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If you have sold or transferred all your shares in TUS International Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(1) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE BONDS TO TUSPARK VENTURE UNDER SPECIFIC MANDATE; AND (2) ISSUE OF NEW SHARES TO E-TOWN UNDER SPECIFIC MANDATE

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders
in relation to the Tuspark Subscription**



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 8 to 47 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Tuspark Subscription is set out on pages 48 to 49 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Tuspark Subscription is set out on pages 50 to 68 of this circular.

A notice convening the EGM of TUS International Limited to be held at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 January 2019 at 9:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use by the Shareholders at the EGM is also enclosed. Such form of proxy is also published on the respective websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.tus-i.com). Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

15 January 2019

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“0% Convertible Bond due 2019”	the HK\$61,000,000 0% coupon convertible bond due 2019 issued by the Company on 27 May 2016
“0% Convertible Bond due 2023”	the HK\$53,700,000 0% coupon convertible bond due 2023 issued by the Company on 21 June 2018
“6% Convertible Bond due 2019”	the HK\$300,000,000 6% coupon convertible bond due 2019 issued by the Company on 9 June 2017
“ADAS”	advanced driver assistance systems
“Acquisition”	the proposed acquisition of Telit Automotive by the Company as contemplated under the Acquisition Agreement, details of which are set out in the Company’s circular dated 26 December 2018
“Acquisition Agreement”	the agreement dated 12 July 2018 entered into between the Company, Telit Automotive and the vendors named therein in relation to the Acquisition (as amended and supplemented by the side letter dated 11 December 2018 between the same parties)
“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday and any day on which a tropical cyclone warning signal number 8 or above is hoisted or on which a “black” rainstorm warning signal is in force between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong

DEFINITIONS

“Capital Distribution”	(i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (ii) any cash dividend or distribution of any kind by the Company for any financial period (whenever paid and however described)
“Company”	TUS International Limited (啟迪國際有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 00872)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	any time after the issue date of the New Convertible Bonds up to the close of business on seven (7) Business Days prior to the maturity date of the New Convertible Bonds or, if notice requiring redemption has been given by a bondholder, then up to the close of business on the date prior to the giving of such notice
“Conversion Price”	the conversion price per Conversion Share at which Conversion Shares will be issued, being initially HK\$0.6084 per Conversion Share, which is subject to adjustment pursuant to the terms and conditions of the New Convertible Bonds
“Conversion Share(s)”	the Shares(s) which may fall to be allotted and issued upon exercise of the conversion right attaching to the New Convertible Bonds

DEFINITIONS

“Current Market Price”	in respect of a Share at a particular time on a particular date, the average of the closing prices quoted by the Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding such date, to be determined in accordance with the terms and conditions of the New Convertible Bonds
“Director(s)”	the director(s) of the Company
“E-Town”	E-Town International Holding (Hong Kong) Co., Limited (亦莊國際控股(香港)有限公司), a company incorporated in Hong Kong with limited liability
“E-Town Subscription”	the subscription of the E-Town Subscription Shares by E-Town pursuant to terms and conditions of the E-Town Subscription Agreement
“E-Town Subscription Agreement”	the subscription agreement dated 11 January 2019 made between the Company and E-Town in respect of the E-Town Subscription
“E-Town Subscription Shares”	387,080,868 new Shares to be issued by the Company for subscription by E-Town pursuant to the E-Town Subscription Agreement
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Tuspark Subscription and the E-Town Subscription
“Expert”	an independent bank of international repute (acting as an expert), selected by the Company and approved in writing by the holder(s) of the New Convertible Bonds in accordance with the terms and conditions of the New Convertible Bonds

DEFINITIONS

“Fair Market Value”	with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Expert in accordance with the terms and conditions of the New Convertible Bonds
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors which has been established to advise the Independent Shareholders on the Tuspark Subscription
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Tuspark Subscription
“Independent Shareholders”	Shareholders other than (i) Tuspark Venture; and (ii) any Shareholder who is involved in or interested in the Subscription Agreements and/or the respective transactions contemplated thereunder
“Initial Announcement”	the announcement of the Company dated 11 January 2019 in relation to, among other things, the Subscription
“Last Trading Day”	10 January 2019, being the last full trading day of Shares immediately prior to the date of the Subscription Agreements
“Latest Practicable Date”	11 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Du”	Mr. Du Peng, an executive Director
“Mr. Ma”	Mr. Ma Chi Kong Karl, the Chairman of the Board and an executive Director
“Mr. Shen”	Mr. Shen Xiao, an executive Director
“New Convertible Bonds”	the 0% coupon convertible bonds due 2025 in the aggregate principal amount of HK\$89,882,500 to be issued by the Company to Tuspark Venture pursuant to the Tuspark Subscription Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	the subscriber(s) of the Subscription Shares, namely Tuspark Venture and/or E-Town
“Subscription”	the subscription of the Subscription Shares and/or the New Convertible Bonds (as the case may be) by the Subscribers pursuant to terms and conditions of the Subscription Agreements
“Subscription Agreements”	the Tuspark Subscription Agreement and the E-Town Subscription Agreement

DEFINITIONS

“Subscription Long Stop Date”	28 February 2019 or such other dates as the Company and (i) Tuspark Venture or (ii) E-town (as the case may be) may agree in writing
“Subscription Price”	HK\$0.6084 per Subscription Share
“Subscription Shares”	626,425,871 new Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Telit Automotive”	Telit Automotive Solutions N.V., a company incorporated and registered in the Kingdom of Belgium
“Trading Day(s)”	a day when the Stock Exchange is open for dealing business, provided that if no closing price for the Shares (based on the daily quotation sheet published by the Stock Exchange) is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days
“Tus-Holdings”	Tus-Holdings Co., Ltd.* (啟迪控股股份有限公司), a company established in the PRC with limited liability and the immediate holding company of Tuspark Venture, holding the entire issued share capital of Tuspark Venture as at the Latest Practicable Date
“Tuspark Subscription”	the subscription of the Tuspark Subscription Shares and the New Convertible Bonds by Tuspark Venture pursuant to the terms and conditions of the Tuspark Subscription Agreement

DEFINITIONS

“Tuspark Subscription Agreement”	the subscription agreement dated 11 January 2019 made between the Company and Tuspark Venture in respect of the Tuspark Subscription
“Tuspark Subscription Shares”	239,345,003 new Shares to be issued by the Company for subscription by Tuspark Venture pursuant to the Tuspark Subscription Agreement
“Tuspark Venture”	Tuspark Venture Investment Ltd. (啟迪創投有限公司), a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company
“%”	per cent

* *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



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)

Executive Directors:

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

Non-executive Directors:

Mr. Tsang Ling Biu, Gilbert
Mr. Qin Zhiguang

Independent non-executive Directors:

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

Registered office:

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business in the PRC:*

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Haidian District, Beijing, PRC

Principal place of business in Hong Kong:

Unit 416, Level 4, Core F, Cyberport 3,
100 Cyberport Road, Hong Kong

15 January 2019

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE BONDS
TO TUSPARK VENTURE UNDER SPECIFIC MANDATE; AND
(2) ISSUE OF NEW SHARES TO E-TOWN UNDER SPECIFIC MANDATE**

1. INTRODUCTION

As stated in the Initial Announcement, among other matters:

- (i) on 11 January 2019, the Company and Tuspark Venture entered into the Tuspark Subscription Agreement, pursuant to which Tuspark Venture conditionally agreed

LETTER FROM THE BOARD

to subscribe for, and the Company conditionally agreed to allot and issue, (a) 239,345,003 new Shares at the Subscription Price of HK\$0.6084 per Share and (b) the New Convertible Bonds in the aggregate principal amount of HK\$89,882,500 at the total consideration representing 100% of the principal amount which may be converted into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share (subject to adjustments); and

- (ii) on 11 January 2019, the Company and E-Town entered into the E-Town Subscription Agreement, pursuant to which E-Town conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 387,080,868 new Shares at the Subscription Price of HK\$0.6084 per Share.

The purpose of this circular is to provide you with, among others, (i) further information on the Subscription; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Tuspark Subscription; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Tuspark Subscription; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

2. THE SUBSCRIPTION AGREEMENTS

2.1 Tuspark Subscription Agreement

Date

11 January 2019

Parties

Issuer: the Company

Subscriber: Tuspark Venture

LETTER FROM THE BOARD

Subject matter

Pursuant to the Tuspark Subscription Agreement, the Company conditionally agreed to allot and issue, and Tuspark Venture conditionally agreed to subscribe for, (i) 239,345,003 new Shares at the Subscription Price of HK\$0.6084 per Share; and (ii) all of the New Convertible Bonds at the consideration of 100% of the aggregate principal amount of HK\$89,882,500, carrying the right to convert into 147,735,865 Conversion Shares at the Conversion Price of HK\$0.6084 per Conversion Share (subject to adjustment) in accordance with the terms and conditions thereof. The total consideration payable by Tuspark Venture for the Tuspark Subscription amounts to HK\$235,500,000 which will be payable in cash.

Subscription Price and Conversion Price

The Subscription Price and the Conversion Price, each being HK\$0.6084, represent:

- (i) a discount of approximately 14.31% to the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on 11 January 2019, being the date of the Tuspark Subscription Agreement;
- (ii) a discount of 10% to the average closing price of approximately HK\$0.676 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days ending with the Last Trading Day;
- (iii) a discount of approximately 9.06% to the average closing price of approximately HK\$0.669 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days ending with the Last Trading Day;
- (iv) a discount of approximately 14.31% to the average closing price of approximately HK\$0.710 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 33.15% over the consolidated equity per Share attributable to the owners of the Company of approximately HK\$0.457 as at 30 June 2018.

LETTER FROM THE BOARD

The Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and Tuspark Venture, which represents a discount of 10% to the average closing price of the Shares for the five (5) consecutive trading days ending with the Last Trading Day, and with reference to the prevailing market conditions, the consolidated equity per Share attributable to the owners of the Company as of 30 June 2018 and the prospects of the Group.

In assessing the fairness and reasonableness of the Subscription Price and the Conversion Price, in particular the discount rate of 10%, the Board had considered and made reference to, among other matters, (a) the prevailing market prices of the Shares, (b) the average discount rate of approximately 10.08% with respect to the placing of new shares for fundraising purpose as announced by five other listed issuers on the Main Board of the Stock Exchange that were completed within the 30 days immediately preceding 11 January 2019 (being the date of the Tuspark Subscription Agreement) with the amount of proceeds raised ranging from approximately HK\$17 million to HK\$260 million, (c) the size of the Subscription which is relatively large comparing to the market capitalisation of the Company and the market liquidity of the Shares and (d) the Group's funding needs to complete the Acquisition which is further discussed in the section headed "4. Intended Use of Proceeds" of the "Letter from the Board" of this circular.

Based on the estimated net proceeds of approximately HK\$235 million from the Tuspark Subscription and the total number of the Tuspark Subscription Shares and the Conversion Shares (assuming conversion of the New Convertible Bonds in full at the initial Conversion Price of HK\$0.6084 per Conversion Share), the net price per Tuspark Subscription Share or Conversion Share is estimated to be approximately HK\$0.6070.

Conditions of the Tuspark Subscription

Completion of the Tuspark Subscription is conditional upon fulfillment (or waiver, where applicable) of the following conditions:

- (i) the passing of an ordinary resolution at the EGM by the Independent Shareholders to approve the Tuspark Subscription by way of poll;
- (ii) the listing committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Tuspark Subscription Shares and the Conversion Shares on the Stock Exchange;

LETTER FROM THE BOARD

- (iii) all necessary consents or waivers which may be required for the implementation of the Tuspark Subscription (including the issuance of the Tuspark Subscription Shares and the New Convertible Bonds) under any existing contractual obligations of the Group having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business, assets or liabilities of the Group; and
- (iv) the Acquisition Agreement having become unconditional and not having been terminated in accordance with its terms and conditions.

Neither the Company nor Tuspark Venture may waive any of the conditions (i) and (ii) above, while the Company may waive the conditions (iii) and (iv) above. As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived (as the case may be).

In the event any of the above conditions has not been fulfilled on or before the Subscription Long Stop Date, the Tuspark Subscription Agreement shall lapse automatically.

The Company will seek for Shareholders' approval for any extension of the Subscription Long Stop Date with respect to the Tuspark Subscription should any extension be required.

Completion of the Tuspark Subscription

Completion of the Tuspark Subscription will take place as soon as practicable after all the conditions to the Tuspark Subscription have been fulfilled (or waived, where applicable) (in any event no later than one Business Day thereafter) or such other date as the Company and Tuspark Venture may agree.

Completion of the Tuspark Subscription will take place simultaneously with completion of the E-Town Subscription. Barring unforeseen circumstances, the Company expects that completion of the Tuspark Subscription, together with completion of the E-Town Subscription, will take place on or before completion of the Acquisition.

LETTER FROM THE BOARD

Lock-up undertaking

Pursuant to the Tuspark Subscription Agreement, Tuspark Venture has undertaken to the Company that during the period from the date of completion of the Tuspark Subscription up to two (2) years after the date of completion of the Tuspark Subscription (both days inclusive), without the prior written consent of the Company, Tuspark Venture shall not:

- (i) issue, allot, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe for or purchase any interest in the Tuspark Subscription Shares or the New Convertible Bonds (or, upon conversion, the Conversion Shares) (collectively, the “**Lock-up Securities**”) or any securities convertible into, exchangeable for or which carry rights to subscribe for or purchase the Lock-up Securities or other instruments representing interests in the Lock-up Securities;
- (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Securities;
- (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Lock-up Securities or other securities, in cash or otherwise; or
- (iv) announce or otherwise notify the public of the intention to do any of the foregoing.

LETTER FROM THE BOARD

2.2 E-Town Subscription Agreement

Date

11 January 2019

Parties

Issuer: the Company

Subscriber: E-Town

Subject matter

Pursuant to the E-Town Subscription Agreement, the Company conditionally agreed to allot and issue, and E-Town conditionally agreed to subscribe for, 387,080,868 new Shares at the Subscription Price of HK\$0.6084 per Share. The total consideration payable by E-Town for the E-Town Subscription is HK\$235,500,000 which will be payable in cash.

Subscription Price

The Subscription Price for the E-Town Subscription Shares, being HK\$0.6084 per Share, is the same as the Subscription Price for the Tuspark Subscription Shares. Please refer to the section headed “2.1 Tuspark Subscription Agreement – Subscription Price and Conversion Price” for further information on the Subscription Price.

Based on the estimated net proceeds of approximately HK\$235 million from the E-Town Subscription and the total number of the E-Town Subscription Shares, the net price per E-Town Subscription Share is estimated to be approximately HK\$0.6070.

Conditions of the E-Town Subscription

Completion of the E-Town Subscription is conditional upon fulfillment (or waiver, where applicable) of the following conditions:

- (i) the passing of an ordinary resolution at the EGM by the Shareholders to approve the E-Town Subscription by way of poll;

LETTER FROM THE BOARD

- (ii) the listing committee of the Stock Exchange having granted the listing of, and the permission to deal in, the E-Town Subscription Shares on the Stock Exchange;
- (iii) all necessary consents or waivers which may be required for the implementation of the E-Town Subscription (including the issuance of the E-Town Subscription Shares) under any existing contractual obligations of the Group having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business, assets or liabilities of the Group;
- (iv) all necessary internal and external procedures required for E-Town to enter into and perform its obligations under transactions contemplated under the E-Town Subscription Agreement having been completed; and
- (v) the Acquisition Agreement having become unconditional and not having been terminated in accordance with its terms and conditions.

Neither the Company nor E-Town may waive any of the conditions (i) and (ii) above, while the Company may waive the conditions (iii) and (v) above and E-Town may waive the condition (iv) above. As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived (as the case may be).

In the event any of the above conditions has not been fulfilled on or before the Subscription Long Stop Date, the E-Town Subscription Agreement shall lapse automatically.

The Company will seek for Shareholders' approval for any extension of the Subscription Long Stop Date with respect to the E-Town Subscription should any extension be required.

Completion of the E-Town Subscription

Completion of the E-Town Subscription will take place as soon as practicable after all the conditions to the E-Town Subscription have been fulfilled (or waived, where applicable) (in any event no later than one Business Day thereafter) or such other date as the Company and E-Town may agree.

LETTER FROM THE BOARD

Completion of the E-Town Subscription will take place simultaneously with completion of the Tuspark Subscription. Barring unforeseen circumstances, the Company expects that completion of the E-Town Subscription, together with completion of the Tuspark Subscription, will take place on or before completion of the Acquisition.

Lock-up undertaking

Pursuant to the E-Town Subscription Agreement, E-Town has undertaken to the Company that during the period from the date of completion of the E-Town Subscription up to two (2) years after the date of completion of the E-Town Subscription (both days inclusive), without the prior written consent of the Company, E-Town shall not:

- (i) issue, allot, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe for or purchase any interest in the E-Town Subscription Shares or any securities convertible into, exchangeable for or which carry rights to subscribe for or purchase the E-Town Subscription Shares or other instruments representing interests in the E-Town Subscription Shares;
- (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the E-Town Subscription Shares;
- (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of the E-Town Subscription Shares or other securities, in cash or otherwise; or
- (iv) announce or otherwise notify the public of the intention to do any of the foregoing.

LETTER FROM THE BOARD

2.3 Number and nominal value of the Subscription Shares and the Conversion Shares

The 626,425,871 Subscription Shares (comprising 239,345,003 Tuspark Subscription Shares and 387,080,868 E-Town Subscription Shares) and the 147,735,865 Conversion Shares (assuming full conversion of the New Convertible Bonds at the initial Conversion Price of HK\$0.6084 per Share) represent:

- (i) approximately 47.34% and 11.17% of the existing issued share capital of the Company as at the date of the Initial Announcement and the Latest Practicable Date; and
- (ii) approximately 29.87% and 7.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares (assuming that the New Convertible Bonds are converted in full into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share, and there will not be any other changes to the issued share capital of the Company up to the date of allotment and issue of such new Shares).

Based on the par value of HK\$0.01 per Share, the aggregate nominal value of the 626,425,871 Subscription Shares and the 147,735,865 Conversion Shares will be HK\$6,264,258.71 and HK\$1,477,358.65 respectively.

2.4 Rights and ranking of the Subscription Shares and the Conversion Shares

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank equally in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of such Subscription Shares and Conversion Shares, respectively, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company with a record date falling on or after the date of allotment and issue of such Subscription Shares and the Conversion Shares, respectively.

LETTER FROM THE BOARD

2.5 Mandate to issue the Subscription Shares and the Conversion Shares

The Subscription Shares will be allotted and issued and the New Convertible Bonds (including the Conversion Shares that may be allotted and issued upon conversion of the New Convertible Bonds) will be issued pursuant to the specific mandate to be sought from the Shareholders at the EGM.

2.6 Application for listing

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares and the Conversion Shares.

3. PRINCIPAL TERMS OF THE NEW CONVERTIBLE BONDS

The principal terms of the New Convertible Bonds are summarised below:

Issuer:	The Company
Principal amount:	HK\$89,882,500, convertible into fully paid ordinary shares with a par value of HK\$0.01 each in the issued share capital of the Company.
Issue price:	100% of the principal amount of the New Convertible Bonds.
Form and denomination:	The New Convertible Bonds will be issued in registered form and in denominations of HK\$10,000 each or integral multiples of HK\$10,000 in excess thereof.
Status:	The New Convertible Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.
Maturity:	The sixth anniversary of the date of issue of the New Convertible Bonds (the “ Maturity Date ”).

LETTER FROM THE BOARD

- Interest: The New Convertible Bonds will not bear any interest.
- Conversion right: Subject to the terms and conditions of the New Convertible Bonds, the bondholder shall have the right to convert all or part of the New Convertible Bonds held by such bondholder into Conversion Shares credited as fully paid at any time during the Conversion Period disregarding fractions and rounded down to the nearest whole number of Conversion Shares, by dividing the aggregate principal amount of the New Convertible Bonds to be converted, by the applicable Conversion Price in effect on the relevant date of conversion.
- The conversion right under the New Convertible Bonds shall only be exercisable so long as (1) the exercise of the conversion right under the New Convertible Bonds will not result in the relevant bondholder and parties acting in concert with such bondholder triggering, on the part of any of them, the mandatory general offer obligations under Rule 26 of the Takeovers Code in respect of all securities of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; and (2) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are held in public hands.
- Conversion Price: The initial Conversion Price shall be HK\$0.6084 per Conversion Share.

LETTER FROM THE BOARD

The Conversion Price is subject to anti-dilution adjustment(s) upon occurrence of certain prescribed events, namely:

- (a) *Consolidation, subdivision or reclassification:* if there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification of the Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

- (b) *Capitalisation of profits or reserves (other than by scrip dividend)*: if the Company issues any Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account) including Shares paid up out of the distributable profits or reserves and/or share premium account, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

LETTER FROM THE BOARD

- (c) *Capitalisation of profits or reserves (by scrip dividend)*: in the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds 120% of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction (or by making such other adjustment as an Expert shall certify to the bondholder is fair and reasonable):

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (d) *Capital distribution*: if the Company pays or makes any Capital Distribution to the Shareholders (except where it falls under paragraphs (b) or (c) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by an Expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

LETTER FROM THE BOARD

- (e) *Rights issues of Shares or options over Shares*: if the Company issues Shares, or grant rights, options, warrants or other rights to subscribe for Shares to all or substantially all Shareholders at less than 80% of the Current Market Price per Share on the Trading Day last preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

LETTER FROM THE BOARD

- (f) *Rights issue of other securities*: if the Company issues any securities (other than Shares, or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders by way of rights, of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Expert, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

LETTER FROM THE BOARD

- (g) *Issues at less than Current Market Price:* if the Company issues wholly for cash any Shares (other than Shares issued on the exercise of conversion right attaching to the New Convertible Bonds or on the exercise of any other existing rights of conversion into, or exchange or subscription for, Shares), or if the Company issues or grants (otherwise than as mentioned under paragraph (e) above) options, warrants or other rights to subscribe or purchase Shares, in each case at a price per Share which is less than 80% of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

LETTER FROM THE BOARD

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (h) *Other issues at less than Current Market Price:* if the Company or any of its subsidiaries, or any other company, person or entity (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) issues wholly for cash any securities (other than the New Convertible Bonds) which by their terms of issue carry rights of conversion into or exchange or subscription for Shares to be issued by the Company upon conversion, exchange or subscription (otherwise than as mentioned under paragraphs (e), (f) and (g) above) at a consideration per Share less than 80% of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

LETTER FROM THE BOARD

- (i) *Modification of rights of conversion etc.:* if there is any modification of the rights of conversion, exchange or subscription attaching to any such securities as are referred to in paragraph (h) immediately above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80% of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

LETTER FROM THE BOARD

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Expert considers appropriate (if at all) for any previous adjustment under this paragraph (i) or paragraph (h) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (j) *Other events*: if the Company otherwise determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in paragraphs (a) to (i) above, or that an adjustment should not be made to the Conversion Price, or that the effective date for the relevant adjustment shall be a date other than mentioned in paragraphs (a) to (i) above, the Company shall at its own expense request an Expert to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof.

Each adjustment pursuant to the above provisions shall be made as may be advised by an Expert, to be in such Expert's opinion appropriate to give the intended result.

LETTER FROM THE BOARD

No adjustment will be made where Shares or other securities (including rights or options) are issued, offered or granted pursuant to any share option scheme(s) adopted by the Company prior to the issue date of the New Convertible Bonds.

The Conversion Price may not be reduced so that, on conversion of the New Convertible Bonds, Shares would fall to be issued at a discount to the par value of the Shares (i.e. at below HK\$0.01 per Share) or would require Shares to be issued in any other circumstances not permitted by applicable law.

Redemption at maturity:

Unless previously redeemed, converted or purchased and cancelled as provided under the terms and conditions of the New Convertible Bonds, the Company shall redeem the New Convertible Bonds on the Maturity Date at the redemption amount, which shall equal to 100% of the then outstanding amount of the New Convertible Bonds at the time of the redemption (the “**Redemption Amount**”).

Redemption for delisting or
suspension of trading:

When the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding ten (10) consecutive Trading Days, on the Stock Exchange (save for any suspension thereof under Chapter 13, 14 or 14A of the Listing Rules for clearance of announcement or circular to be made by the Company), the bondholder will have the right by notice given to the Company not later than 60 days following any such event, or if later, 60 days following the giving of notice by the Company to the bondholder of such event to require the Company to redeem all, but not some only, of such holder’s Bonds on the third Business Day following the expiry of such 60-day period at the Redemption Amount.

LETTER FROM THE BOARD

Events of default:

The bondholder may give written notice to the Company that the New Convertible Bonds are, and they shall immediately become due and payable by the Company at the principal amount if any of the following events occurs and is continuing:

- (a) there is a default in the payment of any principal or other amount due in respect of the New Convertible Bond on the due date for such payment;
- (b) the Company does not perform or comply with one or more of its other warranties, covenants or obligations in the Tuspark Subscription Agreement, the New Convertible Bonds or the bond instrument which default is incapable of remedy in the opinion of the bondholder or, if capable of remedy in the opinion of the bondholder, is not remedied within thirty (30) days after written notice of such default shall have been given to the Company by the bondholder;
- (c) failure by the Company to deliver any Conversion Shares as and when such Conversion Shares are required to be delivered following conversion of the New Convertible Bonds;

LETTER FROM THE BOARD

- (d) the Company or any of its subsidiaries (as the case maybe) is (or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Company or any of its subsidiaries (as the case maybe);

- (e) (i) any other present or future indebtedness (whether actual or contingent) of the Company or any of its subsidiaries (as the case maybe) for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant indebtedness in respect of which one or more of the events mentioned above in this item have occurred exceeds HK\$50,000,000 or its equivalent in any other currency or currencies;

LETTER FROM THE BOARD

- (f) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its subsidiaries (as the case maybe) and is not discharged or stayed within sixty (60) days;
- (g) an order of any court of competent jurisdiction is made or an effective resolution is passed for the liquidation, winding-up or dissolution of the Company or any of its subsidiaries (as the case maybe) (other than a voluntary winding-up on a solvent basis), or the Company or any of its subsidiaries (as the case maybe) ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the bondholder;
- (h) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Company or any of its subsidiaries (as the case may be) and is not discharged within sixty (60) days;
- (i) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the assets of the Company or any of its subsidiaries;

LETTER FROM THE BOARD

- (j) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the New Convertible Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the New Convertible Bonds admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done;
- (k) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the New Convertible Bonds;
- (l) the Shares are suspended from trading for more than fifteen (15) consecutive Trading Days save for any suspension thereof required under Chapter 13, 14 or 14A of the Listing Rules for clearance of announcement or circular to be made by the Company;
- (m) the Shares cease to be listed or admitted to trading on the Stock Exchange;
- (n) the auditors of the Company are unable to prepare the audited accounts of the Company or issue an opinion other than an unqualified opinion in respect of such audited accounts which will adversely affect the operation of the Company and its subsidiaries;

LETTER FROM THE BOARD

- (o) there is, or is agreed to be, any transfer or disposal of all or substantially all of the assets of the Company and its subsidiaries as a whole;
- (p) the Company or any of its subsidiaries makes any false or misleading representation in respect of the New Convertible Bonds;
- (q) the Company or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (r) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

Voting rights:

The bondholder will not have any right to attend or vote at any meeting of the Company by virtue of being bondholder, and until and unless such bondholder has converted its New Convertible Bonds into Shares.

Transferability:

The New Convertible Bonds may be transferred, subject to prior approval of the Company, by delivery of the bond certificate issued in respect of the New Convertible Bonds, with the form of transfer duly completed and signed.

LETTER FROM THE BOARD

4. INTENDED USE OF PROCEEDS

The gross and net aggregate proceeds after deducting all relevant costs and expenses of the Subscription are approximately HK\$471 million and HK\$470 million, respectively.

The Company intends to apply the net proceeds to be raised from the Subscription (the “**Subscription Net Proceeds**”) for settlement of the consideration for the Acquisition (details of the Acquisition are set out in the Company’s announcement and circular dated 12 July 2018 and 26 December 2018 respectively).

As of the Latest Practicable Date, regarding the status of the Acquisition, the Reorganisation Agreement (as defined in the Company’s circular dated 26 December 2018) was entered into on 31 December 2018 and an extraordinary general meeting of the Company will be convened and held on 29 January 2019 for the Shareholders to consider, and if thought fit, to approve the Acquisition. The IP License Agreement and the Transition Services Agreement (both as defined in the Company’s circular dated 26 December 2018) are in substantially final form and are expected to be entered into by completion of the Acquisition. Barring unforeseen circumstances, the Company expects that completion of the Acquisition will take place on or around 31 January 2019.

Having regard to the cash position of the Company (including the cash to assets ratio) as at 31 December 2018 and the effect of the Subscription on the Company’s cash position upon their respective completion, as well as the intended use of the Subscription Net Proceeds as outlined above, the Company takes the view that the Subscription will not render the Company a cash company under the Listing Rules.

LETTER FROM THE BOARD

5. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not carried out any fund raising activity by issue of equity securities during the 12 months immediately preceding the date of the Initial Announcement.

Date of initial announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
17 April 2018	Issue of 395,000,000 Shares and HK\$53,700,000 in principal amount of convertible bonds under specific mandate (the "April 2018 Subscription")	Approximately HK\$162 million	For (a) capital contribution to certain subsidiaries, (b) settlement of outstanding consideration for an acquisition, (c) possible mergers and acquisitions and (d) working capital and general corporate purpose	Fully utilized as intended

The cumulative theoretical dilution effect of the Subscription and the April 2018 Subscription, calculated in accordance with Rule 7.27B of the Listing Rules, is approximately 7.74%.

LETTER FROM THE BOARD

6. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after completion of the Subscription (assuming that none of the New Convertible Bonds has been converted), (iii) immediately after completion of the Subscription and full conversion of the New Convertible Bonds (assuming that the New Convertible Bonds has been fully converted into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share), and (iv) immediately after completion of the Subscription and full conversion or exercise of the New Convertible Bonds and other outstanding convertible securities of the Company (assuming that the New Convertible Bonds has been fully converted into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share), and in each case, assuming that there is no other change in the issued share capital and the shareholding structure of the Company from the Latest Practicable Date:

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Subscription (assuming none of the New Convertible Bonds has been converted)		Immediately after completion of the Subscription (assuming the New Convertible Bonds have been fully converted) (Note 5)		Immediately after completion of the Subscription (assuming full conversion or exercise of the New Convertible Bonds and other outstanding convertible securities of the Company) (Note 6)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Directors								
Mr. Ma (Note 1)	210,718,000	15.93%	210,718,000	10.81%	210,718,000	10.05%	319,998,000	11.92%
Mr. Shen (Note 2)	50,000,000	3.78%	50,000,000	2.56%	50,000,000	2.38%	173,773,894	6.47%
Mr. Du Peng (Note 3)	0	0%	0	0%	0	0%	13,920,000	0.52%
Mr. Tsang Ling Bui, Gilbert (Note 3)	0	0%	0	0%	0	0%	4,640,000	0.17%
<i>Sub-total for Directors</i>	<u>260,718,000</u>	<u>19.71%</u>	<u>260,718,000</u>	<u>13.37%</u>	<u>260,718,000</u>	<u>12.43%</u>	<u>512,331,894</u>	<u>19.08%</u>
Subscribers								
Tuspark Venture (Note 4 and 5)	213,174,802	16.11%	452,519,805	23.21%	600,255,670	28.62%	710,109,564	26.45%
E-Town	Nil	Nil	387,080,868	19.85%	387,080,868	18.46%	387,080,868	14.42%
<i>Sub-total for Subscribers</i>	<u>213,174,802</u>	<u>16.11%</u>	<u>839,600,673</u>	<u>43.06%</u>	<u>987,336,538</u>	<u>47.08%</u>	<u>1,097,190,432</u>	<u>40.87%</u>
Public Shareholders	<u>849,292,086</u>	<u>64.18%</u>	<u>849,292,086</u>	<u>43.57%</u>	<u>849,292,086</u>	<u>40.09%</u>	<u>1,075,470,504</u>	<u>40.05%</u>
Total (Note 4)	<u>1,323,184,888</u>	<u>100%</u>	<u>1,949,610,759</u>	<u>100%</u>	<u>2,097,346,624</u>	<u>100%</u>	<u>2,684,992,830</u>	<u>100%</u>

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Mr. Ma was interested in (i) outstanding share options conferring right to subscribe for 9,280,000 new Shares at the exercise price of HK\$0.822 per Share; and (ii) HK\$53,700,000 in outstanding principal amount of the 0% Convertible Bond due 2023 which may be converted into 100,000,000 Shares at the conversion price of HK\$0.537 per Share (subject to adjustments).
2. As at the Latest Practicable Date, Mr. Shen was interested in outstanding share options conferring right to subscribe for (i) 9,280,000 new Shares at the exercise price of HK\$0.822 per Share and (ii) 4,640,000 new Shares at the exercise price of HK\$0.620 per Share. In addition, Mr. Shen also had an interest in the long position of 109,853,894 Shares underlying the 6% Convertible Bond due 2019.
3. As at the Latest Practicable Date, (a) Mr. Du, an executive Director, was interested in outstanding share options conferring right to subscribe for (i) 9,280,000 new Shares at the exercise price of HK\$0.820 per Share and (ii) 4,640,000 new Shares at the exercise price of HK\$0.620 per Share; and (b) Mr. Tsang Ling Bui, Gilbert, a non-executive Director, was interested in outstanding share options conferring right to subscribe for 4,640,000 new Shares at the exercise price of HK\$0.820 per Share.
4. As at the Latest Practicable Date, Tuspark Venture was interested in HK\$100,000,000 in principal amount of the 6% Convertible Bond due 2019 which may be converted into 109,853,894 new Shares at the conversion price of HK\$0.9103 per Share (subject to adjustments).
5. Pursuant to the terms and conditions of the New Convertible Bonds, the conversion right under the New Convertible Bonds shall only be exercisable so long as (1) the exercise of the conversion right under the New Convertible Bonds will not result in Tuspark Venture and parties acting in concert with it triggering, on the part of any of them, the mandatory general offer obligations under Rule 26 of the Takeovers Code in respect of all securities of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; and (2) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are held in public hands.
6. As at the Latest Practicable Date, there were:
 - (i) in aggregate 59,080,000 outstanding share options granted under the share option scheme of the Company (the “**Share Options**”), including (a) 29,240,000 Share Options with the exercise price of HK\$0.82 per Share; (b) 18,560,000 Share Options with the exercise price of HK\$0.822 per Share; (c) 1,000,000 Share Options with the exercise price of HK\$0.72 per Share; and (d) 10,280,000 Share Options with the exercise price of HK\$0.62 per Share;
 - (ii) warrants conferring right to subscribe for 30,000,000 new Shares with the exercise price of HK\$0.85 per Share (subject to adjustment) (the “**Warrants**”), all of which were held by Suzhou Yinwo Investment Management Enterprise (Limited Partnership)* (蘇州茵沃投資管理企業(有限合伙)), a limited partnership established in the PRC and remained outstanding as at the Latest Practicable Date;

LETTER FROM THE BOARD

- (iii) HK\$61,000,000 in outstanding principal amount of 0% Convertible Bond due 2019 which may be converted into 69,004,524 new Shares at the conversion price of HK\$0.884 per Share (subject to adjustments), HK\$38,000,000 and HK\$23,000,000 of which were held by C.K. Pacific Limited and Lucky Target Limited, respectively, and all of which remained outstanding as at the Latest Practicable Date;
- (iv) HK\$300,000,000 in outstanding principal amount of 6% Convertible Bond due 2019 which may be converted into 329,561,682 new Shares at the conversion price of HK\$0.9103 per Share (subject to adjustments), which were held as to HK\$100,000,000 each by Tuspark Venture, CM Securities Investment Limited and Munsun Smart Mobility Fund LP, respectively, and all of which remained outstanding as at the Latest Practicable Date; and
- (v) HK\$53,700,000 in outstanding principal amount of the 0% Convertible Bond due 2023 which may be converted into 100,000,000 Shares at the conversion price of HK\$0.537 per Share (subject to adjustments), all of which were held by Mr. Ma and remained outstanding as at the Latest Practicable Date ((iii), (iv) and (v) collectively as the “Existing Convertible Bonds”).

7. INFORMATION ON THE PARTIES TO THE SUBSCRIPTION AGREEMENTS

The Company

The Company is incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 00872). The Group is a leading solutions provider of advanced driving assistance system (ADAS) and autonomous driving cloud control in the PRC. It also operates automobile-related services including financial leasing of vehicles and related equipment.

Tuspark Venture

Tuspark Venture is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the Latest Practicable Date, Tuspark Venture is interested in 213,174,802 Shares (representing 16.11% of the issued share capital of the Company) and is a substantial shareholder of the Company.

Tuspark Venture is a wholly-owned subsidiary of Tus-Holdings. Tus-Holdings is a company established under the laws of the PRC with limited liability and is principally engaged in technology services (incubator services and strategic investments), science park real estate (development and management of science parks) and other technology supporting businesses (such as hotel, education, financial services and media). To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, Tus-Holdings is owned as to 30.08% by Beijing Bai Jun Investment Co., Ltd* (北京百駿投資有限公司), a company which is wholly owned by Mr. Wang Jiwu, and as to 44.92% by Tsinghua Holdings Co., Ltd.* (清華控股有限公司), a company which is wholly-owned by Tsinghua University, respectively.

LETTER FROM THE BOARD

E-Town

E-Town is a company incorporated in Hong Kong with limited liability. E-Town is wholly-owned by 北京亦莊國際投資發展有限公司* (Beijing E-Town International Investment & Development Co. Ltd.) (“**Beijing E-Town**”) which is a state-owned enterprise of the PRC principally engaged in investment management and investment consulting with the mission of promoting industrial upgrading and technological innovation in Beijing Economic-Technological Development Area. By the end of December 2018, Beijing E-Town had invested in 116 projects, with a total investment of more than RMB35 billion. Its parent fund system owns nearly 60 funds in total, and participates in the management of funds of more than RMB260 billion. Beijing E-Town gradually refines its finance service, including finance assurance, financial leasing and petty loans; upgrades product systems and serves the innovative development of small and medium-sized enterprises.

The Company first became acquainted with E-Town through business development led by Mr. Shen Xiao, the president and an executive director of the Company, as early as in late 2016. The E-town region in Beijing is the host land of automotive industry in Beijing and is one of the key Intelligent Connected Vehicle technology innovation bases in Beijing. The Group has been engaged in discussion of developing business in the E-town region. Further, the National Innovation Centre of Intelligent Connected Vehicles, which was co-founded by the Group along with 21 other parties including several leading OEMs, was established in the same region in March 2018. After the announcement of the Acquisition in July 2018, the Group began to consider introducing E-Town as a shareholder of the Company, as it holds strategic views on the development of ICV technologies in China and could provide support to the Group’s further business development in the E-town region and Beijing, such as cloud control platform projects.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) E-Town is principally engaged in investment holding; and (ii) E-Town and its ultimate beneficial owners are independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

8. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

References are made to the Company's announcement and circular dated 12 July 2018 and 26 December 2018 respectively in relation to the Acquisition. The Board considers that the net proceeds to be raised from the Subscription will enable the Company to settle the consideration in relation to the Acquisition.

For the purpose of financing the settlement of the consideration in relation to the Acquisition, the Company has considered alternative fund raising methods, including bank borrowings, and rights issue or open offer, but resolved to proceed with the Subscription after taking into account the following:

- (1) In respect of bank borrowings, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition, and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks and usually requires pledge of assets by the borrower. The Company has approached several banks for possible financing, and as set out in the Company's circular dated 26 December 2018, the Company has been contemplating a three-year term loan with principal amount of US\$35 million (equivalent to approximately HK\$274.75 million) subject to the final approval from the relevant bank to finance the Acquisition. The Company currently expects to enter into the definitive financing documents with the relevant bank by January 2019 barring unforeseen circumstances. However, as the consideration for the Acquisition is approximately US\$105 million (equivalent to approximately HK\$824.25 million) (subject to adjustment), it is expected to be funded by a combination of the internal resources of the Group, debt financing and the equity financing by way of the Subscription.
- (2) In relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the Group; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). As such, the Directors consider that the relatively lengthy period involved in a rights issue or an open offer may result in the Company being subject to the adverse effects of the current volatile market, and therefore increase uncertainty in being able to raise the funds.

LETTER FROM THE BOARD

The Directors (including the members of the Independent Board Committee whose opinion have been set forth in the “Letter from the Independent Board Committee” of this circular after having been advised by Gram Capital in this regard) consider the terms of the Tuspark Subscription Agreement (including the Subscription Price and the terms and conditions of the New Convertible Bonds) to be normal commercial terms and the Tuspark Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, the Directors (including the independent non-executive Directors) consider the terms of the E-Town Subscription Agreement (including the Subscription Price) to be normal commercial terms and the E-Town Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Subscription Agreements and the transactions contemplated thereunder. For good corporate governance practices, Mr. Ma, being a director of Tus-Holdings, and Mr. Du, being the vice president of Tus-Holdings and a director of Tuspark Venture, have voluntarily abstained from voting on (and have not been counted in the quorum for) the relevant Board resolutions for approving the Tuspark Subscription Agreement and the transactions contemplated thereunder.

As the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreements and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and should consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position or as to actions they should take.

9. LISTING RULES IMPLICATIONS

Each of the Tuspark Subscription and the E-Town Subscription is subject to Shareholders’ approval to be sought at the EGM.

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 constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Tuspark Venture held 213,174,802 Shares, representing approximately 16.11% of the existing issued share capital of the Company. Tuspark Venture and its respective associates shall abstain from voting on the resolution to be proposed at the EGM for approving the Tuspark Subscription and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As the Tuspark Subscription Agreement is conditional upon the Acquisition Agreement having become unconditional and not having been terminated, Tuspark Venture is deemed by the Stock Exchange to have material interest in the Acquisition and is required to abstain from voting on the resolution to be proposed at the extraordinary general meeting of the Company for approving the Acquisition and the transactions contemplated thereunder.

To the best knowledge of the Directors, save as disclosed above, no other Shareholder has a material interest in the Subscription Agreements and the transactions contemplated thereunder and no other Shareholder is required to abstain from voting on any of the resolution(s) to be proposed at the EGM for approving the Subscription Agreements and the transactions contemplated thereunder.

10. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Hon. Quat Elizabeth (*JP*), Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan, has been formed to advise the Independent Shareholders on the Tuspark Subscription. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Tuspark Subscription.

11. EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. The EGM will be convened and held at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on Wednesday, 30 January 2019 for the purpose of considering and, if thought fit, approving the Subscription and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tus-i.com). Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

The resolution proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

12. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 48 to 49 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM regarding the Tuspark Subscription.

Your attention is also drawn to the letter from Gram Capital set out on pages 50 to 68 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Tuspark Subscription and the principal factors and reasons taken into consideration in arriving at its advice.

The Directors (including the independent non-executive Directors whose recommendations in relation to the Tuspark Subscription are set out in the letter from the Independent Board Committee) are of the opinion that while the Subscription are not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM enclosed in this circular.

LETTER FROM THE BOARD

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board of
TUS International Limited
Ma Chi Kong Karl
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

15 January 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE BONDS
TO TUSPARK VENTURE UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 15 January 2019 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Tuspark Subscription and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Tuspark Subscription. Gram Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on the letter from Gram Capital set out on pages 50 to 68 of the Circular.

Your attention is also drawn to the letter from the Board in the Circular and other information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Gram Capital as stated in its letter of advice, we consider that while the Tuspark Subscription is not in the ordinary and usual course of business of the Group, the terms of the Tuspark Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution for approving the Tuspark Subscription as set out in the notice of the EGM enclosed in the Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

Hon. Quat Elizabeth (JP) Mr. Poon Chiu Kwok Mr. Wong Yuk Lun, Alan
Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Tuspark Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 January 2019

*To: The independent board committee and the independent shareholders
of TUS International Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES AND CONVERTIBLE BONDS TO TUSPARK VENTURE UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Tuspark Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 January 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

LETTER FROM GRAM CAPITAL

On 11 January 2019,

- (i) the Company and Tuspark Venture entered into the Tuspark Subscription Agreement, pursuant to which Tuspark Venture conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, (a) 239,345,003 new Shares at the Subscription Price of HK\$0.6084 per Share; and (b) the New Convertible Bonds in the aggregate principal amount of HK\$89,882,500 at the total consideration representing 100% of the principal amount which may be converted into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share (subject to adjustments) (i.e. the Tuspark Subscription); and
- (ii) the Company and E-Town entered into the E-Town Subscription Agreement, pursuant to which E-Town conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 387,080,868 new Shares at the Subscription Price of HK\$0.6084 per Share (i.e. the E-Town Subscription).

With reference to the Board Letter, the Tuspark Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Hon. Quat Elizabeth (*JP*), Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Tuspark Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Tuspark Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Tuspark Subscription at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company. We have assumed that all information and representations that have been provided by the Company, for which it is solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Company's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Tuspark Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Tuspark Venture or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Tuspark Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Tuspark Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Tuspark Subscription

Information on the Group

With reference to the Board Letter, the Group is a leading solutions provider of advanced driving assistance system (ADAS) and autonomous driving cloud control in the PRC. It also operates automobile-related services including financial leasing of vehicles and related equipment.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2018 and the two years ended 31 December 2017 as extracted from the Company's interim report for the six months ended 30 June 2018 (the "2018 Interim Report") and annual report for the year ended 31 December 2017 (the "2017 Annual Report"):

	For the six months ended 30 June 2018 <i>HK\$</i> (unaudited)	For the year ended 31 December 2017 <i>HK\$</i> (audited)	For the year ended 31 December 2016 <i>HK\$</i> (audited)	Change from 2016 to 2017 %
Revenue	225,058,460	202,692,616	216,801,681	(6.51)
– ADAS and other automotive components	172,535,022	26,938,353	17,489,272	54.03
– Car-carried purifiers	Nil	5,927,825	Nil	N/A
– Car trading	2,126,167	54,522,615	109,070,296	(50.01)
– Finance lease of motor vehicles and equipment	50,397,271	115,303,823	90,242,113	27.77
Loss for the year/period	(55,716,523)	(70,523,483)	(37,798,006)	86.58

LETTER FROM GRAM CAPITAL

	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016	Change from 2016 to 2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	%
	(unaudited)	(audited)	(audited)	
Cash and cash equivalents	148,207,459	63,446,857	143,781,827	(55.87)
Borrowings	146,878,015	83,983,628	9,667,984	768.68
Net assets	599,099,616	533,000,094	480,384,681	10.95

According to the table above, the Group recorded revenue of approximately HK\$202.69 million for the year ended 31 December 2017 (“FY2017”), representing a decrease of approximately 6.51% as compared to that for the year ended 31 December 2016 (“FY2016”). With reference to the 2017 Annual Report, such decrease in revenue was mainly due to the absence of car trading revenue in Hong Kong (which was partially offset by the Group’s expansion into the ADAS products via acquisition of Suzhou Zhihua Automobile Electronics Co., Ltd. and its subsidiary and the increase in finance lease income).

The Group recorded loss of approximately HK\$70.52 million for FY2017, representing an increase of approximately 86.58% as compared to FY2016. With reference to the 2017 Annual Report and as advised by the Company, such increase was mainly due to the increase in interest on convertible bonds issued and the absence of gain on disposal of subsidiaries.

As at 30 June 2018, the Group had cash and cash equivalents; borrowings and net assets of approximately HK\$148.21 million, HK\$146.88 million and HK\$559.10 million respectively.

Revenue from the ADAS and other automotive components segment amounted to approximately HK\$26.94 million for FY2017, representing an increase of approximately 54.03% as compared to that for FY2016. For the six months ended 30 June 2018 (“HY2018”), the ADAS and other automotive components segment became the largest revenue generator and its revenue amounted to approximately HK\$172.54 million. With reference to the 2018 Interim Report, leveraging the shareholder background of Tsinghua University, the Group has been actively involved in the national strategic initiatives on intelligent connected vehicle. The Group will continue to ride on such national strategic initiatives, drive core technologies innovation of intelligent connected vehicle and strive to become the enabler of the future smart mobility system.

LETTER FROM GRAM CAPITAL

Information on Tuspark Venture

With reference to the Board Letter, Tuspark Venture is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the Latest Practicable Date, Tuspark Venture is a substantial Shareholder of the Company.

As further mentioned in the Board Letter, Tuspark Venture is a wholly-owned subsidiary of Tus-Holdings. Tus-Holdings is a company established under the laws of the PRC with limited liability and is principally engaged in technology services (incubator services and strategic investments), science park real estate (development and management of science parks) and other technology supporting businesses (such as hotel, education, financial services and media).

Reasons for and benefits of the Tuspark Subscription and use of proceeds

With reference to the Board Letter, the gross and net aggregate proceeds after deducting all relevant costs and expenses of the Subscription (which includes the Tuspark Subscription and the E-Town Subscription) are approximately HK\$471 million and HK\$470 million, respectively. The Company intends to apply the net proceeds to be raised from the Subscription (i.e. the Subscription Net Proceeds) for settlement of the consideration for the proposed acquisition of Telit Automotive (i.e. the Acquisition) (details of which are set out in the Company's announcement and circular (the "**Acquisition Circular**") dated 12 July 2018 and 26 December 2018 respectively).

LETTER FROM GRAM CAPITAL

As further mentioned in the Board Letter, the Board considers that the net proceeds to be raised from the Subscription will enable the Company to settle the consideration in relation to the Acquisition. For the purpose of financing the settlement of the consideration in relation to the Acquisition, the Company has considered alternative fund raising methods, including bank borrowings, and rights issue or open offer, but resolved to proceed with the Subscription (details of factors considered by the Directors are set out in the section headed “Reasons for and benefits of the Subscription” of the Board Letter).

As advised by the Company, the Tuspark Subscription reflects the confidence and commitment of the Tuspark Venture, which is a substantial Shareholder, towards the development of the Company. With reference to the Board Letter, Tuspark Venture is a wholly-owned subsidiary of Tus-Holdings, which is in turn 44.92% owned by a wholly-owned subsidiary of Tsinghua University. The Company also believes that the strong technical reserves of Tsinghua University in the development of intelligent connected vehicles will be conducive to the Group’s long-term development in cloud control and intelligent driving.

Having considered, in particular, (i) the continuous loss position of the Group which makes it difficult to obtain bank borrowings; (ii) that according to the Acquisition Circular, the Group has already approached several banks for possible financing and has been contemplating a three-year term loan with principal amount of US\$35 million subject to the final approval from the relevant bank to finance the Acquisition; (iii) the uncertainty in being able to raise funds by pre-emptive rights issue or open offer; and (iv) the background of Tuspark Venture as mentioned, we consider the Company’s resolve to fund the Acquisition consideration by a combination of the internal resources of the Group, debt financing and the equity financing (which includes the Tuspark Subscription) justifiable.

LETTER FROM GRAM CAPITAL

As mentioned above, the Company intends to apply the Subscription Net Proceeds (as to HK\$470 million) to be raised from the Subscription for settlement of the consideration for the Acquisition. For our due diligence purpose, we noted from the Acquisition Circular that:

- Telit Automotive and its relevant subsidiaries (the “**Telit Automotive Group**”) is one of the major suppliers of automotive-grade wireless connectivity modules.
- The Telit Automotive Group has a growing, diversified blue-chip customer base of global leading car OEMs (an acronym for original equipment manufacturers) and tier-1 suppliers of car manufacturers.
- The Acquisition represents a significant milestone to expand the Group’s business into the rapidly growing vehicle connectivity market, and will bring synergies between the Group’s existing business and the Telit Automotive Group’s business.
- The consideration for the Acquisition is US\$105 million (equivalent to approximately HK\$824.25 million), subject to adjustments at completion and an overall cap of US\$125 million (equivalent to approximately HK\$981.25 million). The consideration will be paid by the Company to the vendors in cash upon completion and was expected to be funded by a combination of the internal resources of the Group and possible debt and/or equity financing from banks and other investors based on the available fund raising options, pertinent terms thereof as well as the prevailing market conditions.
- An extraordinary general meeting of the Company will be convened and held on 29 January 2019 for the Shareholders to consider, and if thought fit, to approve Acquisition.

The intended use of Subscription Net Proceeds to settle the consideration for the Acquisition is in line with the disclosure in the Acquisition Circular.

In light of the above, we are of the view that the Tuspark Subscription is in the interest of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

2. Principal terms of the Tuspark Subscription

The Tuspark Subscription Agreement

Date	11 January 2019
Parties	The Company (as the issuer) Tuspark Venture (as the subscriber)

Subject matter

Pursuant to the Tuspark Subscription Agreement, the Company conditionally agreed to allot and issue, and Tuspark Venture conditionally agreed to subscribe for, (i) 239,345,003 new Shares at the Subscription Price of HK\$0.6084 per Share; and (ii) all of the New Convertible Bonds at the consideration of 100% of the aggregate principal amount of HK\$89,882,500, carrying the right to convert into 147,735,865 Conversion Shares at the Conversion Price of HK\$0.6084 per Conversion Share (subject to adjustment) in accordance with the terms and conditions thereof. The total consideration payable by Tuspark Venture for the Tuspark Subscription amounts to HK\$235,500,000 which will be payable in cash.

With reference to the Board Letter, the 626,425,871 Subscription Shares (comprising 239,345,003 Tuspark Subscription Shares and 387,080,868 E-Town Subscription Shares) and the 147,735,865 Conversion Shares (assuming full conversion of the New Convertible Bonds at the initial Conversion Price of HK\$0.6084 per Share) represent:

- (i) approximately 47.34% and 11.17% of the existing issued share capital of the Company as at the date of the Initial Announcement and the Latest Practicable Date; and
- (ii) approximately 29.87% and 7.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares (assuming that the New Convertible Bonds are converted in full into 147,735,865 Conversion Shares at the initial Conversion Price of HK\$0.6084 per Share, and there will not be any other changes to the issued share capital of the Company up to the date of allotment and issue of such new Shares).

LETTER FROM GRAM CAPITAL

Subscription Price and Conversion Price

The Subscription Price and the Conversion Price, each being HK\$0.6084, represent:

- (i) a discount of approximately 14.31% to the closing price of HK\$0.71 per Share as quoted on the Stock Exchange on 11 January 2019, being the date of the Subscription Agreement and the Latest Practicable Date;
- (ii) a discount of 10.00% to the average closing price of approximately HK\$0.676 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days ending with the Last Trading Day;
- (iii) a discount of approximately 9.06% to the average closing price of approximately HK\$0.669 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days ending with the Last Trading Day; and
- (iv) a premium of approximately 33.15% over the consolidated equity per Share attributable to the owners of the Company of approximately HK\$0.457 as at 30 June 2018.

With reference to the Board Letter, the Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and Tuspark Venture, which represents a discount of 10% to the average closing price of the Shares for the five (5) consecutive trading days ending with the Last Trading Day, and with reference to the prevailing market conditions, the consolidated equity per Share attributable to the owners of the Company as of 30 June 2018 and the prospects of the Group. Based on the estimated net proceeds of approximately HK\$235 million from the Tuspark Subscription and the total number of the Tuspark Subscription Shares and the Conversion Shares (assuming conversion of the New Convertible Bonds in full at the initial Conversion Price of HK\$0.6084 per Conversion Share), the net price per Tuspark Subscription Share or Conversion Share is estimated to be approximately HK\$0.6070.

LETTER FROM GRAM CAPITAL

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 January 2018 up to and including 11 January 2019 (the “**Review Period**”), being a period of approximately one year prior to the date of the Tuspark Subscription Agreement. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.47 recorded on 17 December 2018 and HK\$0.93 per Share recorded on 11 June 2018, 13 June 2018 and 14 June 2018 respectively. The Subscription Price of HK\$0.6084 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period. The closing prices of the Shares showed a decreasing from January 2018 to April 2018. From April 2018 to June 2018, the closing prices of the Shares showed an increasing and reached its peak at HK\$0.93 in mid-June 2018. Since then, the closing price of Shares fluctuated and showed a general decreasing trend. After reaching its trough on 17 December 2018, the closing price of Shares surged and reached HK\$0.71 on 11 January 2019, being the date of the Tuspark Subscription Agreement.

LETTER FROM GRAM CAPITAL

As part of our analysis, we have further identified transactions in relation to the subscription of new shares under specific mandate (listed on the Stock Exchange) for cash which were announced by companies listed on the Stock Exchange from 1 October 2018 up to 11 January 2019, being a period of approximately three months prior to the date of the Tuspark Subscription Agreement (the “**Shares Comparables**”). To the best of our knowledge and as far as we are aware of, we found 6 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Shares Comparables.

Company name (stock code)	Date of announcement	Premium/(discount) of the issue price to closing price per share on the date of agreement in relation to the respective issuance/subscription of shares %
Xinyang Maojian Group Limited (formerly known as China Zenith Chemical Group Limited) (362)	5 October 2018	(5.97)
Elife Holdings Limited (223)	26 October 2018	5.00 <i>(Note)</i>
Zhuguang Holdings Group Company Limited (1176)	26 November 2018	(8.45)
Alibaba Pictures Group Limited (1060)	9 December 2018	1.63 <i>(Note)</i>
Shenwan Hongyuan (H.K.) Limited (218)	14 December 2018	30.89 <i>(Note)</i>
Shunfeng International Clean Energy Limited (1165)	9 January 2019	(58.85) <i>(Note)</i>
Maximum		30.89
Minimum		(58.85)
The Tuspark Subscription Shares under the Tuspark Subscription		(14.31)

Note:

Based on the closing price per share of the company on the last trading day prior to the date of agreement in relation to the transaction

LETTER FROM GRAM CAPITAL

We noted from the above table that the subscription prices of the Shares Comparables ranged from a discount of approximately 58.85% to a premium of approximately 30.89% to/over the respective closing prices of their shares on the date of agreement in relation to the respective subscription of new shares (the “**Shares Discount/Premium Market Range**”). As such, the Subscription Price, which represents a discount of approximately 14.31% to the closing price of the Shares on the date of Tuspark Subscription Agreement, falls within the Shares Discount/Premium Market Range. Therefore, we are of the opinion that the Subscription Price is in line with the recent market practice.

In addition, the Subscription Price under the Tuspark Subscription is equal to the Subscription Price under the E-Town Subscription. With reference to the Board Letter, E-Town and its ultimate beneficial owners are independent of the Company and connected persons of the Company. Accordingly, the Subscription Price under the Tuspark Subscription is the same as the subscription price for independent third parties under similar subscription transaction of the Company.

Having taken into account the above, we consider the Subscription Price to be fair and reasonable.

LETTER FROM GRAM CAPITAL

The New Convertible Bonds

Set out below are summary of principal terms of the New Convertible Bonds:

Issuer:	The Company
Principal amount:	HK\$89,882,500, convertible into fully paid ordinary shares with a par value of HK\$0.01 each in the issued share capital of the Company
Issue price:	100% of the principal amount of the New Convertible Bonds
Status:	The New Convertible Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.
Maturity:	The sixth anniversary of the date of issue of the New Convertible Bonds (i.e. the Maturity Date)
Interest:	The New Convertible Bonds will not bear any interest.
Conversion right:	Subject to the terms and conditions of the New Convertible Bonds, the bondholder shall have the right to convert all or part of the New Convertible Bonds held by such bondholder into Conversion Shares credited as fully paid at any time during the Conversion Period disregarding fractions and rounded down to the nearest whole number of Conversion Shares, by dividing the aggregate principal amount of the New Convertible Bonds to be converted, by the applicable Conversion Price in effect on the relevant date of conversion.

LETTER FROM GRAM CAPITAL

The conversion right under the New Convertible Bonds shall only be exercisable so long as (1) the exercise of the conversion right under the New Convertible Bonds will not result in the relevant bondholder and parties acting in concert with such bondholder triggering, on the part of any of them, the mandatory general offer obligations under Rule 26 of the Takeovers Code in respect of all securities of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; and (2) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are held in public hands.

Conversion Price: The initial Conversion Price shall be HK\$0.6084 per Conversion Share.

The Conversion Price is subject to anti-dilution adjustment(s) upon occurrence of certain prescribed events.

Redemption at maturity: Unless previously redeemed, converted or purchased and cancelled as provided under the terms and conditions of the New Convertible Bonds, the Company shall redeem the New Convertible Bonds on the Maturity Date at the redemption amount, which shall equal to 100% of the then outstanding amount of the New Convertible Bonds at the time of the redemption (i.e. the Redemption Amount).

Transferability: The New Convertible Bonds may be transferred, subject to prior approval of the Company, by delivery of the bond certificate issued in respect of the New Convertible Bonds, with the form of transfer duly completed and signed.

LETTER FROM GRAM CAPITAL

For further details and terms of the New Convertible Bonds, please refer to the section headed “Principal terms of the New Convertible Bonds” of the Board Letter.

Analysis on the Conversion Price

As part of our analysis, we have further identified transactions in relation to the subscription of convertible bonds/notes under specific mandate for cash which were announced by companies listed on the Stock Exchange from 1 October 2018 up to 11 January 2019, being a period of approximately three months prior to the date of the Tuspark Subscription Agreement (the “**CB Comparables**”). To the best of our knowledge and as far as we are aware of, we found 6 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables.

Company name (stock code)	Date of announcement	Maturity (years)	Interest rate per annum (%)	Premium/(discount) of the conversion price to closing price per share on the date of agreement in relation to the respective issuance/ subscription of convertible bonds/notes
China Healthwise Holdings Limited (348)	8 October 2018	2	6	69.49
Huajun International Group Limited (377)	26 October 2018	5	1.5	111.11
Evershine Group Holdings Limited (8022)	13 November 2018	2	1	(17.97)
Shougang Concord Century Holdings Limited (103)	18 December 2018	3	4	83.33
Hospital Corporation of China Limited (3869)	21 December 2018	5	Information not available	13.64
China Ruifeng Renewable Energy Holdings Limited (527)	31 December 2018	2	8	(13.39)
Maximum		5	8	111.11
Minimum		2	1	(17.97)
The New Convertible Bonds under the Tuspark Subscription		6	Nil	(14.31)

Note:

May be extended to 5 years subject to subscriber’s sole discretion

LETTER FROM GRAM CAPITAL

We noted from the above table that the conversion prices of the CB Comparables ranged from a discount of approximately 17.97% to a premium of approximately 111.11% to/over the respective closing prices of their shares on the date of agreement in relation to the respective issuance/subscription of convertible bonds/notes (the “**CB Discount/Premium Market Range**”). As such, the Conversion Price, which represents a discount of approximately 14.31% to the closing price of the Shares on the date of Tuspark Subscription Agreement, falls within the CB Discount/Premium Market Range. Therefore, we are of the opinion that the Conversion Price is in line with the recent market practice.

Having also considered that the Conversion Price is the same as the Subscription Price (which is fair and reasonable as mentioned in the section above), we also consider that the Conversion Price is fair and reasonable.

Analysis on the interest rate

As presented by the table above, the CB Comparables had an annual interest rate of 1% to 8% (the “**CB Interest Market Range**”), while the New Convertible Bonds will not bear any interest. The interest rate under the New Convertible Bonds falls below the CB Interest Market Range and we consider that the zero interest rate is in the interest of the Company and is fair and reasonable.

Other major terms of the Tuspark Subscription

With reference to the Board Letter, Tuspark Venture has undertaken to the Company that during the period from the date of completion of the Tuspark Subscription up to two (2) years after the date of completion of the Tuspark Subscription (both days inclusive), without the prior written consent of the Company, Tuspark Venture shall not:

- (i) issue, allot, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe for or purchase any interest in the Tuspark Subscription Shares or the New Convertible Bonds (or, upon conversion, the Conversion Shares) (collectively, the “**Lock-up Securities**”) or any securities convertible into, exchangeable for or which carry rights to subscribe for or purchase the Lock-up Securities or other instruments representing interests in the Lock-up Securities;

LETTER FROM GRAM CAPITAL

- (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Securities;
- (iii) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (i), (ii) or (iii) is to be settled by delivery of Lock-up Securities or other securities, in cash or otherwise;
- (iv) announce or otherwise notify the public of the intention to do any of the foregoing.

We consider that the two years lock up period of the Lock-up Securities for the Tuspark Subscription is in line with the reasons for and benefits of the Tuspark Subscription as mentioned (i.e. the Tuspark Subscription reflects the confidence and commitment of the Tuspark Venture, which is a substantial Shareholder, towards the development of the Company) and is justifiable.

For further details and terms of the Tuspark Subscription, please refer to the section headed “The Tuspark Subscription Agreement” of the Board Letter.

Taking into account the principal terms of the Tuspark Subscription (including the Subscription Price of the Tuspark Subscription Shares and the terms of the New Convertible Bonds) as highlighted above, we are of the view that the terms of the Tuspark Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

3. Possible dilution effect on the shareholding interests of the public Shareholders

As confirmed by the Company, the shareholding interests of the public Shareholders would be diluted by approximately 14.53 percent point as a result of the Tuspark Subscription (assuming the New Convertible Bonds have been fully converted and without taking into account of the E-Town Subscription). In this regard, taking into account (i) the reasons for the Tuspark Subscription; and (ii) the terms of the Tuspark Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Tuspark Subscription is justifiable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Tuspark Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Tuspark Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Tuspark Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Subscription and conversion in full of the New Convertible Bonds (the “**Conversion**”) (assuming there is no other change to the authorised and issued share capital of the Company) is set out as follows:

(i) As at the Latest Practicable Date

Authorised: *HK\$*

<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>
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Issued and fully paid:

<u>1,323,184,888</u> Shares in issue as at the Latest Practicable Date	<u>13,231,848.88</u>
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(ii) Immediately upon completion of the Subscription and the Conversion

(a) *Assuming there is no other change to the authorised and issued share capital of the Company*

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>
 <i>Issued and fully paid:</i>	
1,323,184,888 Shares in issue as at the Latest Practicable Date	13,231,848.88
239,345,003 Tuspark Subscription Shares to be allotted and issued upon completion of the Tuspark Subscription	2,393,450.03
147,735,865 Conversion Shares to be issued upon the Conversion (<i>Note 1</i>)	1,477,358.65
387,080,868 E-Town Subscription Shares to be allotted and issued upon completion of the E-Town Subscription	3,870,808.68
<u>2,097,346,624</u> Shares in issue immediately upon completion of the Subscription and the Conversion	<u>20,973,466.24</u>

(b) Assuming all Share Options, Warrants and Existing Convertible Bonds outstanding as at the Latest Practicable Date are fully exercised or converted into Shares (as the case may be) on or before completion of the Subscription and the Conversion

Authorised: HK\$

<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>
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Issued and fully paid:

1,323,184,888	Shares in issue as at the Latest Practicable Date	13,231,848.88
239,345,003	Tuspark Subscription Shares to be allotted and issued upon completion of the Tuspark Subscription	2,393,450.03
147,735,865	Conversion Shares to be issued upon the Conversion (<i>Note 1</i>)	1,477,358.65
387,080,868	E-Town Subscription Shares to be allotted and issued upon completion of the E-Town Subscription	3,870,808.68
59,080,000	Shares to be issued upon exercise of all Share Options outstanding as at the Latest Practicable Date	590,800.00
30,000,000	Shares to be issued upon exercise of all Warrants outstanding as at the Latest Practicable Date (<i>Note 2</i>)	300,000.00
498,566,206	Shares to be issued upon exercise of all Existing Convertible Bonds outstanding as at the Latest Practicable Date (<i>Note 3</i>)	4,985,662.06
2,684,992,830	Shares in issue immediately upon completion of the Subscription, conversion of the New Convertible Bonds and the Existing Convertible Bonds in full and exercise of the Share Options and Warrants in full	26,849,928.30

Notes:

1. Assuming conversion in full at the conversion price of HK\$0.6084 per Share.
2. Assuming exercise in full at the exercise price of HK\$0.85 per Share.
3. Assuming conversion in full (i) for the 0% Convertible Bond due 2019, at the conversion price of HK\$0.884 per Share; (ii) for the 6% Convertible Bond due 2019, at the conversion price of HK\$0.9103 per Share, and (iii) for the 0% Convertible Bond due 2023, at the conversion price of HK\$0.537 per Share.
4. The conversion and exercise prices in notes 1, 2 and 3 above are subject to adjustment(s) pursuant to the respective terms and conditions of the underlying securities.

3. DISCLOSURE OF INTERESTS**(a) Director's interest in the securities of the Company and its associated corporations**

As at the date of the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules:

(i) Interest in the shares and underlying shares (other than share options) of the Company

Name of Director	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of interest in the Company <i>(Note 2)</i>
Mr. Ma	Beneficial owner	210,718,000 (L)	15.93%
	Beneficial owner <i>(Note 3)</i>	100,000,000 (L)	7.56%
Mr. Shen	Beneficial owner	50,000,000 (L)	3.78%
	Beneficial owner <i>(Note 4)</i>	109,853,894 (L)	8.30%

Notes:

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) Based on 1,323,184,888 Shares in issue as at the Latest Practicable Date.
- (3) These Shares represented Mr. Ma’s interest in the share underlying the 0% Convertible Bond due 2023 in the aggregate principal amount of HK\$53,700,000, assuming full conversion of the 0% Convertible Bond due 2023 at the initial conversion price of HK\$0.537 per Share.
- (4) These Shares represented Mr. Shen’s interest in the long position of 109,853,894 Shares underlying the 6% Convertible Bond due 2019.

(ii) Interest in the share options of the Company

As at the Latest Practicable Date, the following Directors had personal interest in the Share Options to subscribe for the Shares granted under the share option schemes of the Company:

Name of Director	Number of Share Options	Date of Grant	Exercise price per Share (HK\$)	Exercise period
<i>Executive Directors</i>				
Mr. Ma	9,280,000	12 October 2016	0.822	12 October 2017 to 11 October 2026
Du Peng	9,280,000	22 January 2016	0.820	22 January 2017 to 21 January 2026
	4,640,000	18 April 2018	0.620	18 April 2019 to 17 April 2028
	<u>13,920,000</u>			
Mr. Shen	9,280,000	12 October 2016	0.822	12 October 2017 to 11 October 2026
	4,640,000	18 April 2018	0.620	18 April 2019 to 17 April 2028
	<u>13,920,000</u>			
<i>Non-executive Directors</i>				
Tsang Ling Biu, Gilbert	4,640,000	22 January 2016	0.820	22 January 2017 to 21 January 2026
Total	<u><u>41,760,000</u></u>			

(b) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, other than the interests disclosed above in respect of certain directors and chief executive of the Company, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage of interest in the Company (Note 2)
Tuspark Venture	Beneficial interest (Notes 3 and 5)	323,028,696 (L)	24.41%
Tus-Holdings	Interests of controlled corporation (Note 3)	323,028,696 (L)	24.41%
Tsinghua Holdings Co., Ltd. ("Tsinghua Holdings")	Interests of controlled corporation (Note 4)	323,028,696 (L)	24.41%
Beijing Baijun Investment Company Limited ("Beijing Baijun")	Interests of controlled corporation (Note 4)	323,028,696 (L)	24.41%
Wang Jiwu	Interests of controlled corporation (Note 4)	323,028,696 (L)	24.41%
Tsinghua University	Interests of controlled corporation (Note 4)	323,028,696 (L)	24.41%
CM Securities Investment Limited ("CMSI")	Beneficial owner (Note 6)	109,853,894 (L)	8.30%
China Minsheng Financial Holding Corporation Limited ("CMFHCL")	Interests of controlled corporation (Note 6)	109,853,894 (L)	8.30%
China Minsheng Investment Corporation Limited	Interests of controlled corporation (Note 6)	109,853,894 (L)	8.30%
Munsun Smart Mobility Fund LP ("Munsun Smart")	Beneficial owner (Note 7)	109,853,894 (L)	8.30%

Notes:

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) Based on 1,323,184,888 Shares in issue as at the Latest Practicable Date.
- (3) Tuspark Venture was the beneficial owner of 213,174,802 Shares. The entire issued share capital of Tuspark Venture was beneficially owned by Tus-Holdings. Tus-Holdings was therefore deemed to be interested in the 213,174,802 shares held by Tuspark Venture pursuant to the SFO.
- (4) Tus-Holdings was held (i) as to approximately 44.92% by Tsinghua Holdings, which was in turn held as to 100% by Tsinghua University; and (ii) as to approximately 30.08% by Beijing Baijun, which was in turn held as to 100% by Mr. Wang Jiwu.
- (5) Tuspark Venture was beneficially interested in the 6% Convertible Bond due 2019 in the principal amount of HK\$100,000,000 which was convertible into 109,853,894 Shares at the conversion price of HK\$0.9103 per Share (subject to adjustment(s)).
- (6) CMSI was beneficially interested in the 6% Convertible Bond due 2019 in the principal amount of HK\$100,000,000 which was convertible into a maximum of 109,853,894 Shares at the conversion price of HK\$0.9103 per Share (subject to adjustment(s)).

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

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

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

Except for (a) Mr. Du, who is an executive Director, a director of Tuspark Venture and vice president of Tus-Holdings and (b) Mr. Ma, who is an executive Director and a director of Tus-Holdings, as of the Latest Practicable Date, none of the Directors or any proposed Director of the Company was a director or an employee of a company which had, or was deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

- (a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had been, since 31 December 2017 (being the date of which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, save for the Tuspark Subscription Agreement, there were no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was interested in any business apart from the Group's businesses which competes or may compete, directly or indirectly, with the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert named above:

- (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (ii) had no direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (iii) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

9. MISCELLANEOUS INFORMATION

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Unit 416, Level 4, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong.
- (c) The Cayman Islands principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited at Royal Bank House, 3/F., 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands.

- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Ms. Li Fung Shan, who is a member of Hong Kong Institute of Certified Public Accountants.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 416, Level 4, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Tuspark Subscription Agreement;
- (b) the E-Town Subscription Agreement;
- (c) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of TUS International Limited (the “**Company**”) will be held at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on 30 January 2019 for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT:**
 - (a) the subscription agreement (the “**Tuspark Subscription Agreement**”) dated 11 January 2019 entered into between the Company as issuer and Tuspark Venture Investment Ltd. as subscriber (“**Tuspark Venture**”) (a copy of which has been produced to this meeting marked “A” for the purpose of identification) in relation to the subscription by Tuspark Venture for (i) 239,345,003 new ordinary shares of HK\$0.01 each in share capital of the Company (the “**Tuspark Subscription Shares**”, each a “**Tuspark Subscription Share**”) at the subscription price of HK\$0.6084 per Tuspark Subscription Share and (ii) the 0% convertible bonds due 2025 to be issued by the Company (the “**New Convertible Bonds**”) in the aggregate principal amount of HK\$89,882,500 which may be converted into new ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Conversion Shares**”, each a “**Conversion Share**”) at the initial conversion price of HK\$0.6084 per Conversion Share (subject to adjustment) and the transactions contemplated thereby (collectively, the “**Tuspark Subscription**”) be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) the subscription agreement (the “**E-Town Subscription Agreement**”) dated 11 January 2019 entered into between the Company as issuer and E-Town International Holding (Hong Kong) Co., Limited as subscriber (“**E-Town**”) (a copy of which has been produced to this meeting marked “B” for the purpose of identification) in relation to the subscription by E-Town for 387,080,868 new ordinary shares of HK\$0.01 each in share capital of the Company (the “**E-Town Subscription Shares**”, each an “**E-Town Subscription Share**”) at the subscription price of HK\$0.6084 per E-Town Subscription Share and the transactions contemplated thereby (collectively, the “**E-Town Subscription**”) be and are hereby approved, confirmed and ratified;
- (c) the specific mandate for the allotment and issue of the Tuspark Subscription Shares, credited as fully paid, in accordance with the terms and conditions of the Tuspark Subscription Agreement be and is hereby approved;
- (d) the specific mandate for the allotment and issue of the Conversion Shares, credited as fully paid, upon conversion of the New Convertible Bonds in accordance with the terms and conditions thereof, be and is hereby approved;
- (e) the specific mandate for the allotment and issue of the E-Town Subscription Shares, credited as fully paid, in accordance with the terms and conditions of the E-Town Subscription Agreement be and is hereby approved;
- (f) any one director of the Company (“**Director(s)**”) or (if affixing of seal is required) any two Directors (or one Director together with the company secretary of the Company) be authorised for and on behalf of the Company, among others, to execute, perfect, deliver (including under seal where applicable) all such other documents and deeds, and to do or authorise doing all such acts, matters and things, as he may in his absolute discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with:
 - (i) the Tuspark Subscription, the Tuspark Subscription Agreement and all other transactions contemplated thereunder, and the closing and implementation thereof;
 - (ii) the E-Town Subscription, the E-Town Subscription Agreement and all other transactions contemplated thereunder, and the closing and implementation thereof;

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- (iii) securing the fulfilment of the conditions precedent of completion of the Tuspark Subscription and the E-Town Subscription; and
- (iv) the approval of any amendments or variations to the Tuspark Subscription Agreement, the E-Town Subscription Agreement and/or the New Convertible Bonds, or the granting of waivers of any matters contemplated thereby that are, in the Director's opinion, not fundamental to the transactions contemplated thereby and are in the best interests of the Company, including without limitation the signing (under the common seal of the Company where required or expedient) of any supplemental or ancillary agreements and instruments and the giving of any undertakings and confirmations for any such purposes."

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

Hong Kong, 15 January 2019

Registered office:

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

*Head office and principal place of
business in the PRC:*

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

Principal place of business in

Hong Kong:

Unit 416, Level 4, Cyberport 3,
Core F, 100 Cyberport Road,
Hong Kong

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Notes:

- (i) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (ii) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting (or any adjournment thereof).
- (iii) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iv) Where there are joint holders of any shares, any one of such joint holders may vote either in person or by proxy in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
- (v) The transfer books and register of shareholders will be closed from 25 January 2019 (Friday) to 30 January 2019 (Wednesday), both days inclusive, in order to determine the entitlement of shareholders to attend the above Meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 January 2019 (Thursday).
- (vi) Where there are joint holders of any shares, any one of such joint holders may vote either in person or by proxy in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

As at the date of this notice, the board of directors of the Company comprises Mr. Ma Chi Kong Karl (Chairman), Mr. Du Peng, Mr. Shen Xiao who are executive Directors, Mr. Tsang Ling Biu, Gilbert and Mr. Qin Zhiguang 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.