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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)

**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

HIGHLIGHTS

	2021 <i>HK\$ million</i> (Audited)	2020 <i>HK\$ million</i> (Restated)	Change %
Continuing operations			
Revenue	270.1	426.8	(36.7%)
Gross profit	28.4	64.3	(55.8%)
Research and development expenses	53.6	85.6	(37.4%)
Finance costs	96.4	89.8	7.3%
Loss before taxation	(833.5)	(289.1)	188.3%
Loss for the year from continuing operations	(796.3)	(270.5)	194.4%
Loss per share attributable to owners of the Company:			
From continuing operations			
– Basic and diluted (<i>HK cents</i>)	(38.6)	(12.4)	211.3%
From continuing and discontinued operations			
– Basic and diluted (<i>HK cents</i>)	(35.0)	(11.9)	194.1%

ANNUAL RESULTS

Reference is made to the announcement of Titan Invo Technology Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) dated 31 March 2022 in relation to the preliminary unaudited annual results of the Group for the year ended 31 December 2021 (the “**Unaudited Annual Results Announcement**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the audited consolidated results of the Group for the year ended 31 December 2021 (the “**Year Under Review**”), together with comparative figures for the corresponding period in 2020, as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations:			
Revenue	4	270,053	426,830
Cost of sales		<u>(241,635)</u>	<u>(362,516)</u>
Gross profit		28,418	64,314
Other revenue		6,011	15,034
Other gains and losses, net	5	29,220	11,348
Research and development expenses		(53,628)	(85,569)
Selling and distribution expenses		(5,450)	(4,180)
Depreciation		(20,173)	(18,820)
Amortisation		(54,080)	(54,088)
Administrative expenses		(78,162)	(113,013)
Allowance under expected credit loss model, net of reversal		(31,491)	(14,402)
Impairment of goodwill		(486,556)	–
Impairment of intangible assets		(44,315)	–
Impairment of property, plant and equipment		(26,881)	–
Finance costs	6	<u>(96,424)</u>	<u>(89,771)</u>
Loss before taxation	7	(833,511)	(289,147)
Taxation	8	<u>37,174</u>	<u>18,651</u>
Loss for the year from continuing operations		(796,337)	(270,496)
Discontinued operations:			
Profit for the year from discontinued operations	13	<u>74,860</u>	<u>20,615</u>
Loss for the year		<u>(721,477)</u>	<u>(249,881)</u>

	2021 HK\$'000	2020 HK\$'000 (Restated)
Other comprehensive (expense)/income for the year, net of income tax:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	(7,867)	(2,793)
<i>Item that was reclassified to profit or loss:</i>		
– Reclassification adjustment of exchange differences upon disposal of subsidiaries	20,112	15,207
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(21,849)	(43,822)
Remeasurement of defined benefit plans	738	(1,249)
	<u>(8,866)</u>	<u>(32,657)</u>
Other comprehensive expense for the year		
	<u>(730,343)</u>	<u>(282,538)</u>
(Loss)/profit for the year attributable to:		
Owners of the Company		
– from continuing operations	(796,337)	(255,375)
– from discontinued operations	74,944	9,298
	<u>(721,393)</u>	<u>(246,077)</u>
Non-controlling interests		
– from continuing operations	–	(5,121)
– from discontinued operations	(84)	1,317
	<u>(84)</u>	<u>(3,804)</u>
	<u>(721,477)</u>	<u>(249,881)</u>

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Total comprehensive (expense)/income			
for the year attributable to:			
Owners of the Company		(730,724)	(280,686)
Non-controlling interests		381	(1,852)
		<u>(730,343)</u>	<u>(282,538)</u>
(Loss)/earnings per share attributable to			
owners of the Company			
From continuing and discontinued operations			
– Basic and diluted (<i>HK cents</i>)	<i>9</i>	<u>(35.0)</u>	<u>(11.9)</u>
From continuing operations			
– Basic and diluted (<i>HK cents</i>)	<i>9</i>	<u>(38.6)</u>	<u>(12.4)</u>
From discontinued operations			
– Basic and diluted (<i>HK cents</i>)	<i>9</i>	<u>3.6</u>	<u>0.5</u>

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		2,208	80,982
Right-of-use assets		8,603	16,117
Construction in progress		–	5,554
Intangible assets		152,725	369,129
Goodwill		–	647,950
Financial assets at fair value through other comprehensive income		251,142	195,118
Deferred tax assets		3,532	2,747
		<u>418,210</u>	<u>1,317,597</u>
Current assets			
Inventories		17,530	140,596
Trade and bills receivables, prepayments and other receivables	<i>10</i>	71,662	184,878
Bank balances and cash		22,337	31,117
		<u>111,529</u>	<u>356,591</u>
Current liabilities			
Trade and bills payables and other payables	<i>11</i>	152,493	325,326
Contract liabilities		17,083	22,997
Lease liabilities		5,091	7,706
Tax payable		11,651	2,268
Borrowings		714,874	881,039
		<u>901,192</u>	<u>1,239,336</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net current liabilities	<u>(789,663)</u>	<u>(882,745)</u>
Total assets less current liabilities	<u>(371,453)</u>	<u>434,852</u>
Non-current liabilities		
Net defined benefits liabilities	8,613	9,023
Lease liabilities	4,379	9,039
Deferred tax liabilities	44,545	92,650
Convertible bonds	<u>112,649</u>	<u>102,263</u>
	<u>170,186</u>	<u>212,975</u>
Net (liabilities)/assets	<u><u>(541,639)</u></u>	<u><u>221,877</u></u>
Capital and reserves		
Share capital	20,636	20,636
Reserves	<u>(562,275)</u>	<u>167,600</u>
(Deficit)/equity attributable to owners of the Company	(541,639)	188,236
Non-controlling interests	<u>–</u>	<u>33,641</u>
Total (deficit)/equity	<u><u>(541,639)</u></u>	<u><u>221,877</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Titan Invo Technology Limited (formerly known as TUS International Limited) (the “**Company**”) was incorporated in the Cayman Islands on 26 February 2004 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Tuspark Venture Investment Limited (“**Tuspark Venture**”) (incorporated in the British Virgin Islands (the “**BVI**”)) and its ultimate parent is Tus-Holdings Co., Limited (“**TUS Holdings**”) (incorporated in the People’s Republic of China (the “**PRC**”)).

The Group is principally engaged in research and development, production and sale of automotive-grade wireless connectivity modules, and automobile services.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The Group has early applied the Amendments to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 for the first time for their annual reporting period commencing 1 January 2020.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issued but are not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2024.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the consolidated financial statements

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern assessment

For the year ended 31 December 2021, the Group incurred a loss from continuing operations of approximately HK\$796,337,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$789,663,000 and HK\$541,639,000, respectively. In addition, the Group had outstanding borrowings of approximately HK\$714,874,000 which were due for repayment or renewal in the next twelve months after 31 December 2021. As at 31 December 2021, the Group has failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in aggregate of approximately HK\$362,752,000. These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

1. The Company has actively negotiated with banks and financial institutions to secure the renewals of the Group's bank and other borrowings;
2. The Group has received a written confirmation dated 21 March 2022 from Tuspark Venture, one of the major shareholders of the Company, that it will provide continuous financial support to the Group to enable the Group to meet its financial obligations as and when they fall due in the next twenty-four months from the date of approval of the unaudited consolidated financial statements for the year ended 31 December 2021 (i.e. 31 March 2022). Such assistance to be received by the Group will not be secured by any assets of the Group. Subsequent to the above, Tuspark Venture received a written confirmation dated 21 March 2022 from TUS Holdings, its holding company, that it has committed to provide continuous financial support to Tuspark Venture in the same twenty-four months;
3. The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations;
4. The Group may consider to dispose of non-core businesses and/or financial assets if required;
5. The Company has actively negotiated with investors for the extension of convertible bonds and obtaining further financing when necessary including but not limited to shareholder's loan, equity financing, bank borrowings and issuance of new convertible bonds to improve the liquidity of the Group; and
6. The Group may consider to acquire or explore new revenue stream in order to improve the profitability of the Group.

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

4. SEGMENT INFORMATION

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

During the year ended 31 December 2021, the Group disposed of the research and development, production and sale of advanced driving assistance system (“ADAS”) products and software algorithm products business segment. Upon such disposals, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. In accordance with the way in which information is now reported internally to the CODM for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the Group operates one reportable segment which principally engaged in research and development, production and sale of automotive-grade wireless connectivity modules (“Automotive-grade wireless connectivity business”). No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented. Comparative information has been restated to conform with the current period’s presentation.

Information about geographical areas

During the years ended 31 December 2021 and 2020, the Group was mainly operating in the PRC, Europe, the United States (“US”) and Asia Pacific. The Group’s revenue from external customers and information about its non-current assets based on the location of the operation by geographical location are presented below:

	Revenue from external customers		Non-current assets (Note)	
	2021 HK\$’000	2020 HK\$’000 (Restated)	2021 HK\$’000	2020 HK\$’000 (Restated)
The PRC	10,500	37,499	451	65
Europe, the US and Asia Pacific	259,553	389,331	163,085	352,597
	<u>270,053</u>	<u>426,830</u>	<u>163,536</u>	<u>352,662</u>

Note: Non-current assets excluded those relating to discontinued operations and financial assets at fair value through other comprehensive income, deferred tax assets and goodwill.

Information about major customers

Revenue from major customers who contributed 10% or more of the Group's revenue, is set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u>181,106</u>	<u>198,572</u>

Save as disclosed, no other single customers contributed 10% or more to the Group's revenue for both years.

5. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations:		
Net foreign exchange (loss)/gain	(1,646)	14,118
Gain/(loss) on disposal of property, plant and equipment, net	132	(11)
Gain on disposal of subsidiaries, net	30,734	–
Others	<u>–</u>	<u>(2,759)</u>
	<u>29,220</u>	<u>11,348</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations:		
Interest expenses on bank loans	6,325	16,600
Interest expenses on other loans	79,325	34,799
Imputed interest expenses on lease liabilities	388	112
Imputed interest expenses on convertible bonds	10,386	17,409
Finance cost on redemption of convertible bonds	<u>–</u>	<u>20,851</u>
	<u>96,424</u>	<u>89,771</u>

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations:		
Auditors' remuneration		
– Audit service	2,550	1,200
– Non-audit service	–	326
Staff costs (including directors' emoluments)		
– Salaries, wages and bonuses	35,403	78,533
– Retirement scheme contributions and welfare	525	2,761
– Share-based payments	741	–
Depreciation of property, plant and equipment	13,247	10,298
Depreciation of right-of-use assets	6,926	8,522
Amortisation of intangible assets	54,080	54,088
Cost of inventories	239,807	362,366

8. TAXATION

	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations:		
Current tax:		
PRC Enterprise Income Tax	10,870	–
Other than the PRC	1,102	696
Over-provision in prior year (other than the PRC)	(430)	–
Deferred tax:		
Current year	(48,716)	(19,347)
Taxation	<u>(37,174)</u>	<u>(18,651)</u>

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Continuing and discontinued operations

The calculation of basic loss per share for the year ended 31 December 2021 from continuing and discontinued operations is based on the loss for the year attributable to owners of the Company from continuing and discontinued operations of approximately HK\$721,393,000 (2020: approximately HK\$246,077,000 (restated)) and the weighted average number of ordinary shares of approximately 2,063,615,000 (2020: approximately 2,063,615,000) ordinary shares in issue during the year.

Continuing operations

The calculation of the basic loss per share for the year ended 31 December 2021 from continuing operations is based on the loss for the year attributable to owners of the Company from continuing operations of approximately HK\$796,337,000 (2020: approximately HK\$255,375,000 (restated)) and the weighted average number of ordinary shares of approximately 2,063,615,000 (2020: approximately 2,063,615,000) ordinary shares in issue during the year.

Discontinued operations

The calculation of the basic (loss)/earnings per share for the year ended 31 December 2021 from discontinued operations is based on profit for the year attributable to owners of the Company from discontinued operations of approximately HK\$74,944,000 (2020: approximately: HK\$9,298,000 (restated)) and the weighted average number of ordinary shares of approximately 2,063,615,000 (2020: approximately 2,063,615,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

Continuing and discontinued operations

During the years ended 31 December 2021 and 2020, the computation of diluted (loss)/earnings per share does not include the Company's outstanding share options and outstanding convertible bonds because the effect was anti-dilutive. Therefore, the diluted (loss)/earnings per share of the Company is the same as the basic (loss)/earnings per share.

10. TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Included in trade and bills receivables, prepayments and other receivable are trade receivables of approximately HK\$1,428,000 (2020: HK\$80,264,000) which are analysed by invoice date as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	904	64,426
Over 3 months but less than 6 months	147	9,690
Over 6 months but less than 12 months	312	1,692
Over 12 months	65	4,456
	<u>1,428</u>	<u>80,264</u>

11. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

Included in trade and bills payables and other payables are trade payables of approximately HK\$25,514,000 (2020: HK\$190,630,000) which are analysed by invoice date as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	13,345	70,327
Over 3 months but less than 6 months	4,087	109,552
Over 6 months but less than 12 months	8,082	4,478
Over 12 months	–	6,273
	<u>25,514</u>	<u>190,630</u>

12. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 December 2021 (2020: Nil).

13. DISCONTINUED OPERATIONS

(a) Car-carried purifiers business

On 12 April 2019, an indirect wholly owned subsidiary of the Company, Suzhou Qiyixin Enterprise Ltd entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Suzhou Yadu Cloud Technology Co. Limited (蘇州亞都雲科技有限公司) (“**Suzhou Yadu**”) to Yadu Technology Group Co., Ltd. (亞都科技集團有限公司) at a consideration of RMB40.8 million (equivalent to approximately HK\$46.1 million). Suzhou Yadu is principally engaged in the research and development of car-carried purifiers and related air technology and the sale of car-carried purifiers in the PRC. The disposal was completed on 25 December 2020. Details of which were set out in the announcements of the Company dated 12 April 2019, 31 May 2019 and the circular of the Company dated 10 June 2019.

(b) Car trading and finance lease of motor vehicles and equipment business

On 26 June 2020, a direct wholly owned subsidiary of the Company, Quan Tai Limited entered into a sale and purchase agreement and agreed to sell 51% of the equity interests in Optimus Financial Group Limited (“**Optimus**”) to Goldbond Group Holdings Limited. (金榜集團) at a consideration of HK\$41.8 million. Optimus is principally engaged in the business segments of car trading and finance lease of motor vehicles and equipment. The disposal was completed as of 30 June 2020 and the Group ceased the operation of finance lease of motor vehicles and equipment business. The Group’s car trading business was suspended in 2019. Details of which were set out in the announcements of the Company dated 26 June 2020.

(c) **Research and development, production and sales of ADAS products and software algorithm products businesses**

- (i) On 14 September 2020, an indirect wholly owned subsidiary of the Company, TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) entered into an equity transfer agreement and agreed to sell 70% of the equity interests in TUS Cloud Control (Beijing) Technology Limited and its subsidiary (“**Cloud Control business**”) to Qingdao YHU Jing Pan Equity Investment Partnership (Limited Partnership)* (青島頤和晶盤股權投資合夥企業(有限合夥)), Yangzhou Qidi Zhi Wang Investment Centre (Limited Partnership)* (揚州啟迪智網投資中心(有限合夥)), Suzhou Shui Mui Shi Shang Investment Centre (Limited Partnership) (蘇州水木時尚投資中心(有限合夥)) and Huang Bing Qian (黃冰倩) at a consideration of RMB105.0 million. The disposal was completed on 16 November 2020. Details of which were set out in the announcements of the Company dated 14 September 2020 and 14 October 2020 and the circular of the Company date 25 September 2020.

* *For identification purpose only.*

- (ii) On 23 April 2021, an indirect wholly owned subsidiary of the Company, Suzhou Qiyizhi Management Enterprise Limited (蘇州企億智企業管理有限公司) entered into an equity transfer agreement and agreed to sell 24.7538% of the equity interest in Suzhou Zhihua Automobile Electronics Co., Ltd.* (“**Suzhou Invo**”) (蘇州智華汽車電子有限公司) to Tibet Tengyun New Power Technology Co., Ltd. (西藏騰雲新動力科技有限公司) (previously known as Tibet Huize Hongtu Trading Co., Ltd.* (西藏惠澤宏圖商貿有限公司)) (“**Tibet Tengyun**”) and Ningbo Tengyue Qizhi Technology Partnership (Limited Partnership)* (寧波騰越啟智科技合夥企業(有限合夥)) at a consideration of RMB136.1 million. The disposal was completed on 10 June 2021. Details of which were set out in the announcements of the Company dated 23 April 2021 and 1 June 2021 and the circular of the Company date 15 May 2021.

* *For identification purpose only.*

The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the research and development, production and sale of ADAS products and software algorithm products business as a discontinued operation.

14. DISPOSAL OF SUBSIDIARIES

On 1 February 2021, a wholly owned subsidiary of the Company, TUS Zhixing Technology (Beijing) Limited* (啟迪智行科技(北京)有限公司) entered into an equity transfer agreement and agreed to sell 100% of the equity interests in TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) to TUS-Financial Group Limited* (啟迪金控投資有限公司), at a consideration of RMB1. The disposal was completed on 10 February 2021.

* *For identification purpose only.*

Details of which were set out in the announcements of the Company dated 1 February 2021 and 4 February 2021.

15. COMPARATIVE FIGURES

The comparative consolidated statement of profit or loss and other comprehensive income has been restated as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

16. EVENTS AFTER THE REPORTING PERIOD

- (i) On 30 November 2021, the Company and Mr. Ma Chi Kong Karl (“**Mr. Ma**”), the Chairman and a non-executive Director of the Company, entered into a deed of variation and undertakings (the “**Deed of Variation and Undertakings**”) whereby the Company and Mr. Ma has conditionally agreed to revise the existing conversion price from HK\$0.537 to the revised conversion price of HK\$0.100 per new share of the Company which may be allotted and issued upon exercise of the conversion rights attached to the 0% coupon convertible bond due 2023 issued by the Company to Mr. Ma on 21 June 2018.

On 30 November 2021, the Company announced that it proposed to raise gross proceeds of not more than (i) approximately HK\$91.0 million by way of a rights issue of up to 1,300,307,641 rights shares, or (ii) approximately HK\$91.8 million by way of a rights issue of up to 1,311,267,641 rights shares at a price of HK\$0.07 per rights share on the basis of one (1) rights share for every two (2) existing shares of the Company held by the qualifying shareholders (the “**Rights Issue**”).

On 8 February 2022, the Company announced that, despite continuous effort made by the Board, the Company has been unable to obtain all the necessary consents or waivers, or indication to grant the consents or waivers which are required under variation conditions, the Deed of Variation and Undertakings lapsed accordingly. Since the proposed variation having come into effect is one of the conditions of the Rights Issue, the Rights Issue would not become unconditional as a result of the lapse of the Deed of Variation and Undertakings and, consequentially, also lapsed.

For details, please refer to (i) the announcements of the Company dated 30 November 2021, 17 January 2022, 26 January 2022, 28 January 2022 and 8 February 2022; and (ii) the circular of the Company dated 5 January 2022.

- (ii) On 6 May 2022, an indirectly wholly owned subsidiary of the Company, Titan Zhijia (Suzhou) Technology Limited (泰坦智駕(蘇州)科技有限公司) (previously known as Suzhou Qiyizhi Management Enterprise Limited (蘇州企億智企業管理有限公司), entered into an equity transfer agreement and agreed to sell 15.493% of the equity interest in Suzhou Invo to Tibet Tengyun at a consideration of RMB110 million. The disposal was completed on 15 July 2022, upon which the Group ceased to hold any equity interest in Suzhou Invo. Details of the transaction are set out in Company's circular dated 17 June 2022.
- (iii) On 28 September 2022, the Company entered into a sale and purchase agreement with independent third parties to acquire approximately 56.33% of the equity interest of GRB Aces Sdn. Bhd. ("GRB"), a company incorporated under the laws of Malaysia, at a consideration of HK\$26,500,000. GRB is principally engaged in automobile services providing one-stop fleet management services. The consideration, which is subject to adjustments under the profit guarantee given by the vendors, was satisfied by the issue of bonds by the Company to the vendors upon completion of the acquisition. The transaction was completed on 21 October 2022. Details of the transaction are set out in Company's announcements dated 28 September 2022 and 21 October 2022.

Save as disclosed herein, no subsequent events occurred after 31 December 2021 and up to the date of this announcement, which may have a significant effect on the assets and liabilities or future operations of the Group.

MATERIAL DIFFERENCES BETWEEN UNAUDITED ANNUAL RESULTS AND AUDITED ANNUAL RESULTS

As subsequent adjustments have been made to the financial information contained in the Unaudited Annual Results Announcement, which was neither audited nor agreed with the Company's auditors as at the date of its publication, shareholders and potential investors of the Company are advised to pay attention to certain material differences between the annual results as set out in the Unaudited Annual Results Announcement and the annual results as set out in this announcement. The table below sets out the principal details and reasons for such material differences in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

	Disclosure in the Unaudited Annual Results Announcement							Disclosure in this announcement	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated statement of financial position									
As at 31 December 2021									
Non-current assets									
Property, plant and equipment	25,739	(26,881)			108			3,242	2,208
Right-of-use assets	4,013				4,590				8,603
Construction in progress	108				(108)				-
Intangible assets	233,196	(44,315)		(36,156)					152,725
Goodwill	101,888	(101,888)							-
Financial assets at fair value through other comprehensive income	251,142								251,142
Deferred tax assets	1,838				1,399			295	3,532
	<u>617,924</u>								<u>418,210</u>
Current assets									
Inventories	22,180		(4,650)						17,530
Trade and bills receivables, prepayments and other receivables	155,802	(19,419)					(55,571)	(9,150)	71,662
Bank balances and cash	24,114							(1,777)	22,337
	<u>202,096</u>								<u>111,529</u>
Current liabilities									
Trade and bills payables and other payables	195,270		32,746		(19,952)		(55,571)		152,493
Contract liabilities	7,350				9,733				17,083
Lease liabilities	501				4,590				5,091
Tax payable	1,432				10,219				11,651
Borrowings	714,874								714,874
	<u>919,427</u>								<u>901,192</u>
Net current liabilities	(717,331)								(789,663)
Total assets less current liabilities	(99,407)								(371,453)
Non-current liabilities									
Net defined benefits liabilities	7,886							727	8,613
Lease liabilities	4,379								4,379
Deferred tax liabilities	76,118	(32,972)			1,399				44,545
Convertible bonds	112,649								112,649
	<u>201,032</u>								<u>170,186</u>
Net liabilities	<u>(300,439)</u>								<u>(541,639)</u>
Capital and reserves									
Share capital	20,636								20,636
Reserves	(321,075)	(159,531)	(37,396)	(36,156)				(8,117)	(562,275)
Total deficit	<u>(300,439)</u>								<u>(541,639)</u>

	Disclosure in the Unaudited Annual Results Announcement HK\$'000	(a) HK\$'000	(b) HK\$'000	(c) HK\$'000	(d) HK\$'000	(e) HK\$'000	(f) HK\$'000	(g) HK\$'000	Disclosure in this announcement HK\$'000
Consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2021									
Revenue	273,111							(3,058)	270,053
Cost of sales	(204,239)		(37,396)						(241,635)
Gross profit	68,872								28,418
Other revenue	9,895					(3,884)			6,011
Other gains and losses, net	32,081			(36,156)		19,587		13,708	29,220
Research and development expenses	(53,166)					(462)			(53,628)
Selling and distribution expenses	(5,441)					(9)			(5,450)
Depreciation	(14,052)					(6,121)			(20,173)
Amortisation	(54,080)								(54,080)
Administrative expenses	(93,126)			23,256		(8,292)			(78,162)
Allowance under expected credit loss model, net of reversal	(12,072)	(19,419)							(31,491)
Impairment of goodwill	(384,667)	(101,888)						(1)	(486,556)
Impairment of intangible assets	-	(44,315)							(44,315)
Impairment of property, plant and equipment	-	(26,881)							(26,881)
Finance costs	(95,299)					(1,125)			(96,424)
Loss before taxation	(601,055)								(833,511)
Taxation	3,896	32,972				306			37,174
Loss for the year from continuing operations	(597,159)								(796,337)
Profit for the year from discontinued operations	98,116			(23,256)					74,860
Loss for the year	(499,043)								(721,477)

Notes:

- (a) Being adjustments on further impairment of goodwill, intangible assets and property, plant and equipment related to the cash-generating unit of research and development, production and sale of ADAS products, the release of deferred taxation and further allowance under expected credit loss model, net of reversal, on financial assets of the Group;
- (b) Being adjustments on additional cost of sales and trade payables which was incurred in the year ended 31 December 2021 and also additional cost of sales from written-off of inventories, which mainly arising from the Company's Belgium subsidiary, Titan Automotive Solution N. V. ("**Titan Belgium**");
- (c) Being adjustments on intangible assets, other gains and losses, net and administrative expenses which attributable from discontinued operations which should be recognised in profit or loss of the discontinued operations;
- (d) Being reclassification of balance sheet items of the Group including between property, plant and equipment and construction in progress, right-of-use assets and lease liabilities, deferred tax assets and deferred tax liabilities, and trade and bill payables and other payables, contract liabilities and tax payable, which mainly arising from Titan Belgium;
- (e) Being reclassification and/or net off of profit or loss items of the Group including other revenue, other gains and losses, net, research and development expenses, selling and distribution expenses, depreciation, administrative expenses, finance costs and taxation, which mainly arising from Titan Belgium;
- (f) Being net off of trade and bills receivables, prepayment and other receivables and trade and bills payables and other payables of the Group, which mainly arising from Titan Belgium; and
- (g) Being the exchange difference adjustments, exchange reserve adjustments and rounding difference.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2021, the Group was principally engaged in research and development, production and sale of automotive-grade wireless connectivity modules. Automotive-grade wireless connectivity modules are electronic modules that connect cars and infrastructure via wireless communication such as cellular networks (2G, 3G, 4G/LTE, LTE-A and in the future 5G technology) as well as per vehicle to vehicle and vehicle to everything (V2X) communication.

IMPACT OF THE PANDEMIC

The further outbreak and spread of mutant strain of the COVID-19 (the “**Pandemic**”) around the globe in 2021 created continuous instability over the global economy. The global automotive industry still suffered from a weak demand momentum as well as the interruption in the supply chains under frequent lockdown measures imposed by governments or production suspension in various countries from time to time during the Pandemic. In view of such uncertainty, business sentiments in the Group’s major markets have been subdued during the Year Under Review. As the Group’s businesses span across different countries and regions, rising geopolitical risks coupled with volatile financial markets worldwide also had an impact on the Group’s operations. In particular, there has been an increase in difficulties for the European businesses of the Group to further penetrate the Chinese intelligent connected vehicle market as originally expected.

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

BUSINESS REVIEW

During the Year Under Review, the Group changed the company name to Titan Invo Technology Limited. The Directors consider that the change of company name will better reflect the Company's current corporate structure, strategic business plan and direction of future development. The Directors are of the opinion that the change of company name can provide the Company with a more appropriate corporate image and identity, which will capture potential business opportunities and benefit the Company's future business development, especially penetration into the China market.

Following the disposal of the advanced driving assistance system (“**ADAS**”) business segment and certain financial assets during the Year Under Review, the Group devoted its resources in the development of its remaining core business which principally engaged in the research and development and sale of tailor-made automotive-grade wireless connectivity modules to catch up on its estimated market development and growth, especially in the China market.

As described in the section “Impact of the Pandemic”, the global automotive industry faced difficult, challenging and volatile business environment during the Year Under Review. Also, the auto market, including the Group, faced numerous difficulties in supply-chain management. In particular, the Group had been experiencing temporary shortage of several semiconductors and electronic components used in the production of our automotive-grade wireless connectivity modules during the Year Under Review and hence delay in fulfilment of certain sales orders were resulted although continuous negotiation among suppliers and customers were conducted by the management team to improve overall supply chain management in the short-run. At the same time, the Directors implemented several short-term strategies including tightened cost controls, continuous dialogue with stakeholders and active participation in debt and equity financing activities, with an aim to improve the financial positions and liquidity while balancing the business operation, product development and market expansion.

The Group recorded a loss attributable to the Shareholders of approximately HK\$721.4 million (2020: loss of approximately HK\$246.1 million) for the Year Under Review. The increase in loss was mainly attributable to the impairment of goodwill and intangible assets in relation to the automotive-grade wireless connectivity cash-generating unit of approximately HK\$486.6 million and HK\$44.3 million, respectively, recognised during the Year Under Review, partially offset by the gain recognised by the Group in respect of the disposals of the ADAS business and other subsidiaries during the Year Under Review. Given limited available financial resources held by the Group and by considering the liabilities falling due, the Directors will continue to implement tightened costs controls to enhance the overall operating effectiveness and efficiency.

According to the statistical research conducted by the China Association of Automobile Manufacturers (“CAAM”), the volume of production and sale of automobiles in China increased by approximately 3.4% to approximately 26.1 million units and approximately 3.8% to approximately 26.3 million units in 2021, respectively, as compared to that of 2020. Penetration rate of new energy vehicle in terms of sales volume in China reached 13.4% for 2021. The Group considers China will be the growth-leading market for new energy vehicle and thus, though facing difficulties, will prioritise its resources on immediate penetration into China market.

FUTURE PLANS AND PROSPECTS

The global economy and the auto market are expected to have a moderate recovery in future. The temporary shortage of several types of semiconductors and electronic components used in the production of the Group’s automotive-grade wireless connectivity modules during the Year Under Review led to delays in fulfilment of certain sales orders. In addition to temporary shortage of raw materials and supply chain management, the further outbreak and spread of mutant strain of the Pandemic around the globe created continuous instability over the global economy. In view of such uncertainty, business sentiments in the Group’s major markets have been subdued.

According to the “Automotive in 2022” report (the “**Automotive Report**”) issued by The Economist Intelligence Unit Limited, a global research and analysis division (“**EIU**”) the global sales volume of new vehicles is expected to rise by 7.5% in 2022 year-on-year and this will bring total sales back to the level at 2019, reversing the pandemic-induced slump in 2020. Pursuant to the Automotive Report, EIU forecasted that, among other things, (i) Asia and North America will lead the recovery; (ii) the global sales of new electric vehicles would continue to soar, rising by 51% in 2022 year-on-year; and (iii) the governments across the world would set more stringent regulations to reduce transport emissions, which might force carmakers to make far-reaching decisions about their fossil-fuel models, for example, as regulations are likely to be more stringent in developed countries, carmakers may have to consider whether to retire their fossil-fuel models entirely, or to shift these production and sales operations to developing countries.

The Group is of the view that prioritising resources on balancing financial liquidity and business continuity of the Group will be of the best interest of the Shareholders as a whole in the long run. In addition, the Group is implementing cautious measures to fulfil its working capital requirement while maintaining products development and market expansion. Short-term strategies implemented by the Group include continuous tightened cost controls, streamline of the corporate and organisational structure as well as product and market re-positioning which aim to enhance operating efficiency and effectiveness without sacrificing valuable business opportunities.

As a result of the difficulties faced by the Group’s European businesses, the Group has fully shifted its business focus to operations in the Asia Pacific markets, mainly in China and Korea. In Korea, while maintaining the sales of self-developed products, the Group will make full use of its existing mature market sales channels to carry out agent sales of differentiated products similar to domestic products, so as to meet the differentiated needs of different customers. The Group will take full advantage of said sales channels, explore diversified sales strategies and expand product sales. This will enable the Group to form a business matrix of "own brand + agency brand" for related products.

In terms of the Chinese market, the Group will collaborate with leading Intelligent Connected companies in China to provide overall intelligent interconnection domain control solution that integrates Intelligent Connected and Internet of Vehicles applications, so as to enter China’s smart transportation infrastructure market. Furthermore, the Group will explore other suitable investment and business development opportunities which are able to broaden the income stream of the Group, as well as to bring satisfactory and sustainable returns to the Group and maximize the Shareholders’ value. As disclosed in Note 16 (iii) in the consolidated financial statements in this announcement, the Company acquired approximately 56.33% of the equity interest of GRB. It is anticipated that this acquisition would allow the Group to expand its business coverage to the Asia-Pacific region and contribute positively to the financial results of the Group in future.

FINANCIAL REVIEW

Revenue and business segments from continuing operations

Revenue of the Group for the Year Under Review decreased by approximately 36.7% to approximately HK\$270.1 million and gross profit decreased by approximately 55.8% to approximately HK\$28.4 million (2020: HK\$426.8 million and HK\$64.3 million respectively). Such decrease in revenue was mainly due to the loss of sales resulting from the shortage of raw materials and difficulties in the supply-chain management faced by the Group. Gross profit ratio was approximately 10.5% for the Year Under Review (2020: 15.1%). The decrease in gross profit ratio was mainly due to the interruption in the supply chains under frequent lockdown measures by governments or production suspension during the Year Under Review.

During the Year Under Review, the Group disposed the ADAS business and as a result, the automotive-grade wireless connectivity business remained the only core business of the Group. The comparative figures for the year ended 31 December 2020 were restated accordingly.

The Group's automotive-grade wireless connectivity segment is principally engaged in research and design and sale of automotive-grade wireless connectivity modules in the intelligent connected vehicle industry, through development of vehicle connectivity system and provision of cutting-edge connectivity solutions at "system on chip" (SoC) level. This segment operates through the supply of electronic modules connecting cars and infrastructure via wireless communication such as cellular networks (2G, 3G, 4G/LTE, LTE-A and in the future 5G technology) as well as per vehicle to vehicle and vehicle to everything (V2X) communication. By outsourcing the manufacturing and production processes to a leading semiconductors packaging and testing services provider, the Group can prioritise its resources on product innovation and customisation to meet its customers' satisfaction through pioneered industrial development. The Group plans to continue expanding its customer base, in particular in China, and its promotion of new LTE/V2X/5G modules and solutions by collaborating with the ADAS business segment and leading car manufacturers. Major customers of the automotive-grade wireless connectivity segment comprise mainstream automakers in the Europe and blue-chip OEMs and tier-one suppliers in Korea, including Tesla Motors, Hyundai Mobis and Continental Automotive.

Other Revenue

During the Year Under Review, other revenue decreased by approximately 60.0% to approximately HK\$6.0 million (2020: HK\$15.0 million) which mainly included bank interest income, recharge income from customers and sundry income.

Other Gains and Losses, net

During the Year Under Review, other gains and losses, net, of approximately HK\$29.2 million (2020: HK\$11.3 million) was recognised, which were mainly attributable to gain on disposal of subsidiaries.

Research and Development Expenses

During the Year Under Review, research and development expenses amounting to approximately HK\$53.6 million (2020: HK\$85.6 million) was recognised, representing a decrease of approximately 37.4%. Such decrease was primarily due to continuous tightening of cost controls implemented by the Group to reorganize the research and development structure of the Group's business during the Year Under Review.

As of 31 December 2021, the Group had 33 research and development personnel and engineers (31 December 2020: 49 employees) involved in research and development for the automotive-grade wireless connectivity business.

Depreciation and Amortisation

During the Year Under Review, depreciation and amortisation recognised as expenses increased by approximately 1.9% to approximately HK\$74.3 million (2020: HK\$72.9 million).

Administrative Expenses

During the Year Under Review, administrative expenses decreased by approximately 30.8% to approximately HK\$78.2 million (2020: HK\$113.0 million) which were mainly due to continuous tightened cost controls and streamline of the corporate and organisational structure during the Year Under Review. Administrative expenses mainly included salaries, legal and professional fees and other operating expenses.

Impairment of Goodwill and Intangible Assets

During the Year Under Review, impairment of goodwill and intangible assets in relation to the automotive-grade wireless connectively cash-generating unit of approximately HK\$486.6 million and HK\$44.3 million, respectively, was recognized. For details of discussion on key assumptions of impairment, please refer to the section “Goodwill” below.

Finance Costs

During the Year Under Review, finance costs increased by approximately 7.3% to approximately HK\$96.4 million (2020: HK\$89.8 million) which were attributable to the increase in interest expenses incurred for other loans.

Taxation

The Group recorded a deferred tax credit of approximately HK\$48.7 million (2020: HK\$19.3 million) and current tax expenses, net of over-provision in prior year, of approximately HK\$11.5 million (2020: HK\$0.7 million). As a result, the Group recorded net income tax credit of approximately HK\$37.2 million during the Year Under Review (2020: HK\$18.7 million).

Net loss attributable to owners of the Company

As a result of the factors discussed above, the Group’s net loss for the Year Under Review attributable to owners of the Company increased by approximately 193.1% to approximately HK\$721.4 million (2020: HK\$246.1 million).

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

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

During the Year Under Review, the Group derecognised the financial asset of investments in National Innovation Center of intelligent Connected Vehicles (“**National Innovation Center**”) through disposal of a subsidiary in February 2021. Following the completion of the disposal of ADAS business in June 2021, the Group recognised the residual equity interest in Suzhou Zhihua Automobile Electronics Co., Ltd.* (蘇州智華汽車電子有限公司)(“**Suzhou Invo**”) at financial assets at FVTOCI at fair value on initial recognition.

As at 31 December 2021, investments of approximately HK\$251.1 million were classified under FVTOCI (31 December 2020: HK\$195.1 million) and changes in fair value through OCI (net of exchange realignment) of approximately HK\$21.8 million (2020: HK\$43.8 million) was recognised during the Year Under Review.

Details of the significant investments are as follows:

	As at 31 December 2021		Fair value at 31 December 2021 <i>HK\$ million</i>	Fair value gain/(loss) (net of exchange realignment) during the Year Under Review <i>HK\$ million</i>	Addition during the Year Under Review <i>HK\$ million</i>	Disposal/ derecognition during the Year Under Review <i>HK\$ million</i>	Fair value at 31 December 2020 <i>HK\$ million</i>
	Percentage of equity interests held in the investee %	Percentage to the Group's total assets %					
Sino Partner Global Limited	2.46	4.0	21.3	(1.0)	–	–	22.3
Tus Suzhou Modern Education Development Company Limited	14.00	19.8	104.9	(4.0)	–	–	108.9
National Innovation Center Suzhou Invo	–	–	–	–	–	(61.7)	61.7
Gaia (Guangzhou) Venture Capital Fund Partnership	15.493	21.8	115.7	(17.1)	132.8	–	–
Others	33.03	1.6	8.7	0.1	8.6	–	–
	N/A	0.1	0.5	–	–	(1.7)	2.2
Total		47.3	251.1	(22.0)	141.4	(63.4)	195.1

GOODWILL

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

	31 December 2021 <i>HK\$ million</i>	Impairment during the Year Under Review <i>HK\$ million</i>	Disposal during the Year Under Review <i>HK\$ million</i>	31 December 2020 <i>HK\$ million</i>
Camera-based ADAS CGU	–	–	(161.4)	161.4
Automotive-grade wireless connectivity CGU	–	(486.6)	–	486.6
Total	–	(486.6)	(161.4)	648.0

For the purpose of the annual impairment test as at 31 December 2021, the recoverable amounts of the automotive-grade wireless connectivity CGU has been determined based on fair value less costs of disposal calculations using discounted cash flow projections (i.e. income approach). Discounted cash flow projections are prepared based on financial estimates approved by the Directors covering a five-year period and discount rates which reflect specific risks relating to the CGU. Cash flows beyond the five-year period are extrapolated using estimated long term growth rates with reference to certain external data.

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

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

(i) Camera-based ADAS CGU

As mentioned in the section headed “Material Disposals” below, the Group’s ADAS business was disposed through disposal of 24.7538% equity interest in Suzhou Invo during the Year Under Review. As a result, the goodwill related to the camera-based ADAS CGU of approximately HK\$161.4 million was derecognised upon such disposal.

(ii) Automotive-grade wireless connectivity CGU

As mentioned above in the sections headed “Business Review” and “Impact of the Pandemic”, the temporary shortage of raw materials and supply chain management experienced by the Group and the industry during the Year Under Review and the further outbreak and spread of mutant strain of the Pandemic around the globe created continuous instability over the global economy. Business sentiments in the Group’s major markets have been subdued. As a result, the Group experienced delay in fulfilment of certain sales orders during the Year Under Review as compared to the 2021 annual financial budgets approved by the Directors as at 31 December 2020 (“**Original Financial Budget**”).

The Directors determined that such non-controllable impact by the Pandemic and geopolitical factors may further adversely affect the business performance of the automotive-grade wireless connectivity CGU in the short and long run.

The revenue and financial performance of this CGU for the Year Under Review is less than the Original Financial Budget due to the delay in fulfilment of certain sales orders and the continuous negative impact of the Pandemic on global supply-chain management. Given the continuous losses on earnings before interest, taxes, depreciation, and amortisation (EBITDA) resulted by this CGU and the temporary financial liquidity difficulties encountered by the Group, and by considering the external factors (including the possible effect of the Pandemic and industrial development) and internal factors (including revised corporate and business strategy due to tightened cost control measures up to the date of this announcement), the Group revisited the financial budget of this CGU from year 2022 to year 2026. Accordingly, impairment loss of approximately HK\$486.6 million was recognised during the Year Under Review (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Going Concern

For the year ended 31 December 2021, the Group incurred a loss of approximately HK\$721.5 million (2020: HK\$249.9 million), and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$789.7 million and HK\$541.6 million, respectively (31 December 2020: net current liabilities and net assets of approximately HK\$882.7 million and HK\$221.9 million respectively). In addition, the Group had outstanding borrowings of approximately HK\$714.9 million which were due for repayment or renewal in the next twelve months after 31 December 2021. As at 31 December 2021, the Group has failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements in aggregate of approximately HK\$362.8 million. These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(1) *Continuous financial support from Shareholders*

The Group has received a written confirmation dated 21 March 2022 from Tuspark Venture Investment Limited (“**Tuspark Venture**”), one of the major shareholders of the Company, that it will provide continuous financial support to the Group to enable the Group to meet its financial obligations as and when they fall due in the next twenty-four months from the date of approval of the unaudited consolidated financial statements for the year ended 31 December 2021 (i.e. 31 March 2022). Such assistance to be received by the Group will not be secured by any assets of the Group. In addition, Tuspark Venture received a written confirmation dated 21 March 2022 from Tus-Holdings Co., Ltd. (“**TUS Holdings**”), its holding company, that it has committed to provide continuous financial support to Tuspark Venture in the same twenty-four months.

(2) *Debt restructuring and active sourcing of financial resources*

The Group has failed to fulfil certain financial covenants, terms and conditions as stipulated in the relevant loan agreements of bank and other borrowings in aggregate of approximately HK\$362.8 million for the year ended 31 December 2021.

The Company has actively negotiated with existing and potential lenders to secure the renewals and replacement of the Group’s borrowings to meet its liabilities when fall due. In addition, the Company has actively negotiated with investors for the extension of convertible bonds and obtaining further financing when necessary including but not limited to shareholder’s loan, equity financing, bank borrowings and issuance of new convertible bonds to improve the liquidity of the Group. To improve the overall financial position and liquidity of the Group, the Directors is actively considering to raise new capital by carrying out equity fund raising activities including but not limited to right issue, open offer and placing of new shares.

(3) Restructuring of business, corporate and organisational strategy

As disclosed in the Company's annual report for the year ended 31 December 2020, the Directors reviewed the short-term financial budgets of the two major business segments of the Group as of 31 December 2020. It is noted that significant working capital requirement and capital investments are required to manage the growth sustainability of both segments in the short run.

Considering the potential growth of the business operations while balancing the financial resources among debt repayment and working capital requirement, the Directors resolved to dispose the ADAS business to enhance the financial position of the Group during the Year Under Review.

The Group completed the disposal of the ADAS business during the Year Under Review. For details, please refer to "Material Disposals" under the section "IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW". An aggregated net cash inflow from these disposals of approximately HK\$151.2 million were received during the Year Under Review. The net proceeds were intended to be applied for repayments of borrowings.

The Group may consider to dispose of non-core businesses and/or financial assets if required.

(4) Cost control measurements

The Group commenced corporate and operational structuring in the second half of 2020 and significant results were achieved to reduce operating costs of the automotive-grade wireless connectivity business segment. During the Year Under Review, the Directors re-positioned the business strategy and continued to implement tightening cost controls over the daily administration and other operating expenses, including but not limited to optimizing the organization structure and employee head-counts and aiming at improving the working capital and cash flow position of the Group for the next twelve months, without adversely affecting overall operation and business development opportunities.

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented after the end of reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

Net Borrowing Position

The total borrowings, including borrowings and convertible bonds, as at 31 December 2021 decreased by approximately 15.8% to approximately HK\$827.5 million (31 December 2020: HK\$983.3 million). The decrease in total borrowings was mainly attributable to derecognition of other borrowings of approximately HK\$75.9 million upon disposals of certain subsidiaries and partial repayment of bank borrowings during the Year Under Review (for details of disposal of subsidiaries, please refer to the section headed "Material Disposals"). The bank balances and cash as at 31 December 2021 decreased by approximately 28.3% to approximately HK\$22.3 million (31 December 2020: HK\$31.1 million). As such, the net borrowings decreased by 15.4% to approximately HK\$805.2 million (31 December 2020: HK\$952.2 million).

Structure of Interest-Bearing Borrowings

The Group's short-term borrowings decreased to approximately HK\$714.9 million as at 31 December 2021 (31 December 2020: HK\$881.0 million).

Short-term borrowings include bank loans in an aggregate principal amount of approximately HK\$160.6 million (31 December 2020: HK\$329.2 million) with floating interest rate of LIBOR plus 2.45% (31 December 2020: floating interest rate of LIBOR plus 2.45% and fixed interest rates of 4.4% – 5.4%), and other loans of approximately HK\$554.3 million (31 December 2020: HK\$551.8 million) with fixed interest rates of 8% – 21.0% (31 December 2020: 4.4% – 21.0%) of which approximately HK\$202.2 million were overdue and repayable on demand as of 31 December 2021 (31 December 2020: HK\$232.1 million). The short-term borrowings were primarily used to finance short-term cash flows for the operations of the Group.

All bank loans were denominated in US Dollar as of 31 December 2021 (31 December 2020: approximately HK\$72.3 million and HK\$256.9 million were denominated in Renminbi and US Dollar, respectively). As for the other loans, approximately nil, HK\$435.5 million and HK\$118.8 million were denominated in US Dollar, Hong Kong Dollar and Renminbi, respectively, as of 31 December 2021 (31 December 2020: approximately HK\$8.7 million, HK\$486.5 million and HK\$56.6 million, respectively).

As of 31 December 2021, the Group had convertible bonds with carrying amount of approximately HK\$112.6 million (31 December 2020: HK\$102.3 million) classified under non-current liabilities.

Liquidity Ratios and Gearing Ratios

The Pandemic had disrupted the liquidity of certain major suppliers of the Group and credit limit granted to the Group were reduced. Further, due to temporary shortage of certain semiconductors and electronic components during the Year Under Review, our major supplier (the EMS provider), requested for prepayment for purchase of materials prior to production. As a result, this significantly disrupted the supply-chain management of the business operation of the Group. The Directors are under negotiation with the supplier to review on the credit period. In addition, the Directors are in active dialogue with other potential EMS providers as alternative solution in the long-run.

Credit terms, normally not more than 60 days from the date of billing, are granted to customers, depending on their credit worthiness and business relationships with the Group. Given the above changes in supply-chain cycle for the Year Under Review, certain customers agreed to reduce credit period or make prepayments prior to delivery of the products to enhance the timeliness of fulfilment of sales orders.

The current ratio and quick ratio as at 31 December 2021 decreased to approximately 0.12 (31 December 2020: 0.29) and decreased to approximately 0.10 (31 December 2020: 0.17) respectively. The decrease in current ratio was primarily due to net operating cash outflow for the Year Under Review. Gearing ratio was calculated by deriving total debts (i.e. total of borrowings and convertible bonds) less bank balances and cash by total deficit/equity and total debts was approximately 2.82 (31 December 2020: 0.79).

CHARGE OF ASSETS

All shares of the subsidiaries in the automotive-grade wireless connectivity business were pledged for aggregate banking facilities of approximately HK\$160.6 million (31 December 2020: approximately HK\$256.9 million).

Certain financial assets at FVTOCI were pledged for aggregated banking facilities of approximately RMB40.0 million (31 December 2020: approximately RMB40.0 million) for Suzhou Invo for working capital.

As at 31 December 2020, bills payable were pledged with bills receivable amounting to approximately HK\$4.0 million.

Save as disclosed above, the Group had no other significant pledge of assets as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

IMPORTANT TRANSACTIONS DURING THE YEAR UNDER REVIEW

Material Disposals

During the Year Under Review, the Group completed several disposals of the ADAS business and certain financial assets for cash realisation to improve working capital liquidity and debt repayment:

- (a) On 1 February 2021, a wholly owned subsidiary of the Company, TUS Zhixing Technology (Beijing) Limited* (啟迪智行科技(北京)有限公司), entered into a sale and purchase agreement and agreed to dispose its wholly owned subsidiary, TUS Yunzhi Technology (Beijing) Limited* (啟迪雲智科技(北京)有限公司) which holds 4.55% of equity interests in National Innovation Center, to TUS-Financial Group Limited* (啟迪金控投資有限公司). This disposal was completed in February 2021. For details, please refer to the announcements of the Company dated 1 February 2021 and 4 February 2021.

- (b) On 23 April 2021, the Group entered into an equity transfer agreement to dispose approximately 24.7538% of the equity interest of Suzhou Invo to two independent third parties at a consideration of approximately RMB136.1 million. Suzhou Invo and its subsidiaries operated in the Group's ADAS business segment specializing in the research and development, production and sale of ADAS products in China. This disposal was completed in June 2021. Upon completion of this disposal, the Group retained 20.0% of equity interests in Suzhou Invo and therefore Suzhou Invo ceased to be a non-wholly owned subsidiary of the Company. As a result, the Group ceased operation of the ADAS business.

The Group accounted for the investment in 20.0% equity interests in Suzhou Invo as financial asset at FVTOCI.

Please refer to the announcements of the Company dated 23 April 2021 and 1 June 2021 and the circular of the Company dated 15 May 2021 for further details of this disposal.

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

* *For identification purpose only*

CONNECTED TRANSACTIONS

- (i) During the Year Under Review, certain subsidiaries of TUS Holdings provided financial support to the Group to improve the working capital and liquidity of the Group and to assist the Group to meet its financial obligations when they fall due. Such advancements from connected parties were unsecured and were conducted on normal commercial terms or better. During the Year under review, a subsidiary of TUS Holdings provided certain assets as pledged securities to a lender for arrangement of a short-term credit facility granted to the Group. Such pledge of security provided by the subsidiary of TUS Holdings was unsecured and were conducted on normal commercial terms or better. These connected transactions of the Company were fully exempt from the reporting, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
- (ii) On 23 April 2021, the Group entered into an equity transfer agreement to dispose approximately 24.7538% of the equity interest of Suzhou Invo to two independent third parties at a consideration of approximately RMB136.1 million. Suzhou Yinwo Investment Management Enterprise (Limited Partnership)* (蘇州茵沃投資管理企業(有限合夥)) (“**Suzhou Yinwo**”), which holds 12.7003% equity interest in Suzhou Invo, was also a party to the equity transfer agreement and provided undertakings thereunder. As Suzhou Yinwo is a connected person of the Company at the subsidiary level, the disposal constituted a connected transaction of the Company but was exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.
- (iii) As mentioned in Note 16(i) in the consolidated financial statements in this announcement, on 30 November 2021, the Company entered into the Deed of Variation and Undertakings and proposed the Rights Issue. Given Mr. Ma is a connected person of the Company, the proposed variation constituted a connected transaction of the Company. Also, given the proposed variation having come into effect is one of the conditions of the Rights Issue, the Rights Issue was deemed as a connected transaction of the Company.

Therefore, the proposed variation and the Rights Issue are subject to the reporting, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed herein, the Group did not enter into any other material connected transactions during the Year Under Review.

* *For identification purpose only*

EVENTS AFTER THE REPORTING PERIOD

For the events after the reporting period, please refer to Note 16 in the consolidated financial statements in this announcement for details.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 78 staff in the PRC, the US, Europe, Asia Pacific and Hong Kong (31 December 2020: 368). Remuneration of employees including Directors' emoluments was approximately HK\$36.7 million for the Year Under Review (2020: HK\$81.3 million (restated)).

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

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Corporate Governance Code

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

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of both the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ma Chi Kong Karl has been appointed as executive Director and the chairman of the Company (the “**Chairman**”) on 15 July 2016, while the role of the chief executive officer has been performed collectively by all executive Directors for the Year Under Review. Mr. Ma Chi Kong Karl was subsequently re-designated as non-executive Director on 8 February 2021 and thus the roles of the chairman and chief executive officer had been separated.

Model Code for Securities Transactions by Directors

During the Year Under Review, the Company has adopted the model code set out in Appendix 10 of the Listing Rules for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirmed that they have complied with the required standard set out in the adopted code regarding their securities transactions in 2021.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis, Hon. Quat Elizabeth (*BBS, JP*) and Dr. Koong Hing Yeung Victor, and a non-executive Director, Mr. Tsang Ling Bui Gilbert. The committee is chaired by Mr. Lee Kwok Tung Louis who possesses professional accounting qualification. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the audited financial results of the Group for the Year Under Review, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The consolidated financial statements of the Group for the Year Under Review have been audited by the auditor of the Group, CL Partners CPA Limited (“**CL Partners**”), Certified Public Accountants. The financial information in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year Under Review as set out in this announcement have been compared by CL Partners to the amounts set out in the Group’s audited consolidated financial statements for the Year Under Review and the amounts were found to be in agreement. The work performed by CL Partners in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

The consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee in accordance with Rule 13.49(3)(i)(c) of the Listing Rules.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s audited consolidated financial statements for the year ended 31 December 2021. The report includes paragraphs of material uncertainty related to going concern, without modification:

“Opinion

“In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.”

Material Uncertainty Related To Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$721,477,000 for the year ended 31 December 2021 and, as of that date the Group had net current liabilities and net liabilities of approximately HK\$789,663,000 and HK\$541,639,000, respectively. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.titaninvo-global.com. The Company's annual report for the year ended 31 December 2021 containing all the information required under the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 18 July 2022 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 24 February 2023

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 (BBS, JP), Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis who are independent non-executive Directors.