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**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)

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO  
THE DISPOSAL OF A 15.5% EQUITY INTEREST IN  
SUZHOU ZHIHUA AUTOMOBILE ELECTRONICS CO., LTD**

**THE DISPOSAL**

After trading hours on 6 May 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 15.493% of the equity interest in the Target Company at the Consideration of RMB110,000,300 (equivalent to approximately HK\$132.0 million) in accordance with the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, the Target Company is owned as to approximately 15.493% (representing registered capital of RMB7,740,000) by the Vendor, while the remaining Shares are held by nine investors, including the Purchaser, who holds approximately 36.589%. The Vendor is an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Group will cease to hold any equity interest in the Target Company.

## **LISTING RULES IMPLICATIONS**

As the Disposal and the 2021 Disposal (i) each involves the disposal of an interest in the same company, i.e. the Target Company, (ii) are entered into with the same party, i.e. the Purchaser, who was one of the two purchasers pursuant to the 2021 Disposal and (iii) are conducted within a 12-month period, the Disposal and the 2021 Disposal are required to be aggregated for the purpose of computing the relevant percentage ratios pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As a relevant aggregated percentage ratio in respect of the Disposal and the 2021 Disposal calculated exceeds 75%, the Disposal and 2021 Disposal, on an aggregate basis, constitute a very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

An EGM will be convened for the purpose of considering and, if thought fit, approving the Disposal.

A circular containing, amongst other things, further information on the Disposal, the notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 May 2022.

## **INTRODUCTION**

After trading hours on 6 May 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 15.493% of the equity interest in the Target Company at the Consideration of RMB110,000,300 (equivalent to approximately HK\$132.0 million) in accordance with the terms and conditions of the Equity Transfer Agreement.

## **EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement is summarised as follows:

### **Date**

6 May 2022

### **Parties**

- (a) the Vendor;
- (b) the Purchaser; and
- (c) the Target Company.

### **Asset to be disposed of**

As at the date of this announcement, the Target Company is owned as to approximately 15.493% (representing registered capital of RMB7,740,000) by the Vendor, while the remaining Shares are held by nine investors, including the Purchaser, who holds an approximately 36.589% interest in the Target Company. The Vendor is a wholly-owned subsidiary of the Company.

The Vendor's equity interest in the Target Company has been diluted from approximately 20.0% it held at the time of completion of the 2021 Disposal to approximately 15.493% as at the date of this announcement, following capital injection exercises conducted by the Target Company since the 2021 Disposal.

Upon completion of the Disposal, the Group will cease to hold any equity interest in the Target Company.

## **Consideration**

Pursuant to the Equity Transfer Agreement, the Consideration of RMB110,000,300 (equivalent to approximately HK\$132.0 million) shall be payable in the following manner:

- (i) RMB55,000,150 shall be payable at Closing; and
- (ii) RMB55,000,150 shall be payable within 10 Business Days after completion of the relevant regulatory filing in relation to the Disposal, which is to be completed by the Vendor within 5 Business Days after Closing.

## **Conditions Precedent**

Closing is conditional upon satisfaction of the following material conditions precedent:

- (1) approval of the equity transfer under the Equity Transfer Agreement by way of resolution by (i) the shareholders of the Target Company, (ii) the shareholders or partners of the Purchaser and (iii) the shareholders and/or directors (as the case may be) of the Vendor;
- (2) all necessary approvals from relevant government authorities for the execution, performance and fulfilment of the Equity Transfer Agreement having been obtained, and such approvals still being valid and not having modified the provisions of the Equity Transfer Agreement in any material respect;
- (3) all necessary consents from third parties, including relevant authorities concerning the Target Group, having been obtained;
- (4) approval of the Disposal by the Shareholders;
- (5) the Company having obtained the necessary approvals from the Stock Exchange regarding the Disposal (if required), and such approvals not having modified the provisions of the Equity Transfer Agreement in any material respect; and
- (6) there being no existing or known legal proceedings or claims initiated by any government authority against the Target Group or the Vendor, which would prevent the performance of the Equity Transfer Agreement (i.e. the Purchaser could not acquire the equity interest in the Target Company or the Vendor could not receive the Consideration) or would have a material adverse effect on the Target Group.

The Purchaser may waive any of the conditions precedent, except for those set out in items 1, 2, 4 and 5 above. As at the date of this announcement, save for item 6 which is currently fulfilled, none of the conditions above have been fulfilled.

If the conditions precedent are not fulfilled by 30 June 2022, the Purchaser may unilaterally decide to:

- (i) postpone the Closing to a later date, which shall be no later than 15 July 2022; or
- (ii) waive the unfulfilled condition(s) (save for the approvals by Shareholders, the Stock Exchange and other relevant government authorities which may not be waived), and where practicable, proceed to the Closing.

If such conditions are not fulfilled and/or not waived by the Purchaser by 15 July 2022, the Purchaser may unilaterally decide to terminate the Equity Transfer Agreement, upon which the Purchaser shall not be liable to the other Parties for such decision to terminate, except that such termination shall not affect any Party's liabilities to the other Parties for any breach of the Equity Transfer Agreement accrued prior to termination.

## **Completion**

The Closing shall take place on the 5th Business Day after fulfilment or waiver of the conditions precedent, or such other date as may be agreed in writing by the Parties. Completion of the Equity Transfer Agreement and the Disposal shall take place at Closing.

## **Termination**

The Equity Transfer Agreement may be terminated under the following circumstances:

- (i) upon the Parties' mutual agreement in writing, specifying the effective date of termination; and
- (ii) if, within the period from the date of the Equity Transfer Agreement to the Closing, certain event(s) of default occur, any Party may terminate the Equity Transfer Agreement by giving 10 Business Days' notice in writing to the other Parties.

## INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the PRC with limited liability, whose registered capital is owned as to approximately 15.493% by the Vendor, approximately 36.589% by the Purchaser, with the remaining interest in the Target Company being held by eight investors.

The principal business activities of the Target Group are research and development, production and sale of ADAS. ADAS products, covering both active (control) and passive (warning) systems include around view monitoring, lane departure warning, forward collision warning, pedestrian detection, night vision, blind spot detection and driver fatigue monitoring and other ADAS-related technologies.

Set out below are extracts of the unaudited consolidated financial performance of the Target Group for the years ended 31 December 2020 and 2021:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<b><i>HK\$'million</i></b>	<b><i>HK\$'million</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	<b>290.7</b>	584.3
Profit/(loss) before taxation	<b>2.4</b>	(40.2)
Profit/(loss) after taxation	<b>2.4</b>	(36.3)

The increase in revenue of the Target Group for the year ended 31 December 2021 as compared to that of 2020 was mainly attributable to the Target Group's strategy of rapid business expansion partly driven by an increase in the penetration rate of smart cars in the PRC market. The loss recorded for the year ended 31 December 2021 as compared to the profit for the previous year was mainly due to a reduction in gross profit margin and an increase in expenses, especially in research and development.

The consolidated total assets and total liabilities of the Target Group as at 31 December 2021 were approximately HK\$669.4 million and HK\$456.2 million respectively. The consolidated net assets of the Target Group as at 31 December 2021 were approximately HK\$213.2 million.

## **INFORMATION OF THE COMPANY**

The Company is incorporated in the Cayman Islands with limited liability, whose Shares are listed 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 the Asia-Pacific region.

## **INFORMATION OF THE VENDOR**

The Vendor is a company incorporated in the PRC with limited liability. It is an investment holding company and an indirect wholly-owned subsidiary of the Company.

## **INFORMATION OF THE PURCHASER**

The Purchaser is a company established in the PRC with limited liability and is principally engaged in trading of commodities. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, the Purchaser is ultimately owned as to 60% by Huang Tao (黃濤) and 40% by Huang Shiyang (黃世熒).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) the Purchaser and its ultimate beneficial owners are third parties independent of the Company and (ii) there is, and in the past 12 months there has been, no material loan arrangement between (a) the Purchaser, its directors and legal representatives, and Huang Tao and Huang Shiyang and (b) the Company, any connected person at the Company's level, and/or any connected person at the Vendor's level.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the equity value of the Target Group as implied by the Consideration representing a premium over the unaudited consolidated net asset value of the Target Group of approximately HK\$213.2 million as at 31 December 2021, (ii) the historical financial performance of the Target Group and its expected future growth, (iii) the current and expected market condition of the industry in which the Target Group is operating which remains somewhat steady since the first half of 2021, (iv) the consideration under the 2021 Disposal which is identical to the consideration under the Disposal on a per-share basis, (v) the reasons for and benefits of the Disposal as set out below, (vi) the limited availability of directly comparable listed peers given the nature of the business of the Target Group and (vii) the Target Group recording a net loss for the year 2021 as compared to a net profit for the year 2020 despite the increase in revenue.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

### Background

As set out in the Company's 2020 annual report, given the continuous losses and net cash outflows incurred by the Group in recent years, the gearing ratio of the Group has progressively increased, from approximately 0.55 as at 31 December 2018 to approximately 0.59 as at 31 December 2019, and further to approximately 0.79 as at 31 December 2020. As at 31 December 2021, the gearing ratio has doubled to approximately 1.57. The Group recorded net current liabilities of approximately HK\$717.3 million as at 31 December 2021, with outstanding borrowings of approximately HK\$714.9 million which were due for repayment in the next twelve months after 31 December 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.

As set out in the Company's 2020 annual report, 2021 interim report and unaudited annual results announcement for the year ended 31 December 2021, 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 position and liquidity while balancing the business development and market expansion efforts and strengthening of the core advantages of its research and development capabilities. The Directors have also reviewed the Group's business operations and considered a range of action plans to address its working capital and liquidity position.

The Company considers that the ADAS business in the PRC is relatively mature as compared to the automotive-grade wireless connectivity business and it is expected that the future expansion of the ADAS business will be limited in short term.

Up to the date of this announcement, the Directors have taken or will take the following measures, among others, to manage the Group's liquidity needs and to improve its financial position:

- (i) the Company has been actively negotiating with banks and financial institutions to secure the renewals of the Group's bank and other borrowings;



- (ii) the Group has received a written confirmation dated 21 March 2022 from Tuspark Venture stating that it would provide continuous financial support to the Group for the next 24 months from 31 March 2022, the date when its unaudited consolidated financial statements for the year ended 31 December 2021 were approved, should any financial obligations fall due. Such assistance to be received by the Group will not be secured by any assets of the Group. On the same day, Tuspark Venture received a written confirmation from its immediate holding company stating that it has committed to provide continuous financial support to Tuspark Venture for the same period of time;
- (iii) as at the date of this announcement, the Group has signed a letter of intent and is negotiating with a financial institution for a loan in the principal amount of up to HK\$230.0 million;
- (iv) the Group has taken measures to tighten cost control over production costs and other expenses with the aim of attaining profitability and positive cash flow from operations;
- (v) the Group may consider to dispose of non-core operations and/or financial assets if required; and
- (vi) the Company has been in talks with convertible bondholders of the Company to extend the maturities and to obtain further financing from the bondholders when necessary, including but not limited to shareholder's loans, capital injections and the issuance of new convertible bonds to improve the liquidity and financial position of the Group. As at 31 December 2021, the Company recorded two outstanding convertible bonds comprising: (i) the Convertible Bonds in the principal amount of HK\$53,700,000 due on 21 June 2023 and (ii) a 0% coupon bonds in the principal amount of HK\$89,882,500 due on 26 February 2025.

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\$362.8 million repayable within 12 months from the date of this announcement. The external borrowings comprise: (i) bank loans in an aggregate principal amount of approximately HK\$160.6 million with floating interest rates of LIBOR plus 2.45% per annum and (ii) a loan from a financial institution of approximately HK\$202.2 million with an interest rate of 20.0% per annum. The Group has signed a letter of intent and is negotiating a loan agreement with a financial institution in the principal amount of up to HK\$230.0 million. The Company intends to settle its external borrowings with an aggregate amount of loan principal of approximately HK\$362.8 million as at 31 December 2021 with (i) the proceeds from the Disposal, (ii) the proceeds from the new facility as set out above and (iii) internal resources of the Group.

## **The 2021 Disposal**

As disclosed in the Company's announcement dated 23 April 2021 and the 2021 Disposal Circular, the Directors had given due consideration to the future liquidity and performance of the Group and its available sources of financing with detailed assessments of the short-term financial budgets of the two major business segments of the Group, namely the ADAS business (being the Target Group) and the automotive-grade wireless connectivity business. In view of short-term financial needs for working capital, the Directors decided to conduct the 2021 Disposal, which involved the disposal of an approximate 24.754% minority interest in the Target Company to the Purchaser and Ningbo Tengyue Qizhi Technology Partnership (Limited Partnership)\* (寧波騰越啟智科技合夥企業(有限合夥)) for RMB136,145,600 (equivalent to approximately HK\$162.0 million as stated in the 2021 Disposal Circular). The Group recorded a net cash inflow of approximately HK\$151.2 million as a result of the 2021 Disposal. As at the date of this announcement, approximately HK\$143.2 million has been used for repayment of the Group's borrowings, general working capital and business development of the automotive-grade wireless connectivity business.

The Company set out in the 2021 Disposal Circular that it intended to hold on to the minority equity interest in the Target Company for long term value appreciation, but also indicated that the Directors may further consider disposing of its financial assets at FVTOCI should the Group's liabilities fall due and require immediate financial resources. Despite implementing various short-term strategies, the Company's financial position has not improved. As such, the Company has to take alternative measures to address its short-term liquidity challenge and to meet its immediate financial needs.

## **The Rights Issue**

Subsequent to the 2021 Disposal the Board proposed to conduct the Rights Issue to raise further funds from the Shareholders. In this context Mr. Ma undertook that he shall convert the Convertible Bonds held by him and subscribe for the rights shares to be provisionally allotted to him. The conversion of the Convertible Bonds would reduce the Group's indebtedness and hence improve the capital base of the Group.

The Company intended to apply the estimated net proceeds of the Rights Issue of approximately HK\$90.0 million towards: (i) repayment of its borrowings and accrued interest due to creditors (approximately HK\$60.0 million), (ii) business development of the automotive-grade wireless connectivity operations (approximately HK\$20.0 million) and (iii) general working capital purpose.

However, as disclosed in the Company's announcement dated 8 February 2022, despite continuous efforts made by the Board, the Company has been unable to obtain all necessary consents or waivers, or indication to grant the consents or waivers which were required under the one of the conditions precedent to the Rights Issue. Therefore the Rights Issue lapsed and the Board had to explore fund raising alternatives.

## **The Disposal**

Following the lapse of the Rights Issue the Board took the decision to dispose of part of its assets to address the Group's pressing liquidity needs. Against this backdrop the Board has given consideration to evaluating the potential for asset disposals which would fulfil the objective of raising capital for the reasons set out above. Given the financial position of the Group the Board determined that asset disposals are one alternative to be pursued. The automotive-grade wireless connectivity business is the Group's principal business, which it controls, whereas the Target Group represents the Group's remaining minority interest in the ADAS business. Regarding the Target Company, the Board has approached the existing shareholders of the Target Company, including the Purchaser, who was a party to the 2021 Disposal. The Purchaser subsequently expressed an interest in increasing its stake in the Target Company and thus the Board entered into negotiations with the Purchaser.

In entering into the Equity Transfer Agreement, the Directors have considered (i) the net cash inflow of approximately HK\$132.0 million upon completion of the Disposal and the intended use of proceeds for repayment of the Group's borrowings which will contribute to relieving its financial burden and reduce future financing costs of the Group and (ii) the estimated one-off gain (after deducting the relevant taxes and expenses) of approximately HK\$8.3 million to the Group, which would allow the Group to reduce its gearing and therefore improve the overall financial position of the Group. The Purchaser has expressly undertaken in the Equity Transfer Agreement to assist in the Target Company's repayment or settlement of bank loans held by the Target Company with an aggregate principal amount of RMB40,000,000, which are currently secured by a pledge over certain financial assets at FVTOCI given by an indirect wholly-owned subsidiary of the Company. When such respective bank loans become due or within 6 months from Closing (whichever is earlier), the Purchaser may, for example, offer a shareholder loan to or a capital injection into the Target Company such that the bank loans of the Target Company may be repaid. Upon the Target Company's repayment or settlement of the above bank loans the Security will be released.

The Security was entered into on 20 September 2019 for a term of 3 years. It covers the principal amount of two bank loans with principal amounts of RMB20,000,000 each, which are due on 30 September 2022 and 8 December 2022 respectively, held by the Target Company, together with any relevant interest, penalty, administrative and other expenses, subject to a maximum aggregate amount of RMB40,000,000.

Subsequent to the 2021 Disposal the Group did not have control over the Target Group and accounted for the remaining equity interest in the Target Group as a financial asset at FVTOCI. Despite the significant increase in revenue for the year ended 31 December 2021, the Target Group recorded a net loss for the year. Given the above, the Board has taken the view that there may be an adverse impact on the value of the Group's investment in the Target Group if it incurs further losses in the future. A further consideration for the Board was the fact that the remaining stake in the Target Group is a non-controlling interest and not a direct part of the Group's principal business, being the automotive-grade wireless connectivity business. As set out below under the heading "The Remaining Group business", the Group is committed to maintaining product development and market expansion efforts, while at the same time managing its financial position through targeted measures including the Disposal.

In view of the above, taking into particular consideration: (i) the net cash inflow which will contribute to relieving the Group's financial burden and reduce its future financing costs, (ii) the estimated one-off gain from the Disposal, (iii) the undertaking by the Purchaser to assist the Target Company in repaying its bank loans which are secured by a pledge over the Group's assets and (iv) the assets to be disposed of being a minority stake and not part of the Group's principal business, the Directors consider that the Disposal is made on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Consideration of fund raising alternatives**

As set out in the Company's circular dated 5 January 2022 in relation to the Rights Issue, when contemplating the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors have considered alternative avenues for raising capital in a similar fashion prior to embarking on the Disposal. Ultimately, given that (i) the Consideration to be received constitutes an important contribution to fulfilling immediate liquidity needs and (ii) the remaining interest held in the Target Company is a minority stake and not part of the Group's principal business, the Directors considered that the benefits of the Disposal exercise outweighed the advantages of other alternative transactions that could successfully be undertaken in a relatively short period of time.

## **The Remaining Group business**

Upon Completion, the Group will cease to hold any equity interest in the ADAS business. The Remaining Group will continue to be engaged in the automotive-grade wireless connectivity business involving research and development, production and sale of automotive-grade wireless connectivity modules in Europe, the United States and the Asia-Pacific region. It is currently led by a management team which possesses extensive management experience in the fields of smart transportation, smart parks and smart cities, as well as corporate investment and business operations across the value chain of the intelligent connected vehicle sector.

The automotive-grade wireless connectivity business is led by Mr. Sun Tianqiang who is the chief executive officer. He holds a bachelor's degree in Precision Instruments and a master's degree in Mechanics from Tsinghua University. He was the industrial transformation leader of the National Optical Disc Engineering Centre of Tsinghua University, the founder of Zhongke Linghang Technology Co., Ltd., and the general manager and chairman of Tus Intelligent Network Technology Co., Ltd. Mr. Sun has extensive experience in entrepreneurship and business operation in the field of enterprise digitalization and informatization. Mr. Sun has also engaged in industrial investment and post-investment management in the fields of smart transportation, smart parks and smart cities, and has been extensively involved in the corporate investment and business operations of the value chain of intelligent connected vehicles. Mr. Sun is responsible for managing and overseeing the business operations and reports to the executive Director.

He is supported by a senior management team comprising a marketing director, a supply chain management director and an investment director of the automotive-grade wireless connectivity business unit of the Group. Before joining the Group, the marketing director had served as project manager and in other management positions in various companies engaged in information technology operations in the PRC, with extensive experience in strategic planning and business development. The supply chain management director was previously in charge of supply chain management at various companies in North America and the Asia-Pacific regions, with extensive experience in cost control and inventory management. The investment director previously served as the deputy investment director of a major fintech company in the PRC and has broad experience in robotics, intelligent manufacturing, investment and financing and post-investment management in the smart car industry.

The Company does not have any intention, is not in negotiations, an agreement, or any arrangements or understanding to (i) further acquire or inject any new assets or businesses which are material in nature and thus has not identified any specific or potential targets and (ii) dispose of, terminate or downsize the Group's existing business. Nevertheless, the performance and development of the Group's existing business is subject to an uncertain and volatile business environment and possible future impact of the ongoing COVID-19 pandemic.

The Group is of the view that prioritising resources for maintaining financial liquidity and business continuity of the Group will be in the best interests of the Shareholders. The Group is implementing cautious measures to fulfil its working capital requirements while maintaining product development and market expansion efforts. Short-term strategies implemented by the Group include continuous tightened cost controls, streamlining corporate and organisational structures of the Group as well as a product and market repositioning which aims to enhance operating efficiency and effectiveness without sacrificing valuable business opportunities.

In order to future develop the automotive-grade wireless connectivity business, the Group will continue to deploy resources in this sector in order to keep up with estimated market development and growth, especially in the China market. The Group intends to capture business opportunities by further penetrating the China market through various channels such as business cooperation with and investments in Chinese distributors and auto manufacturers, potential restructuring of business and operational management teams and partnering with experienced Chinese sector experts from various disciplines. The Group expects rapid growth in the commercialisation of next generation automotive-grade wireless connectivity modules in the next few years.

On the basis of maintaining as well as building out existing product lines, the Group plans to deploy more resources in the research and development of module products in 5G, V2X (vehicle-to-everything), GNSS (global navigation satellite system) and other fields, as well as commencing the research and development of 3D multi-module integrated chip products.

With the growth of 5G infrastructure in the PRC, the application of 5G has entered a growth period. The Group is considering to increase research and development, evaluation, market analysis and strategic cooperation in the area of 5G in order to expand in the market for 5G products as soon as possible.

V2X technology is advocated by many mobile communication operators, mobile device manufacturers, as well as car manufacturers. To explore and develop the market for V2X modules and related products, the Group is considering to increase research and development, evaluation, market analysis and strategic cooperation in this area in order to participate in the market for V2X modules and related products.

In designing GNSS module products, the Group adopts automotive-grade computing chips, GNSS satellite navigation and other technologies to address the need for vehicle assistance and autonomous driving functions and other scenarios. Compared with other existing products in the market, the Group's GNSS products aim to offer best-in-class cost performance to meet customers' requirements. The Group may cooperate with chip producers to research new technology in relation to 3D multi-module integrated chip products and develop market leading products in the automotive-grade wireless connectivity modules. At the same time, the Group may continue to enhance its supply chain operations and improve market competitiveness so as to streamline its product portfolio.

In terms of overseas marketing strategy, the Group will continue to focus on utilising its existing sales network and resources. Management expects that the Group could expand its sales channels through supplying its branded products to market-leading customers. The Group will also concentrate on the sales of full spectrum automotive-grade wireless connectivity modules to the overseas market to meet the different needs of customers so as to diversify its customer profile. By fully utilising its sales channels and exploring diversified products and sales strategies, the Group expects that it would achieve an integrated business model comprising modules and related products for both self-owned brands and licensed brands. The Group plans to take advantage of its competitive edge by collaborating with business partners in the PRC and overseas to explore wider opportunities such as joint research and development and market cooperation projects which are mutually beneficial to the Group and its business partners.

In terms of local marketing strategy in the PRC, by virtue of research and development of 5G and V2X products as described above, the Group is confident that it will harness the business opportunities brought about by national policies and strategies regarding the promotion of smart cars and the development of 5G infrastructure in the PRC with a view to increasing its market share in the related products. The Group will cooperate with leading enterprises in the intelligent networking industry in the PRC to provide a one-stop intelligent networking solutions package to potential customers and contribute to developing the intelligent transportation infrastructure market. Moreover, the Group will make use of its experience in global supply chain management, quality control and production line operation to increase its market share in the relevant sectors in the PRC.

As a short- to medium-term goal, the Group plans to enhance its product portfolio including 5G, V2X and GNSS products through research and development and acting as agent of other branded products. As a long-term goal, with the establishment of integrated strategies on research and development, manufacturing and marketing of automotive-grade wireless connectivity modules as described above, the Group plans to widen its business scope from in-vehicle intelligent modules to intelligent transportation, smart cities and other related emerging fields.



## **FINANCIAL EFFECTS OF THE DISPOSAL**

The Group expects to record a net gain of approximately HK\$8.3 million as a result of the Disposal, which represents the Consideration of approximately HK\$132.0 million, less (i) the carrying amount of the financial asset at FVOTCI in relation to the Company's equity interest in the Target Group as at 31 December 2021 of approximately HK\$113.3 million and (ii) the estimated taxes and expenses relating to the Disposal of approximately HK\$10.4 million. Given the aforementioned net gain on completion of the Disposal, the consolidated net asset value attributable to the Shareholders is preliminarily estimated to increase by approximately HK\$8.3 million.

Shareholders should note that the financial effects set out above are for illustrative purpose only. The actual gain or loss in connection with the Disposal will be determined based on the financial position of the Target Company at Closing and will be subject to review by the Company's auditor.

## **INTENDED USE OF PROCEEDS**

The Directors expect that, after deducting the estimated taxes and expenses of approximately HK\$10.4 million, the net proceeds arising from the Disposal are estimated to be approximately HK\$121.6 million. The Company intends to apply the net proceeds towards the repayment of the Group's borrowings.

## **LISTING RULES IMPLICATIONS**

Reference is made to the Company's announcement dated 23 April 2021 and the 2021 Disposal Circular in relation to the 2021 Disposal which constituted a major disposal for the Company. As the Disposal and the 2021 Disposal (i) each involves the disposal of an interest in the same company, i.e. the Target Company, (ii) are entered into with the same party, i.e. the Purchaser, who was one of the two purchasers pursuant to the 2021 Disposal and (iii) are conducted within a 12-month period, the Disposal and the 2021 Disposal are required to be aggregated for the purpose of computing the relevant percentage ratios pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As a relevant aggregated percentage ratio in respect of the Disposal and the 2021 Disposal calculated exceeds 75%, the Disposal and 2021 Disposal, on an aggregate basis, constitute a very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM**

An EGM will be convened for the purpose of considering and, if thought fit, approving the Disposal. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal as at the date of this announcement and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolution(s).

## **DESPATCH OF CIRCULAR**

A circular containing, amongst other things, further information on the Disposal, the notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 May 2022.

**Shareholders and potential investors should note that the Closing is conditional upon satisfaction of certain conditions precedent as set out in this announcement. As such, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“2021 Disposal”	the disposal of a 24.754% equity interest in the Target Company by the Vendor to the Purchaser and Ningbo Tengyue Qizhi Technology Partnership (Limited Partnership)* (寧波騰越啟智科技合夥企業(有限合夥)), details of which are set out in the Company’s announcement dated 23 April 2021 and the 2021 Disposal Circular
“2021 Disposal Circular”	the Company’s circular dated 15 May 2021 in relation to the 2021 Disposal
“ADAS”	advanced driving assistance system
“Board”	the board of directors of the Company
“Business Day(s)”	any normal working day other than a Saturday, Sunday or a statutory holiday in the PRC or Hong Kong
“Closing”	completion pursuant to the terms of the Equity Transfer Agreement
“Company”	Titan Invo Technology Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 872)
“Consideration”	the consideration for the Disposal of the 15.493% equity interest in the Target Company under the Equity Transfer Agreement, being RMB110,000,300 (equivalent to approximately HK\$132.0 million)

“Convertible Bonds”	the 0% coupon convertible bonds in the principal amount of HK\$53,700,000 due on 21 June 2023 issued by the Company to Mr. Ma on 21 June 2018
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the 15.493% equity interest in the Target Company under the Equity Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the ordinary resolution in respect of the Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 6 May 2022 entered into between the Vendor, the Purchaser and the Target Company in relation to the Disposal
“FVTOCI”	fair value through other comprehensive income
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ma”	Mr. Ma Chi Kong Karl, the Chairman of the Board and a non-executive Director
“Parties”	the parties to the Equity Transfer Agreement, namely, the Vendor, the Purchaser and the Target Company, each of which a “Party”
“PRC”	the People’s Republic of China

“Purchaser”	Tibet Tengyun New Power Technology Company Limited* (西藏騰雲新動力科技有限公司 (formerly Tibet Huize Hongtu Trading Co., Ltd.* (西藏惠澤宏圖商貿有限公司)), a company incorporated in the PRC with limited liability
“Remaining Group”	the Group upon completion of the Disposal
“Rights Issue”	the rights issue on the basis of one rights share for every two existing Shares at HK\$0.07 per rights share as set out in the Company’s announcement and circular dated 30 November 2021 and 5 January 2022, respectively, which subsequently lapsed on 8 February 2022 as set out in the announcement issued by the Company on the same date
“RMB”	Renminbi, the lawful currency of the PRC
“Security”	the pledge over certain financial assets at FVTOCI given by an indirect wholly-owned subsidiary of the Company in favour of a lender regarding bank loans with an aggregate principal amount of RMB40,000,000 held by the Target Company, entered into on 20 September 2019
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Suzhou Zihua Automobile Electronics Co., Ltd.* (蘇州智華汽車電子有限公司), a company incorporated in the PRC with limited liability

“Target Group”	the Target Company and its wholly-owned subsidiaries, namely Suzhou Zihua Sensor Technology Limited* (蘇州智華傳感器科技有限公司), Beijing Yinwo Automobile Technology Company Limited* (北京茵沃汽車科技有限公司) and Suzhou Zihua Automobile Technology Limited* (蘇州智華汽車科技有限公司), all companies incorporated in the PRC with limited liability
“Tuspark Venture”	Tuspark Venture Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder as at the date of this announcement
“Vendor”	Titan Zhijia (Suzhou) Technology Limited* (泰坦智駕(蘇州) 科技有限公司)(formerly Suzhou Qiyizhi Management Enterprise Limited* (蘇州企億智企業管理有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

*For the purpose of this announcement, the exchange rate of RMB1 to HK\$1.20 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.*

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

Hong Kong, 6 May 2022

*As at the date of this announcement, the Board comprises Mr. Hu Bo who is an executive Director, Mr. Ma Chi Kong Karl (Chairman) and Mr. Tsang Ling Biu Gilbert who are non-executive Directors, and Hon. Quat Elizabeth (JP), Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis who are independent non-executive Directors.*

\* For identification purpose only