code, the roles of both the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ma Chi Kong Karl has been appointed as the chairman of the Board (the "Chairman") on 15 July 2016, while the role of the chief executive officer has been performed collectively by all executive Directors. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interests of the shareholders of the Company as a whole.

Under code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Tsang Ling Biu Gilbert and Mr. Qin Zhiguang, being the non-executive directors; Hon. Quat Elizabeth and Mr. Wong Yuk Lun Alan, being the independent non-executive directors, did not attend the Company's extraordinary general meeting held on 29 January 2019 due to their prior engagement.

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Ma Chi Kong Karl, being the Chairman, did not attend the annual general meeting of the Company held on 21 May 2019 due to engagement in other business.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of practice for carrying out for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Year.

AUDIT COMMITTEE AND AUDITOR

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2019. The audit committee of the Company consists of three independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Hon. Quat Elizabeth (JP) and Mr. Wong Yuk Lun, Alan, and a non-executive Director, Mr. Tsang Ling Biu, Gilbert. The committee is chaired by Mr. Poon Chiu Kwok who possesses professional accounting qualification. The primary duties of the audit committee of the Company are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by the Board.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this preliminary result announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2019. The report includes paragraphs of material uncertainty related to going concern, without modification:

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$301,321,463 for the year ended 31 December 2019 and, as of that date the Group had net current liabilities of approximately HK$656,074,041. 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."

PUBLICATION OF THE AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.tus-i.com. The 2019 annual report of the Company containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

ANNUAL GENERAL MEETING

The 2019 annual general meeting ("AGM") of the Company will be held at Meeting Room, 15/F, Shanghai Commercial Bank Tower, 10-12 Queen's Road Central, Central, Hong Kong on 30 June 2020 at 11:00 a.m.. Notice of the AGM will be published on the websites of the Company (www.tus-i.com) and the Stock Exchange (www.hkexnews.hk), and will be despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 June 2020 to 30 June 2020, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the AGM. Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 23 June 2020.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the Year.

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

Hong Kong, 25 May 2020

As of the date of this announcement, the Board comprises Mr. Ma Chi Kong Karl (Chairman), Mr. Du Peng, Mr. Shen Xiao and Mr. Lin Jian who are executive Directors, Mr. Tsang Ling Biu, Gilbert, and Mr. Hu Bo who are non-executive Directors, and Hon. Quat Elizabeth (JP), Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan who are independent non-executive Directors.