



TITAN INVO TECHNOLOGY LIMITED
泰 坦 智 華 科 技 有 限 公 司

(formerly known as TUS International Limited 啟迪國際有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 872)

Executive Director:
Mr. Hu Bo

Non-executive Directors:
Mr. Ma Chi Kong Karl (Chairman)
Mr. Tsang Ling Biu Gilbert

Independent non-executive Directors:
Hon. Quat Elizabeth (JP)
Dr. Koong Hing Yeung Victor
Mr. Lee Kwok Tung Louis

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Hong Kong

5 January 2022

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RELATION TO
PROPOSED VARIATION TO TERMS AND CONDITIONS OF
CONVERTIBLE BONDS;**
**(2) PROPOSED ISSUE OF NEW SHARES UPON CONVERSION OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;**
**(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HK\$0.07 PER RIGHTS SHARE;**
(4) APPLICATION FOR WHITEWASH WAIVER;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement wherein, among other things, (i) the Proposed Variation; (ii) the Rights Issue and (iii) the proposed application for the Whitewash Waiver were disclosed.

The purpose of this circular is to provide you with, among other things, (i) further information on the Subject Transactions; (ii) letters of recommendation from each of the Independent Board Committees to the Independent Shareholders; (iii) a letter of advice from Gram Capital to the Independent Board Committees and the Independent Shareholders in relation to the Subject Transactions; (iv) other information required pursuant to the Listing Rules and the Takeovers Code in relation to the Subject Transactions; and (v) a notice of the EGM.

2. THE PROPOSED VARIATION

Background

In the April 2018 Announcement, it was disclosed that the Company entered into a subscription agreement with Mr. Ma (as subscriber), pursuant to which, among others, Mr. Ma conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the Convertible Bonds (being a 0% coupon convertible bonds in the aggregate principal amount of HK\$53.7 million). As disclosed in the April 2018 Announcement, the sum of RMB78,120,019, being the outstanding amount owed by the Group to Suzhou Qijun Investment Management Company Limited* (蘇州騏駿投資管理有限公司), a company established in the PRC and wholly-owned by Mr. Ma at the material time, would be set off against, among other things, the consideration payable for the subscription of the Convertible Bonds (being HK\$53,700,000). Completion of the subscription of the Convertible Bonds took place on 21 June 2018 as disclosed in the announcement of the Company dated the same date. The Convertible Bonds have a maturity date on the fifth anniversary of the issue date (i.e. 21 June 2023) and a conversion price of HK\$0.537 per Conversion Share (subject to adjustment). As at the Latest Practicable Date, no part of the Convertible Bonds has been repaid, redeemed or converted.

The Deed of Variation and Undertakings

Set out below is a summary of the principal terms of the Deed of Variation and Undertakings:

Date

30 November 2021 (after trading hours of the Stock Exchange)

Parties

The Company (as issuer) and Mr. Ma (as subscriber)

Proposed Variation

	Original term	Variation to original term
Conversion price:	Conversion price of HK\$0.537 per Conversion Share (subject to adjustments)	Revised Conversion Price of H K \$ 0 . 1 0 0 per Conversion Share (subject to adjustments)
	<i>Note: Assuming no adjustment to the Conversion Price, the number of the Conversion Shares issuable by the Company upon full exercise of the conversion rights attached to the Convertible Bonds is 100,000,000</i>	<i>Note: Assuming no adjustment to the Revised Conversion Price, the number of the Conversion Shares issuable by the Company upon full exercise of the conversion rights attached to the Convertible Bonds is 537,000,000</i>

Save as supplemented and varied in the manner set out in the Deed of Variation and Undertakings, all other terms and conditions of the Convertible Bonds shall remain in full force and effect.

Variation Conditions

The Proposed Variation shall become effective upon fulfilment (or waiver, where applicable) of the following conditions precedent:

- (i) the passing of a resolution at the EGM to approve the Proposed Variation and the Specific Mandate by more than 50% of the votes cast by the Independent Shareholders by way of poll;
- (ii) the passing of a resolution at the EGM to approve the Rights Issue and all the transactions contemplated thereunder or incidental thereto, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms, by more than 50% of the votes cast by the Independent Shareholders by way of poll;
- (iii) the passing of a resolution at the EGM to approve the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll;
- (iv) the Stock Exchange having granted its approval of the Proposed Variation in accordance with Rule 28.05 of the Listing Rules;

- (v) the Listing Committee of the Stock Exchange having granted the approval (with or without conditions) for the listing of, and permission to deal in, the New Conversion Shares on the Stock Exchange;
- (vi) all necessary consents or waivers which may be required by the Company for the transactions contemplated under the Deed of Variation and Undertakings having been obtained and where any consent, approval or waiver is subject to conditions, such conditions being acceptable to the Company;
- (vii) the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied; and
- (viii) all necessary consents or waivers which may be required by Mr. Ma for the transactions contemplated under the Deed of Variation and Undertakings having been obtained and where any consent, approval or waiver is subject to conditions, such conditions being acceptable to Mr. Ma.

In relation to Variation Condition (vi) above and after making all reasonable enquiries, it involves consents or waivers required from (i) a financial institution (an Independent Third Party) in relation to the contractual obligation applicable to the Company under which the parent company of Tuspark Venture must remain the indirect single largest shareholder of the Company; and (ii) a bank (an Independent Third Party) in relation to a contractual provision under which the financial facilities made available to a member of the Group may be cancelled if the parent company of Tuspark Venture ceases to be the single largest direct or indirect Shareholder with shareholding of not less than 20% of the voting rights of the Company. As illustrated in the table depicted in section 10 below, Tuspark Venture will cease to be the single largest Shareholder and its shareholding in the Company will fall below 20% under certain scenarios specified therein. In relation to Variation Condition (viii), after making all reasonable enquiries, the Company is not aware of any consent or waiver required by Mr. Ma.

Neither the Company nor Mr. Ma may waive any of the Variation Conditions set out in (i) to (v) and (vii) above, while Mr. Ma may waive the Variation Condition set out in (vi) above and the Company may waive the Variation Condition set out in (viii) above. As at the Latest Practicable Date, none of the Variation Conditions has been fulfilled or waived.

In the event that any of the Variation Conditions is not fulfilled (or waived, where applicable) by 5:00 p.m. (Hong Kong time) of the Variation Long Stop Date, the Deed of Variation and Undertakings shall lapse automatically.

As the coming into effect of the Proposed Variation is subject to the fulfilment (or waiver, where applicable) of the Variation Conditions and may or may not occur, 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 positions or as to actions they should take.

Coming into effect of the Proposed Variation

The coming into effect of the Proposed Variation shall take place upon fulfilment (or waiver, where applicable) of the last of the Variation Condition on or before the Variation Long Stop Date.

Revised Conversion Price

HK\$0.100 per Conversion Share, which represents:

- (i) a discount of approximately 81.4% to the Conversion Price of HK\$0.537 per Conversion Share;
- (ii) a discount of approximately 10.7% to the Last Closing Price of HK\$0.112 per Share;
- (iii) a discount of approximately 7.4% to the average closing price of HK\$0.108 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.8% to the average closing price of HK\$0.105 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 25.0% over the closing price of HK\$0.080 per Share as quoted on the Latest Practicable Date;
- (vi) a premium of approximately 9.9% over the audited consolidated equity per Share attributable to owners of the Company of approximately HK\$0.091 as at 31 December 2020; and
- (vii) a discount of approximately 10.7% to the unaudited consolidated equity per Share attributable to owners of the Company of approximately HK\$0.112 as at 30 June 2021.

The Revised Conversion Price was determined after arm's length negotiations between the Company and Mr. Ma with reference to, among others, the prevailing market conditions. In addition, the Company has taken into account the factors

disclosed in the sections headed “7. REASONS FOR AND BENEFITS OF THE DEED OF VARIATION AND UNDERTAKINGS AND THE RIGHTS ISSUE – Background” and “7. REASONS FOR AND BENEFITS OF THE DEED OF VARIATION AND UNDERTAKINGS AND THE RIGHTS ISSUE – The Deed of Variation and Undertakings” below.

In determining the terms of the Proposed Variation, the Company has not taken into account the existing conversion price adjustment mechanism under the Convertible Bonds which is primarily a customary anti-dilution regime since such adjustment mechanism and the Revised Conversion Price serve different and unrelated purposes. As disclosed above, the Revised Conversion Price is the result of arm’s length negotiation between Mr. Ma and the Company and represents an incentive to encourage Mr. Ma to convert the Convertible Bonds, the ultimate purpose of which is to facilitate the Company to maximise the proceeds that it may raise from the Rights Issue.

The closing prices of the Shares were in the range of HK\$0.090 to HK\$0.109 since the Company’s interim results for the six months ended 30 June 2021 had been published on 27 August 2021 and up to the Last Trading Day (with the exception of 10 November 2021 and the Last Trading Day on which the Shares closed at HK\$0.117 and HK\$0.112, respectively). The Revised Conversion Price represents slight discounts of approximately 5% to 7% to the average closing prices of the Shares for the 5 and 10 consecutive trading days ending on the Last Trading Day.

New Conversion Shares

Assuming full conversion of the Convertible Bonds at the Revised Conversion Price, an aggregate of 537,000,000 New Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 26.0% of the issued share capital of the Company as at the date of the Deed of Variation and Undertakings; and
- (ii) approximately 20.6% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares.

Please refer to (i) section 10 below for the effect of the issue of the New Conversion Shares on the shareholding structure of the Company; and (ii) section 12 below for the implications of the issue of the New Conversion Shares under the Takeovers Code.

Undertakings by Mr. Ma

Pursuant to the Deed of Variation and Undertakings, Mr. Ma has irrevocably and unconditionally undertaken to the Company that, among other things:

- (i) he shall convert the Convertible Bonds in full within 5 Business Days after the Variation Effective Date and in any event not later than the Variation Long Stop Date; and
- (ii) he will not sell or dispose of or otherwise deal with (A) all or part of his existing Shares; (B) the Convertible Bonds except as contemplated under the Deed of Variation and Undertakings; or (C) the New Conversion Shares, in each case on or before the Record Date.

Mr. Ma has further given the Subscription Undertaking to the Company in relation to the proposed Rights Issue, details of which are set out in the section headed “3. PROPOSED RIGHTS ISSUE – Subscription Undertaking by Mr. Ma” below.

3. PROPOSED RIGHTS ISSUE

The Board proposed the Rights Issue, details of which are summarised below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.07 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	2,063,615,283 Shares
Number of Shares in issue immediately upon the issue of the New Conversion Shares	:	2,600,615,283 Shares

Number of Shares in issue immediately upon the issue of (i) the New Conversion Shares; and (ii) new Shares upon exercise of the Exercisable Share Options	:	2,622,535,283 Shares, comprising (i) 2,063,615,283 Shares in issue as at the Latest Practicable Date; (ii) the New Conversion Shares; and (iii) 21,920,000 new Shares issuable upon exercise of the Exercisable Share Options
Number of Rights Shares	:	Up to 1,300,307,641 Rights Shares (assuming the New Conversion Shares are issued but otherwise no new Shares will be issued and no repurchase of Shares on or before the Record Date, “ Scenario A ”); or up to 1,311,267,641 Rights Shares (assuming new Shares will be issued pursuant to the full conversion the Convertible Bonds at the Revised Conversion Price and the full exercise of the Exercisable Share Options but otherwise no new Shares will be issued and no repurchase of Shares on or before the Record Date, i.e. 2,622,535,283 Shares in issue, comprising (i) 2,063,615,283 Shares in issue as at the Latest Practicable Date; (ii) the New Conversion Shares; and (iii) 21,920,000 new Shares issuable upon exercise of the Exercisable Share Options, “ Scenario B ”)
Enlarged issued share capital upon the Rights Issue Completion	:	3,900,922,924 Shares (assuming Scenario A); or 3,933,802,924 Shares (assuming Scenario B)
Maximum gross proceeds to be raised under the Rights Issue	:	Approximately HK\$91.0 million (assuming Scenario A); or approximately HK\$91.8 million (assuming Scenario B)

As at the Latest Practicable Date, save and except for (a) the Exercisable Share Options; (b) the Convertible Bonds with details as set out in section 2 above; (c) the Tuspark CB; and (d) the New Share Options, there were no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date and which conferred thereon right to subscribe for, convert or exchange into Shares. As disclosed in the subsection headed “Tuspark Undertaking Letter (to Company)” below, Tuspark Venture has irrevocably and unconditionally undertaken to the Company, among other things, that it will not convert the Tuspark CB during the Undertaking Period, as such, the numbers of the Rights Shares which may be issued under both Scenario A and Scenario B are calculated on the assumption that the Tuspark CB will not be converted on or before the Record Date. Since the New Share Options are not exercisable until 2 December 2022, they have not been taken into account in the calculation of the number of the Rights Shares.

Under Scenario A, the maximum number of 1,300,307,641 Rights Shares represents (i) approximately 50.0% of the existing entire issued share capital of the Company as enlarged by the issue of the New Conversion Shares and (ii) approximately 33.3% of the existing issued share capital of the Company as enlarged by the issue of the New Conversion Shares and the Rights Shares immediately upon the Rights Issue Completion.

Under Scenario B, the maximum number of 1,311,267,641 Rights Shares represents (i) approximately 50.0% of the existing issued share capital of the Company as enlarged by the issue of (a) the New Conversion Shares; (b) new Shares pursuant to the full exercise of the Exercisable Share Options; and (ii) approximately 33.3% of the existing issued share capital of the Company as enlarged by the issue of (a) the New Conversion Shares; (b) new Shares pursuant to the full exercise of the Exercisable Share Options; and (c) the issue of all the Rights Shares immediately upon the Rights Issue Completion.

Non-underwritten basis

Subject to the fulfilment of the Rights Issue Conditions, the Rights Issue will be proceeded on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue as a result of the Untaken Rights and such Untaken Rights are not taken up by the Qualifying Shareholders by way of excess application, the Company will not issue such Untaken Rights and the size of the Rights Issue will be reduced accordingly.

There is no minimum amount to be raised under the Rights Issue. The legal advisers of the Company have confirmed that there are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. As a result, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL or apply for excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained. Accordingly, the Rights Issue will be made on the terms that the Company will provide for the Shareholders (except for Mr. Ma by virtue of the Whitewash Waiver) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

Subscription Undertaking by Mr. Ma

As at the Latest Practicable Date, Mr. Ma was interested in 210,718,000 Shares, representing approximately 10.2% of the existing issued share capital of the Company, and the Concert Group (of which Mr. Ma is a member) was interested in an aggregate of 663,237,805 Shares, representing approximately 32.1% of the total number of the existing issued share capital of the Company. Upon the issue of the New Conversion Shares, Mr. Ma will be interested in 747,718,000 Shares, representing approximately 28.7% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares and the Concert Group will be interested in an aggregate of 1,200,237,805 Shares, representing approximately 46.1% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares. Pursuant to the Subscription Undertaking, Mr. Ma has irrevocably undertaken to the Company that, he shall accept, subscribe for or procure the subscription of the Committed Shares on the conditions that (i) the Company having despatched the Prospectus Documents to the Qualifying Shareholders; (ii) the granting of the Whitewash Waiver by the Executive; and (iii) the Subscription Undertaking not having been terminated by him before the Latest Time for Acceptance by virtue of the occurrence of force majeure events as he may determine in his absolute discretion.

Tuspark Undertaking Letter (to Company)

Pursuant to the Tuspark Undertaking Letter (to Company), Tuspark Venture has:

- (i) irrevocably and unconditionally undertaken to the Company that it will (A) remain the beneficial owner of the Tuspark CB and such securities shall remain registered in its name; and (B) not sell, dispose of, convert or otherwise deal with the Tuspark CB or any part thereof during the Undertaking Period; and
- (ii) notified the Company that it does not intend to subscribe for the Rights Shares, whether the Rights Shares to be provisionally allotted to it or otherwise.

Save for Mr. Ma and Tuspark Venture, no substantial Shareholder or other Shareholders has given the Company his/her/its intention to take up (or not to take up) his/her/its provisional allotment in full or in part in connection with the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price of HK\$0.07 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 37.5% to the Last Closing Price of HK\$0.112 per Share;
- (ii) a discount of approximately 35.2% to the average closing price of approximately HK\$0.108 per Share as quoted on the Stock Exchange for the 5 consecutive trading days ending on and including the Last Trading Day;
- (iii) a discount of approximately 33.0% to the average closing price of approximately HK\$0.105 per Share as quoted on the Stock Exchange for the 10 consecutive trading days ending on and including the Last Trading Day;
- (iv) a discount of approximately 28.6% to the theoretical ex-right price of approximately HK\$0.098 per Share based on the Last Closing Price;
- (v) a discount of approximately 12.5% to the closing price of HK\$0.080 per Share as quoted on the Latest Practicable Date;
- (vi) a discount of approximately 23.1% to the audited consolidated equity per Share attributable to owners of the Company of approximately HK\$0.091 as at 31 December 2020; and
- (vii) a discount of approximately 37.5% to the unaudited consolidated equity per Share attributable to owners of the Company of approximately HK\$0.112 as at 30 June 2021.

The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.068 under both Scenario A and Scenario B.

The Subscription Price was determined by the Directors with reference to the market prices of the Shares prior to and including the Last Trading Day, and the prevailing market conditions. After taking into consideration the reasons for the Rights Issue as stated in section 7 below, the Directors (excluding Mr. Ma, who abstained from voting by virtue of him being materially interested in the Subject Transactions but including members of the Independent Board Committees, whose opinion is set forth in the Independent Board Committees Letters after taking into account the advice of Gram Capital) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder. Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by not later than 4:30 p.m. on Wednesday, 9 February 2022. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 7 February 2022 and the Shares will be dealt with on an ex-rights basis from Tuesday, 8 February 2022 onwards.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

The Qualifying Shareholders who take up their pro-rata entitlement to the Rights Shares in full will not experience any dilution to their shareholdings in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company may be diluted.**

Option holders

The holders of the Share Options who wish to participate in the Rights Issue should exercise the Share Options (to the extent outstanding and exercisable) in accordance with the terms and conditions of the share option schemes of the Company under which those Share Options were granted, and be registered as holders of the Shares allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Non-Qualifying Shareholders

As at the Latest Practicable Date, the Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the PAL or EAF to them. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will make enquiry regarding the legal restrictions under the laws of the relevant overseas places and the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry and based on the advice provided by the legal advisers to the Company, the Board is of the view that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in the relevant place(s), no offer of the Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Non-Qualifying Shareholders.

The Non-Qualifying Shareholders would not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders (if any) would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs.

For the avoidance of doubt, a Non-Qualifying Shareholder will be entitled to vote at the EGM if it is an Independent Shareholder.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue pursuant to Rule 13.36(2)(a) of the Listing Rules subject to the results of the enquiries made by the Board.

The Company reserves the right to treat as invalid any acceptance of or applications for the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and the beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the securities of the Company.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number) and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will form part of the Untaken Rights for excess application by the Qualifying Shareholders.

Odd lot arrangement

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Monday, 14 March 2022 to Friday, 1 April 2022 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Francis Cheung of Sorrento Securities Limited at 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong (telephone number: 852-3959 9800 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Basis of Provisional Allotments

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by duly completing and signing the PAL (in accordance with the instructions printed therein) and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares in nil-paid form; and
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renouncees or transferees of nil- paid Rights Shares.

(i) to (iii) are collectively referred to as “**Untaken Rights**”.

Applications for excess Rights Shares can be made only by Qualifying Shareholders. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through applications by a PAL or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to top up odd lots to whole board lots.

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the controlling shareholders of the Company (which comprise Mr. Ma and Tuspark Venture) or their associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company will disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlements to the Rights Shares.

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) whose name appears on the register of members of the Company (“**Registered Nominee**”) as a single Shareholder under the aforesaid arrangement in relation to the allocation of excess Rights Shares. Beneficial owners who hold Shares through a Registered Nominee are advised to consider whether they would like to arrange for the registration of their Shares in their own names not later than 4:30 p.m. on the Last Day for Transfer. Investors whose Shares are held by a Registered Nominee and who would like to have their names registered on the register of members of the Company, must lodge all necessary transfer documents with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for completion of the relevant registration not later than 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Thursday, 10 February 2022 to Wednesday, 16 February 2022, both dates inclusive, for determination of entitlements to participate in the Rights Issue.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must duly complete and sign an EAF (in accordance with the instructions printed therein) and lodge it, together with a separate cheque or banker’s cashier order for the sum payable on application in respect of the excess Rights Shares being applied for, with the Registrar by the Latest Time for Acceptance.

Share Certificates and Refund Cheques for the Rights Issue

Subject to the fulfilment of the Rights Issue Conditions, share certificates for all fully-paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post to their registered addresses at their own risk on or before Friday, 11 March 2022. Each Shareholder will receive one share certificate for all allotted Rights Shares. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post to their registered addresses at their own risk on or before Friday, 11 March 2022.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non- Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

Rights Issue Conditions

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the Proposed Variation having come into effect, Mr. Ma having complied with and performed all his undertakings given under the Deed of Variation and Undertakings as summarised in paragraphs (i) and (ii) of the section headed “2. THE PROPOSED VARIATION – The Deed of Variation and Undertakings – Undertakings by Mr. Ma” above and the New Conversion Shares having been issued to Mr. Ma;
- (ii) the issue by the Stock Exchange of a certificate authorising the registration of, and the registration with the Registrar of Companies in Hong Kong of, respectively, one copy of each of the Prospectus Documents in compliance with the Companies (WUMP) Ordinance (and other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (iii) the despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and full-paid forms;
- (v) Mr. Ma having subscribed for the Committed Shares; and
- (vi) the compliance with any other mandatory requirements under the applicable laws and regulation of Hong Kong and the Cayman Islands.

All of the Rights Issue Conditions are incapable of being waived. If the Rights Issue Conditions are not satisfied on or before the Long Stop Date, the Rights Issue will be terminated.

In respect of the Rights Issue Condition as set out in (i) above, the Directors (excluding Mr. Ma, who abstained from voting by virtue of him being materially interested in the Subject Transactions but including members of the Independent Board Committees, whose opinion is set forth in the Independent Board Committees Letters after taking into account the advice of Gram Capital) are of the view that it is commercially beneficial to carry out the Rights Issue with the Subscription Undertaking and Mr. Ma having performed his undertakings given under the Deed of Variation and Undertakings to, among other things, convert the Convertible Bonds in full (which shall occur within 5 Business Days after the Variation Effective Date and in any event not later than the Variation Long Stop Date), which forms part of the terms in the Deed of Variation and Undertakings, after taking into account, among other things, (a) an expected minimum amount of funds of approximately HK\$26.2 million that can be raised from the subscription of the Committed Shares by Mr. Ma; (b) the performance of Mr. Ma's undertakings under the Deed of Variation and Undertakings to, among other things, convert the Convertible Bonds would allow the Company to have an additional expected minimum amount of funds of approximately HK\$18.8 million that may be raised under the Rights Issue in conjunction with Mr. Ma's undertaking to subscribe for all the Committed Shares pursuant to the Subscription Undertaking; and (c) incurring additional expenses for the Subject Transactions may not be in the interests of the Company and the Shareholders as a whole in the absence of the Subscription Undertaking in view of the recent financial position of the Group. More details are as set out in the section headed "7. REASONS FOR AND BENEFITS OF THE DEED OF VARIATION AND UNDERTAKINGS AND THE RIGHTS ISSUE – The Deed of Variation and Undertakings".

It has been disclosed in the section headed "2. THE PROPOSED VARIATION – The Deed of Variation and Undertakings – Variation Conditions" above that the approvals given by the Independent Shareholders in respect of each of the Rights Issue and the Whitewash Waiver are two of the Variation Conditions and such conditions cannot be waived by either party to the Deed of Variation and Undertakings. Accordingly, if the approvals of the Independent Shareholders in respect of each of the Rights Issue and the Whitewash Waiver cannot be obtained, the Proposed Variation will not come into effect and, as a result, the Rights Issue will not proceed.

In respect of the Rights Issue Condition as set out in (vi) above, the Directors were not aware of any other mandatory requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands in relation to the Rights Issue which have to be complied with. In respect of other Rights Issue Condition, none of them has been fulfilled as at the LPD.

Rights Shares will be Eligible for Admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

4. THEORETICAL DILUTION EFFECT

The numbers of Shares to be issued pursuant to (i) the conversion of the Convertible Bonds at the Revised Conversion Price and (ii) the Rights Issue under Scenario A are 537,000,000 and 1,300,307,641 respectively. The price discounts of (i) the Revised Conversion Price of HK\$0.100 and (ii) the Subscription Price of HK\$0.070 to the higher of the Last Closing Price of HK\$0.112 per Share and the average of the closing prices per Share as quoted on the Stock Exchange for the 5 previous consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.106 are 10.7% and 37.5%, respectively. Hence, the cumulative theoretical value dilution effect of the issue of the New Conversion Shares and the Rights Issue under Scenario A represents approximately 14.0% to the existing Shareholders.

The numbers of Shares to be issued under (i) the conversion of the Convertible Bonds at the Revised Conversion Price and (ii) the Rights Issue under Scenario B are 537,000,000 and 1,311,267,641, respectively. The price discounts of (i) the Revised Conversion Price of HK\$0.100 and (ii) the Subscription Price of HK\$0.070 to the higher of the Last Closing Price of HK\$0.112 per Share and the average of the closing prices per Share as quoted on the Stock Exchange for the 5 previous consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.106 are 10.7% and 37.5%, respectively. Hence, the cumulative theoretical value dilution effect of the issue of the New Conversion Shares and the Rights Issue under Scenario B represents approximately 14.0% to the existing Shareholders.

5. APPLICATION FOR LISTING

New Conversion Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the New Conversion Shares which may be issued upon conversion of the Convertible Bonds at the Revised Conversion Price by the Company to Mr. Ma.

The Rights Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 2,000. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchanges.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

6. WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL- PAID FORM

The last day for dealing in the Shares on a cum-rights basis is expected to be Monday, 7 February 2022. The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 8 February 2022. The Rights Shares are expected to be dealt with in their nil-paid form from Monday, 21 February 2022 to Monday, 28 February 2022 (both days inclusive).

The Rights Issue is subject to the fulfilment of certain conditions including, among other things, the New Conversion Shares having been issued to Mr. Ma. Please refer to the section headed “3. PROPOSED RIGHTS ISSUE – Rights Issue Conditions” above for further details. Shareholders and potential investors of the Company should note that if the Rights Issue Conditions are not satisfied, the Rights Issue will not proceed. Any dealings in the Shares from the Latest Practicable Date up to the date on which all Rights Issue Conditions are required to be fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

7. REASONS FOR AND BENEFITS OF THE DEED OF VARIATION AND UNDERTAKINGS AND THE RIGHTS ISSUE

Background

As disclosed in the Company's annual report for 2020, given the continuous losses and net cash outflows incurred by the Group in recent years, a growing trend of the gearing ratio, calculated as net debts (sum of borrowings and convertible bonds less cash and cash equivalents) divided by the sum of the total equity and total debts, of the Group was resulted. Gearing ratio was increased from approximately 0.55 as of 31 December 2018 to approximately 0.59 as of 31 December 2019, and further increased to approximately 0.79 as of 31 December 2020.

As further disclosed in the Company's interim report for the six months ended 30 June 2021, the Group recorded net current liabilities of approximately HK\$620.5 million as of 30 June 2021, which may have a considerable impact on the liquidity position of the Group. These events and conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

The Directors have implemented several short-term strategies including tightened cost controls, continuous dialogue with stakeholders and active participation in debt and equity financing activities, with the aim to improve the financial positions and liquidity while balancing the business development, market expansion and strengthening of the core advantages of its research and development capabilities. They have also reviewed the Group's business operations and considered a range of action plans to address its working capital and liquidity position.

The Deed of Variation and Undertakings

The Group has an immediate need for financial resources to repay its current debt, noting its significant net current liability position as set out above. Among others, it has external borrowings with an aggregate amount of loan principal of approximately HK\$366.2 million due to (i) a bank (which is an Independent Third Party) with a principal amount of US\$20.9 million (equivalent to approximately HK\$164.0 million) borrowed for the purpose of refinancing the then existing loans, and (ii) a financial institution (which is an Independent Third Party) with a principal amount of HK\$202.1 million borrowed for the purposes of refinancing the then existing loans and supporting the general operations of the Group, both are repayable within 12 months from the Latest Practicable Date. With the Group's high indebtedness as evident by its gearing ratio of 0.79 as disclosed in the annual report of the Company for 2020 as set out in the sub-section headed "Background" above, asset charges and the continuous unsatisfactory operating performance of the Group, the Company faces difficulties in raising additional financial resources from Independent Third Parties to meet the pressing repayment deadlines. Under such circumstance, resorting to equity financing from external investors or existing shareholders is the only realistic and practicable means of financing for the Company. Since the subscriptions of new Shares by (i) Tuspark Venture and E-Town as disclosed in the announcement of the Company dated 11 January 2019 and (ii) Dawin (H.K.) Limited, a Hong Kong incorporated company beneficially owned by an Independent Third Party at the material time as disclosed in the announcement of the Company dated 30 January 2019, the Directors had continued to source for external funding but could not identify external investors who were interested in investing in the Company. As at the Latest Practicable Date, the Company had three substantial Shareholders, namely, Tuspark Venture, E-Town and Mr. Ma. Prior to the Latest Practicable Date, neither Tuspark Venture nor E-Town indicated their willingness to inject further funding into the Company, and Mr. Ma was the only substantial Shareholder who was committed to support the Company financially.

After rounds of discussions, Mr. Ma principally agreed to (i) convert the Convertible Bonds to reduce the Group's indebtedness and strengthen its overall financial position, at a reduced conversion price mirroring the market price of the Shares; and (ii) undertake to the Company to take up his provisional entitlements under the Rights Issue on the basis that the Convertible Bonds having been converted at a revised conversion price. The Conversion Price of the Convertible Bonds is HK\$0.537, representing approximately 379.5% premium to the Last Closing Price and premia of approximately 397.2%, 411.4%, 411.4%, and 421.4% over the average closing prices for the 5, 10, 30 and 90 days up to and including the Last Trading Day. Since the Conversion Price represents a huge premium over the prevailing market price of the Shares, the Proposed Variation was proposed in order to set a revised conversion price as an incentive for Mr. Ma to convert the Convertible Bonds at around market price and thereby relieve the Company from its redeeming obligations under the Convertible Bonds. As set out in the section headed "2. THE PROPOSED VARIATION – The Deed of Variation and Undertakings", the closing prices of the Shares since the publication of the Company's interim results for the six months ended 30 June 2021 were constantly lower than the equity per Share attributable to owners of the Company. The Directors consider that it is impractical to carry out any equity financing at a premium over market price or the equity per Share attributable to owners of the Company under current market conditions. In addition, Mr. Ma has given the Subscription Undertaking to the Company, the value of which represents a cash commitment of approximately HK\$26.2 million under Scenario A or HK\$26.5 million under Scenario B as set out in the section headed "3. PROPOSED RIGHTS ISSUE – Issue statistics" above. This is a needed financial support for the Company considering the difficulty of the Company to borrow from banks and financial institutions or to attract investors (whether externally or from existing Shareholders) as disclosed above. The Proposed Variation and the Subscription Undertaking together formed the financial package which allows the Company to be relieved from its redeeming obligations on the one hand and offers the Company a conditional guarantee (namely, the Subscription Undertaking subject to the conditions disclosed in the section headed "3. PROPOSED RIGHTS ISSUE – Subscription Undertaking by Mr. Ma" above) to raise a minimum amount of proceeds from the Rights Issue on the other hand in order to address its more imminent financial needs as disclosed above. Therefore, notwithstanding that the Convertible Bonds will not mature until 2023, it is in the interests of the Company and the Shareholders as a whole to seize the financial supports from Mr. Ma while it is available by means of the said financial package provided under the Deed of Variation and Undertakings.

The conversion of the Convertible Bonds into Shares at the Revised Conversion Price pursuant to the Deed of Variation and Undertakings, if occurs, will allow the Group to reduce its financial costs and settle part of its borrowings without utilising its existing financial resources upon maturity of the Convertible Bonds, thereby strengthening the overall financial position of the Group and avoiding further cash outflow. This could also increase the Company's consolidated net asset value, and underscore the long term commitment by Mr. Ma to the Group through his obligations under the Deed of Variation and Undertakings to effectively capitalise the outstanding convertible bonds by converting them into equity. Accordingly, the Directors (excluding Mr. Ma, who abstained from voting by virtue of him being materially interested in the Subject Transactions but including members of the Independent Board Committees, whose opinion is set forth in the Independent Board Committees Letters after taking into account the advice of Gram Capital) are of the view that the Deed of Variation and Undertakings is in the interests of the Company and the Shareholders as a whole and the terms thereof (including, among other things, the Revised Conversion Price) are fair and reasonable.

The Rights Issue

In order to seek immediate funding to meet the falling due debt, the Group decided to dispose of its partial equity interests in its ADAS business in June 2021 and recorded a net cash inflow of approximately HK\$151.2 million. Such proceeds was intended to apply for repayment of the Group's borrowings and accrued interests of approximately HK\$120.9 million, and approximately HK\$6.7 million towards general working capital and approximately HK\$23.6 million towards the business development of the automotive-grade wireless connectivity business. As of the Latest Practicable Date, an aggregate of approximately HK\$139.8 million has already been used on repayment of borrowings of the Group, general working capital and business development of the automotive-grade wireless connectivity business. As at the LPD, the remaining net proceeds of approximately HK\$16.4 million was intended to be utilised to repay the borrowings of the Group in the first half of 2022.

The Directors have continued their efforts to seek additional funding to fulfil other pressing repayment obligations and financial needs for business development of the Group after the partial disposal of its ADAS business as disclosed above. Based on current estimate, an additional working capital of approximately HK\$10 to 20 million is required for the development of the automotive-grade wireless connectivity business for the year ending 31 December 2022.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs, may require the provision of security and, depending on (among other things) the relevant terms and conditions, creditors may rank before the Shareholders in circumstances such as liquidation and/or winding up; while placings will dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise. Furthermore, given the unstable business environment under the Covid-19 pandemic and the Sino-US trade tension, potential third party investors and financial institutions were more cautious on financing activities in particular to loss making businesses.

As opposed to an open offer, a rights issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the above factors and alternatives, the Board considers that the 2-step fund raising structure by way of: (i) the conversion of the Convertible Bonds into Conversion Shares at the Revised Conversion Price and thereby increasing the number of Shares qualifying for the Rights Issue, to be followed by (ii) the Rights Issue is a well-balanced option for the Company, improving the liquidity and capital base of the Group while mitigating dilution effect on the Independent Shareholders. On this basis, the Directors (excluding Mr. Ma, who abstained from voting by virtue of him being materially interested in the Subject Transactions but including members of the Independent Board Committees, whose opinion is set forth in the Independent Board Committees Letters after taking into account the advice of Gram Capital) are of the view that the Deed of Variation and Undertakings and the Rights Issue are in the interests of the Company and the Shareholders as a whole and the terms of the Deed of Variation and Undertakings and the Rights Issue are fair and reasonable.

8. PROPOSED USE OF PROCEEDS

The estimated net proceeds of the Rights Issue after the deduction of all estimated expenses is approximately HK\$88.3 million under Scenario A (assuming that the New Conversion Shares are issued, there is full acceptance of the Rights Shares and no other Shares will be issued on or before the Record Date) or approximately HK\$89.1 million under Scenario B (assuming that the New Conversion Shares are issued, the Exercisable Share Options are fully exercised and full acceptance of the Rights Shares and no other Shares will be issued on or before the Record Date).

The Company intends to apply the net proceeds for: (i) repayment of its borrowings and the accrued interests of approximately HK\$60.0 million due to the creditors as set out in the section headed “7. REASONS FOR AND BENEFITS OF THE DEED OF VARIATION AND UNDERTAKINGS AND THE RIGHTS ISSUE – The Deed of Variation and Undertakings”, (ii) business development of the automotive-grade wireless connectivity operations of approximately HK\$20.0 million, and (iii) general working capital purpose of approximately HK\$8.3 million under Scenario A or approximately HK\$9.1 million under Scenario B.

The estimated expenses of the transactions contemplated under the Deed of Variation and Undertakings and the Rights Issue (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) are approximately HK\$2.7 million and will be payable by the Company.

9. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

10. ANTICIPATED CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE PROPOSED VARIATION AND THE RIGHTS ISSUE

The following table shows the anticipated changes in the shareholding structure of the Company arising from the Proposed Variation and the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after the full conversion of the Convertible Bonds at the Revised Conversion Price		Immediately after the full conversion of the Convertible Bonds at the Revised Conversion Price and the Rights Issue Completion		Assuming all the Rights Shares are taken up by the Shareholders except for Tuspark Venture and Mr. Ma and Mr. Tsang take up any excess Rights Shares		Assuming all Rights Shares are taken up by the Shareholders except for Mr. Ma and Mr. Tsang take up any excess Rights Shares		Assuming full exercise of the Exercisable Share Options, all the Rights Shares are taken up by the Shareholders except for Tuspark Venture and Mr. Ma and Mr. Tsang take up any excess Rights Shares		Assuming full exercise of the Exercisable Share Options, all the Rights Shares are taken up by the Shareholders except for Tuspark Venture and Mr. Ma and Mr. Tsang take up any excess Rights Shares	
	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)	Number of Shares	Approx. % (Note 4)
Concert Group														
Mr. Ma (Note 1)	210,718,000	10.2%	247,718,000	28.7%	1,121,577,000	28.9%	1,121,577,000	30.5%	1,121,577,000	30.6%	1,121,577,000	30.6%	1,121,577,000	30.6%
Tuspark Venture (Note 2)	452,519,805	21.9%	452,519,805	17.4%	452,519,805	17.2%	452,519,805	12.3%	452,519,805	11.6%	452,519,805	12.2%	452,519,805	11.5%
Hu Bo (Note 3)	-	-	-	-	-	0.3%	-	-	-	-	-	0.3%	-	0.2%
Subtotal for the Concert Group	663,237,805	32.1%	1,200,237,805	46.1%	1,574,096,805	46.4%	1,574,096,805	42.8%	1,574,096,805	62.1%	1,574,096,805	43.1%	1,574,096,805	62.1%
Other Director														
Mr. Tsang (Note 4)	-	-	-	-	-	0.2%	-	-	-	-	-	0.2%	-	0.1%
Other Substantial Shareholder														
E-Town	387,080,868	18.5%	387,080,868	14.9%	580,621,302	14.8%	387,080,868	15.8%	387,080,868	9.9%	580,621,302	15.7%	387,080,868	9.8%
Public Shareholders	1,013,296,610	49.1%	1,013,296,610	39.0%	1,519,944,915	38.6%	1,519,944,915	41.4%	1,013,296,610	26.0%	1,519,944,915	41.0%	1,013,296,610	25.8%
Total	2,063,045,233	100.0%	2,600,615,233	100.0%	3,674,643,022	100.0%	2,974,474,283	100.0%	3,909,224,924	100.0%	3,707,543,022	100.0%	3,933,803,924	100.0%

Notes:

- In addition to these 210,718,000 Shares, Mr. Ma (i) has (A) Exercisable Share Options carrying the right to subscribe for 9,280,000 Shares at an exercise price of HK\$0.822 per Share Option and (B) Mr. Ma's New Share Options carrying the right to subscribe for 20,636,000 Shares at an exercise price of HK\$0.1058 per Share Option, such options are not exercisable until 2 December 2022 and (ii) owns the Convertible Bonds.
- In addition to these 452,519,805 Shares, Tuspark Venture owns the Tuspark CB. Pursuant to the Tuspark Undertaking Letter (to Company), Tuspark Venture has irrevocably and unconditionally undertaken to the Company that it will, among others, not deal with the Tuspark CB or any part thereof up during the Undertaking Period.
- Hu Bo, an executive Director, has Exercisable Share Options carrying the right to subscribe for 8,000,000 Shares at an exercise price of HK\$0.300 per Share Option.
- Mr. Tsang has (A) Exercisable Share Options carrying the right to subscribe for 4,640,000 Shares at an exercise price of HK\$0.820 per Share Option and (B) Mr. Tsang's New Share Options carrying the right to subscribe for 10,318,000 Shares at an exercise price of HK\$0.1058 per Share Option, such options are not exercisable until 2 December 2022.
- The sum of the shareholding percentages in the table above may not add up to 100.0% due to rounding adjustments.
- Assuming all Shareholders are qualified for the Rights Issue.

11. INFORMATION ON THE PARTIES TO THE SUBJECT TRANSACTIONS AND PARTIES GIVEN RELEVANT UNDERTAKINGS

The Company

The Company is incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 872). The Group is principally engaged in the research and development, production and sale of automotive-grade wireless connectivity modules in Europe, the United States and Asia Pacific region.

Mr. Ma

Mr. Ma is the chairman of the Board, a non-executive Director and a substantial Shareholder and therefore a connected person of the Company. He is a principal member of the Concert Group and a director of Tus-Holdings, the sole shareholder of Tuspark Venture.

As at the Latest Practicable Date, Mr. Ma intended the Group to continue its current business. He had no intentions to introduce any major changes to the Group's existing business (including redeployment of the fixed assets of the Group other than in its ordinary course of business) or terminate the continued employment of the employees of the Group.

Tuspark Venture

Tuspark Venture is a substantial Shareholder and a principal member of the Concert Group, the sole director of which is Hu Bo. The details of the beneficial owners of Tuspark Venture as at the LPD are set out as follows:

Beneficial owner	Shareholding interests in Tuspark Venture (approx.)	Directors/legal representatives* (法定代表人)
Tsinghua University (a university in the PRC)	22.2%	Legal representative Qiu Yong* (邱勇)
Mr. WANG Jiwu (a PRC individual)	22.2%	N/A

Beneficial owner	Shareholding interests in Tuspark Venture (approx.)	Directors/legal representatives* (法定代表人)
Hefei Construction Investment Holding (Group) Co. Ltd.* (合肥市建設投資控股(集團)有限公司)(a state-owned enterprise in the PRC)	14.8%	<i>Directors</i> Li Hongzhuo* (李宏卓) Lu Qinhang* (陸勤航) Wu Zineng* (吳子能) Ni Jingdong* (倪敬東) Huang Hao* (黃顥) Chen Xiaobei* (陳小蓓) Chen Xuelei* (楊雪蕾)
Shanghai Xiexin Jinhan Investment Co. Ltd.* (上海協信進瀚投資有限公司)(a limited company in the PRC) (note 1)	14.8%	<i>Sole director</i> Zou Shuyuan* (鄒淑媛)
Qingdao Hongjingzhigu Technology Innovation Service Partnership (Limited partnership)* (青島紅景智穀科創服務合夥企業(有限合夥)) (a limited partnership in the PRC) (note 2)	14.8%	N/A
Other investors who individually hold less than 10% shareholding interests in Tuspark Venture	11.2%	N/A

Notes:

1. Shanghai Xiexin Jinhan Investment Co. Ltd. is ultimately beneficially owned as to approximately 53% by Mr. WU Jiahui* (吳家輝), 35% by Ms. Wu Qiang* (吳蔷) and 12% by Mr. Wu Jun* (吳駿)(each, a PRC individual).
2. Qingdao Hongjingzhigu Technology Innovation Service Partnership (Limited partnership) is collectively owned as to approximately 99.7% by 5 state-owned enterprises in the PRC.

12. TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Group (comprising Mr. Ma, Tuspark Venture and parties acting in concert with them) was interested in 663,237,805 Shares, representing approximately 32.1% of the issued share capital of the Company.

Upon full conversion of the Convertible Bonds at the Revised Conversion Price, the aggregate shareholding interest of the Concert Group in the Company will increase to approximately 46.1% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares. As such, the conversion of the Convertible Bonds after the Proposed Variation has come into effect will give rise to an obligation on the Concert Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Concert Group under Rule 26 of the Takeovers Code by virtue of the increase of the Concert Group's collective voting rights by more than 2%, unless a waiver is granted by the Executive.

Assuming (i) there is no change in the number of issued Shares (other than resulting from the issue of the New Conversion Shares) on or before the Record Date; and (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. Ma, the aggregate shareholding interest of the Concert Group will further increase to approximately 52.9% upon the Rights Issue Completion. Assuming further that (i) there is no change in the number of issued Shares (other than resulting from the issue of the New Conversion Shares) on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. Ma; and (iii) Mr. Ma has applied and been issued with all excess Rights Shares, the aggregate shareholding interest of the Concert Group will increase to approximately 64.1% upon the Rights Issue Completion as demonstrated in the table depicted in section 10 above. Accordingly, the acquisition of the Rights Shares pursuant to the Subscription Undertaking and possible excess application by Mr. Ma will trigger an obligation on the Concert Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Concert Group under Rule 26 of the Takeovers Code, unless a waiver is granted by the Executive.

Mr. Ma has applied for a waiver from the obligations to make a mandatory general offer as described above pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be subject to, among other things, the approval of at least 75% of the Independent Shareholders by way of poll at the EGM in accordance with the requirements of the Takeovers Code. As at the Latest Practicable Date and except for the Deed of Variation and Undertakings, none of Mr. Ma, Tuspark Venture or any parties acting in concert with any of them had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the 6 months prior to and including the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors (including informal discussions) in relation to the proposed issue of new securities under any of the Subject Transactions.

As at the Latest Practicable Date, the Company did not believe that any of the Subject Transactions will give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if any of the Subject Transactions does not comply with other applicable rules and regulations.

The Concert Group and those who have interests in the Subject Transactions (other than their interests as a Shareholder) will be required to abstain from voting in respect of the resolution(s) to approve the Subject Transactions at the EGM. In relation to, among other things, recommendation to the Independent Shareholders as to voting at the EGM for the purposes of the Takeovers Code, the Code IBC has been established in accordance with the Takeovers Code as disclosed in more details in section 15 below.

If the Whitewash Waiver is granted and approvals of the Subject Transactions by the Independent Shareholders are obtained and if the shareholding interest of the Concert Group in the Company exceeds 50% under the scenarios disclosed in this circular, the Concert Group may further increase its shareholdings in the Company thereafter without incurring any further obligations under Rule 26 of the Takeovers Code to make a mandatory general offer.

13. LISTING RULES IMPLICATIONS

Proposed Variation

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As the Proposed Variation is not an alteration that will take effect automatically under the existing terms of the Convertible Bonds, the Company will apply to the Stock Exchange for its approval for the Proposed Variation.

Mr. Ma is a connected person of the Company as disclosed in the section headed “11. INFORMATION ON THE PARTIES TO THE SUBJECT TRANSACTIONS AND PARTIES GIVEN RELEVANT UNDERTAKINGS – Mr. Ma” above. As such, the Proposed Variation constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement, circular and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Rights Issue

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the Latest Practicable Date and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the shareholders' approval as required under Rule 7.19A(1) of the Listing Rules. However, as the coming into effect of the Proposed Variation, a connected transaction, is one of the Rights Issue Conditions, the Rights Issue is deemed as a connected transaction of the Company and therefore is also subject to the reporting, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of Mr. Ma being materially interested in the Proposed Variation and the Rights Issue, he had abstained from voting on the relevant Board resolutions approving the Proposed Variation and the Rights Issue. Mr. Ma and his associates will also be required to abstain from voting on the resolutions to approve the Proposed Variation and the Rights Issue to be proposed at the EGM. In relation to, among other things, recommendation to the Independent Shareholders as to voting at the EGM for the purposes of the Listing Rules, the LR IBC has been established in accordance with the Listing Rules as disclosed in more details in section 15 below.

14. GENERAL

A notice convening the EGM is set out on pages EGM-1 to EGM-6 of this circular. The EGM will be convened and held at Lecture Room 1 & 2, 1/F, TusPark Workhub, 118 Wai Yip Street, Kwun Tong, Hong Kong on Friday, 28 January 2022 at 3:00 p.m. for the purpose of considering and, if thought fit, approving each of (i) the Proposed Variation; (ii) the Rights Issue and (iii) the Whitewash Waiver.

The voting in respect of each of the Subject Transactions will be conducted by way of poll.

The Company will conduct a hybrid meeting via online platform, which allows Shareholders to participate in the EGM online in a convenient and efficient way from anywhere with an internet connection that can support audio live streaming. Shareholders will be able to attend and participate in voting and submit questions in written form to the EGM by visiting the website at <http://meetings.computershare.com/MTUX749> via smartphones, tablets, or computers. The live streaming option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the EGM in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via online platform in view of the current COVID-19 situation. If the venue of the EGM is closed in response to the COVID-19 outbreak, the EGM will continue to be held via online platform. For online voting at the EGM, Shareholders can refer to the enclosed notification letter and the Online Meeting User Guide for details. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated. Each set of Shareholder login details can be used on one electronic device (either smartphones, tablet devices or computers) at a time only.

If you have any queries on the above, please contact the Registrar, via their hotline at (852) 2862 8555 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (i) attend the EGM in person and vote via smartphones or designated mobile devices at the meeting venue; or
- (ii) attend the EGM via online platform which enables live streaming and interactive platform for Q&A and vote online; or
- (iii) appoint chairman of the EGM or other persons as your proxy to vote on your behalf. Your proxy's authority and instruction will be revoked if you attend and vote in person or via online platform at the EGM.

Non-registered Shareholders who wish to attend and participate in the EGM via online platform should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your shares are held (collectively, the “**Intermediaries**”) and provide your email addresses to your Intermediaries. Details regarding the arrangements of the EGM, including login details to access the online platform and online voting, will be sent by Computershare Hong Kong Investor Services Limited to the email addresses provided by the non-registered Shareholders.

For corporate Shareholders who wish to attend the EGM and vote online, please contact the Registrar at (852) 2862 8555 on or before Monday, 24 January 2022 for arrangement.

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.titaninvo-global.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 Registrar at 17M Floor, 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 have been revoked.

Subject to the fulfilment of the Rights Issue Conditions set out in paragraphs (i) to (ii) in the section headed "3. PROPOSED RIGHTS ISSUE – Rights Issue Conditions" above, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Thursday, 17 February 2022 whereas the Prospectus stamped "For Information Only" will be despatched to the Non-Qualifying Shareholders, if any, for information purpose only.

15. RECOMMENDATION

The Code IBC has been established to advise the Independent Shareholders as to whether the terms of the Subject Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM. The LR IBC has been established to advise the Independent Shareholders as to whether the terms of the Proposed Variation, the Rights Issue and the transaction contemplated thereunder (including the Specific Mandate) are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM. With the approvals of each of the Independent Board Committees, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in this regard.

You are advised to read carefully the letters of recommendation from each of the Independent Board Committees to the Independent Shareholders and the letter of advice from Gram Capital to the Independent Board Committees and the Independent Shareholders in relation to the Subject Transactions set out on pages 49 to 50, pages 51 to 52 and pages 53 to 79 respectively of this circular.


The Code IBC, having taken into account the advice of Gram Capital, considers that the terms of the Subject Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, the Code IBC recommends the Independent Shareholders to vote in favour of each of the proposed resolutions approving the Subject Transactions at the EGM.

The LR IBC, having taken into account the advice of Gram Capital, considers that although the Proposed Variation, the Rights Issue and the transactions contemplated thereunder (including the Specific Mandate) are not conducted in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, the LR IBC recommends the Independent Shareholders to vote in favour of each of the proposed resolutions approving the Proposed Variation, the Rights Issue and the transaction contemplated thereunder (including the Specific Mandate) at the EGM.

The Board considers that each of (i) the Proposed Variation; (ii) the Rights Issue and (iii) the Whitewash Waiver are in the interest of the Company and the Independent Shareholders as a whole and therefore recommends all Independent Shareholders to vote in favour of each of the proposed resolutions approving the Subject Transactions at the EGM.

16. ADDITIONAL INFORMATION

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



By Order of the Board
Titan Invo Technology Limited
Ma Chi Kong Karl
Chairman