13 July 2018

Telit Communications PLC

Sale of automotive division for $105 million

Telit Communications PLC ("Telit", "the Group", AIM: TCM), a global enabler of the Internet of Things (IoT), has agreed to sell its automotive division to TUS International Limited ("TUS") for a cash consideration of $105 million (subject to adjustments on completion and an overall cap of $125 million). The transaction is expected to complete by the end of 2018, subject to conditions being satisfied.

As previously announced, Telit considered the future of a number of product lines which may not fit the Group's long-term strategy. Although the automotive division saw significant growth in 2017 as a result of several design wins with its 4G product offering achieved in the North America and APAC regions, its sale will enable the Group to focus on its industrial IoT capabilities and innovation. It will also provide additional resources to invest in its premier end-to-end IoT solutions capabilities.

The transaction requires a reorganisation of the automotive division within the Group and transfer of the assets and employees who support the automotive business in R&D and sales offices in several countries. On an unaudited proforma basis, the automotive division generated approximately $63.2 million in revenue with an adjusted EBITDA (excluding allocated overhead costs) of $10.1 million in the year ended 31 December 2017.

Following completion of the transaction, cash proceeds will be used to reduce the Group's debt (net debt at 30 June 2018: $25 million) and strengthen the Group's cash position.

TUS is a leading provider of camera-based advanced driver-assistance system (ADAS) solutions and is one of the 12 founding members of the National Intelligent and Connected Vehicle Innovation Center of China. TUS is a pioneer in developing China national ICV cloud control platform and is dedicated to providing cutting-edge V2X and 5G connectivity solutions for ADAS and autonomous drive (AD).

TUS's single largest shareholder is Tus-Holdings Co. Ltd, a company established by Tsinghua University, which holds over 800 listed and non-listed investments.

TUS has today published an announcement (available on its website http://www.tus-i.com/en/ir_circulars.php) which sets out details regarding the transaction including further information on the automotive division, the break fees payable to Telit in certain circumstances should the transaction not proceed, the financing that TUS will be required to seek for the transaction, the basis of calculation of the consideration payable and the conditions to which the transaction is subject. Telit shareholders are advised to read this document in full. Extracts of this announcement are set out below. The TUS announcement has not been subject to independent verification and extracts are provided by Telit in this announcement for information purposes only.

Yosi Fait, CEO at Telit, said:

"This transaction will significantly reduce our debt and provide us with the financial flexibility to focus our resources and accelerate the integration of our hardware and IoT services product lines in order to strengthen our leading position in the end-to-end IoT solutions space."

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.

Enquiries

Telit Communications PLC Yosi Fait, Chief Executive Officer Yariv Dafna, Finance Director	Tel: +44 203 289 3831
finnCap (Nomad and joint broker) Henrik Persson/Giles Rolls (corporate finance) Tim Redfern/Richard Chambers (corporate broking)	Tel: +44 20 7220 0500
Berenberg (Joint Broker) Chris Bowman/Mark Whitmore/Ben Wright	Tel: +44 20 3465 2722
Instinctif Partners Adrian Duffield/Chantal Woolcock	Tel: +44 20 7457 2020
Rothschild & Co (Sole financial adviser) Vikas Sehgal/Doron Gurevitz/Martin Bauhuber/Noah Gringarten	Tel: +44 20 7280 5000

Notice related to financial adviser

N M Rothschild & Sons Limited ("Rothschild & Co "), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Telit and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Telit for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Extracts from the circular to TUS shareholders posted/published today. References to the "Company" should be read to be references to TUS, references to "Vendors" to Telit and "Target Group" to be Telit's automotive division. The TUS announcement has not been subject to independent verification and Telit takes no responsibility for the contents of such announcement.

THE ACQUISITION

The Board is pleased to announce that, on 12 July 2018, the Company, the Vendors and the Target Company entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to buy and the Vendors conditionally agreed to sell all the issued shares of the Target Company at the aggregate consideration of US$105 million (equivalent to approximately HK$824.25 million), subject to adjustments with reference to the aggregate cash, debt and working capital of the Target Group at Completion and the Transfer Costs.

THE ACQUISITION AGREEMENT

Date

12 July 2018

Parties

(i) the Company;

(ii) the Vendors; and

(iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and the Target Company are independent of the Company and connected persons of the Company.

Subject matter of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell and the Company conditionally agreed to buy the Sale Shares, representing all the issued shares of the Target Company at Completion. The Vendors shall implement the Reorganisation so that the Target Company will be the holding company of the Target Group at Completion.

Consideration

The Consideration for the acquisition of the Sale Shares is US$105 million (equivalent to approximately HK$824.25 million), subject to adjustments at Completion as follows and an overall cap of US$125 million (equivalent to approximately HK$981.25 million):

Consideration = A + B – C + D – E + F Where:
"A" means US$105 million;
"B" means the Completion Cash;
"C" means the Completion Debt;
"D" means the Completion Working Capital;
"E" means the Target Working Capital; and
"F" means the Transfer Costs.

On Completion, the Shareholder Debt will be repaid by the Target Company in full.

The Consideration will be payable by the Company to the Vendors in cash upon Completion and is expected to be funded by a combination of the internal resources of the Group and possible debt and/or equity financing from banks and/or other investors based on the available fund raising options, pertinent terms thereof as well as the prevailing market conditions. As at 31 December 2017, the assets of the Group included, among other things, (i) cash and cash equivalent of approximately HK$126.6 million; (ii) current portion of finance lease receivables of approximately HK$95.2 million; and (iii) available-for-sale investments of approximately HK$357.6 million.

As at the date of this announcement, the Company has engaged in discussions with several banks on potential term loan financing for the Acquisition. The Company is currently contemplating term loan(s) in the aggregate principal amount of US$30 million to US$35 million (equivalent to approximately HK$235.50 million and approximately HK$274.75 million respectively) to finance the Acquisition.

Taking into account the Company's available internal resources and possible debt financing, the Company is contemplating an equity financing of not more than US$50 million (equivalent to approximately HK$392.50 million) to finance the Acquisition. Considering (i) the regular dialogue maintained by the Company with potential financial investors; (ii) the Company's current market capitalisation of approximately HK$1.5 billion on a fully diluted basis, assuming all convertible securities issued by the Company as at the date of this announcement has been converted in full; and (iii) the shareholder's support as evidenced by the irrevocable undertaking given by the Relevant Shareholders, the Company is confident to raise not more than US$50 million (equivalent to approximately HK$392.50 million) through share placement or rights issue. The proceeds from the Subscription will not be applied to settle the Consideration.

As at the date of this Announcement, the Company has not yet entered into any legally binding agreements in respect of such possible financing and fund raising transactions and will continue to explore different fund raising options as the Acquisition proceeds towards Completion. The Company is confident that it will be able to carry out the necessary fund raising activities (including the debt and equity fund raising mentioned above) for meeting its payment obligations upon Completion and does not expect there would be a change in control of the Company as a result of the fund raising.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon the satisfaction or (if applicable) the waiver of the following conditions precedent on or before 5:30 p.m. on the Long Stop Date:

(a) the passing at a duly convened and held general meeting of the Company (or an adjournment thereof) of the necessary resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder; and

(b) completion of the Reorganisation.

The condition set out in paragraph (a) above may not be waived by any party and the condition set out in paragraph (b) may be waived by the Company. As the Reorganisation involves various steps and corporate actions to be undertaken by different entities across several jurisdictions (details of which are set out in the section headed "Reorganisation" below), the Company considers that it is beneficial for the Company to have the right and flexibility to give waiver as the necessity may arise including, if necessary, allowing an extension of the time for satisfaction of the relevant condition and imposing other conditions in the waiver. The Company will only consider giving any waiver for immaterial matters which do not materially affect the independent operations, financial performance or business of the Target Group and do not prejudice the interests of the Company and its Shareholders, or if, following the waiver, the Company would remain in materially the same economic position as the Company would have been in had the relevant condition(s) been fulfilled.

The Company will seek approval from the Shareholders if it intends to give any waiver for the condition set out in paragraph (b) that would constitute a material change in terms of the Acquisition. If (i) the Circular is not despatched to the Shareholders on or before 5:30 p.m. on the Circular Long Stop Date or (ii) the Reorganisation Agreement is not entered into on or before 5:30 p.m. on the Circular Long Stop Date, the Acquisition Agreement will terminate and the parties will have no further rights or obligations under the Acquisition Agreement, other than accrued rights and obligations at that time.

Escrow Fund

On the date of the Acquisition Agreement, the Company, Telit Communications and the Escrow Agent entered into an escrow agreement, pursuant to which (i) the Company deposited an amount of US$7.5 million (equivalent to approximately HK$58.9 million) into an escrow account maintained by the Escrow Agent as an escrow fund (the "**Escrow Fund**"), which comprises (i) a break fee of US$5.0 million (equivalent to approximately HK$39.3 million) and (ii) a reorganisation fee of US$2.5 million (equivalent to approximately HK$19.6 million).

At Completion, an amount equal to the Escrow Fund will be deducted from the amount of Consideration payable by the Company to the Vendors, and the Company shall cause to be released an amount equal to the Escrow Fund to the Vendors.

The Company shall forfeit its right to the Escrow Fund and the parties shall release or cause to be released the Escrow Fund to the Vendors if the Acquisition Agreement terminates in the following circumstances:

(a) the Circular is not despatched to the Shareholders by 5:30 p.m. on the Circular Long Stop Date and condition (a) under "Conditions Precedent" above is not fulfilled by 5:30 p.m. on the Long Stop Date, other than where such termination arises from or in connection with the Vendors' failure to provide to the Company such information relating to the Business as the Company may reasonably require for the purposes of preparation of the Circular;

(b) the Reorganisation Agreement is not entered into by 5:30 p.m. on the Circular Long Stop Date or condition (b) under "Conditions Precedent" above is not fulfilled by 5:30 p.m. on the Long Stop Date, where such termination arises from or in connection with the Company's failure to comply with its obligations in the Acquisition Agreement in respect of the Reorganisation; or

(c) the Company fails to fulfill any of its material obligations set out in the Acquisition Agreement at the time when Completion is due to take place.

The Vendors shall forfeit their right to the Escrow Fund and the parties shall release or cause to be released the Escrow Fund to the Company if the Acquisition Agreement terminates in the following circumstances:

(a) the Company elects not to complete the Acquisition where (i) there is a material breach of warranties or obligations and such breach has not been remedied within a given time period or (ii) a matter arises at any time between the signing of the Acquisition Agreement and the Completion that has a material adverse effect and such effect has not been remedied within a given time period;

(b) the Reorganisation Agreement is not entered into by 5:30 p.m. on the Circular Long Stop Date or condition (b) under "Conditions Precedent" above is not fulfilled by 5:30 p.m. on the Long Stop Date, other than where such termination arises from or in connection with the Company's failure to comply with its obligations in the Acquisition Agreement in respect of the Reorganisation;

(c) the Circular is not despatched to the Shareholders by 5:30 p.m. on the Circular Long Stop Date and condition (a) under "Conditions Precedent" above is not fulfilled by 5:30 p.m. on the Long Stop Date, where such termination arises from or in connection with the Vendors' failure to provide to the Company such information relating to the Business as the Company may reasonably require for the purposes of preparation of the Circular; or

(d) the Vendors fail to fulfill any of their material obligations set out in the Acquisition Agreement at the time when Completion is due to take place.

The above arrangements in respect of the forfeiture of the Escrow Fund have been determined by the parties after arm's length negotiations and are considered to be normal commercial terms. The Company considers that it is fair and reasonable for the Escrow Fund to be subject to forfeiture against the Company under certain specific circumstances as stated above, given that (i) the Escrow Fund represents approximately 7% of the Consideration, which is comparable to the deposit payment of about 5% to 10% of the total consideration commonly seen in commercial transactions; (ii) the Acquisition is expected to have a long completion timeframe and the Vendors would have incurred costs in complying with their obligations under the Acquisition Agreement pending Completion, including the costs and expenses to be incurred for implementing the Reorganisation; (iii) the forfeiture against the Company would occur if the Company is the party in default other than where such default is caused by the Vendors; and (iv) the Circular Long Stop Date and the Long Stop Date, being the date falling on five and six months after the date of the Acquisition Agreement respectively, can provide a buffer period for the Company to procure for compliance with its obligations under the Acquisition Agreement to avoid forfeiture of the Escrow Fund.

Reorganisation

As the Assets and the Business are currently held by the Target Company, Telit France and Reorganisation Sellers, pursuant to the Acquisition Agreement, the Vendors and the Target Company shall undertake and complete the Reorganisation prior to Completion. The Reorganisation involves, among other things, the following procedures:

(a) the incorporation and registration of the New Subsidiaries in Israel, Korea and Germany respectively as wholly-owned subsidiaries of the Target Company;

(b) the entering into and completion of the Reorganisation Agreement; and

(c) the entering into of the IP Licence Agreement, the Transitional Services Agreement and other documents relating to the Reorganisation.

It is envisaged that under the Reorganisation Agreement, each of the Reorganisation Sellers will agree to transfer to the Target Company and the New Subsidiaries the Business, the Assets and the Transferring Employees not already owned by the Target Group, excluding the Excluded Business, the Excluded Assets and certain excluded contracts, employees and liabilities of each relevant Reorganisation Sellers.

In the event that the Reorganisation cannot be fully implemented in the manner as contemplated in the Acquisition Agreement, the Vendors shall propose alternative arrangement that would put the Company in materially the same economic position. The Reorganisation shall be deemed completed upon full implementation of such alternative arrangement except as provided in the Acquisition Agreement.

The Target Group has been established and operated as a business unit within Telit Communications since the Telit Group acquired such business from NXP Semiconductors N.V. to enter into the automotive-grade communication module market in 2014. The Excluded Assets and the Excluded Business mainly relate to the IoT business of Telit Group. The Target Group will have, post Reorganisation, a distinct group of customers. In addition, it will have its own R&D facilities and R&D staff for automotive-grade communication modules, customer support functions and management team.

The Target Group will have access to suppliers upon completion of the Reorganisation and will be able to operate independently of the Vendors after completion of the Reorganisation with the benefit of the Transitional Services Agreement and the IP Licence Agreement. The historical intra-group transactions, which involve intra-group loans and certain intra-group R&D services, will be terminated upon completion of the Reorganisation in all material aspects.

Upon completion of the Reorganisation, the Target Company will be the holding company of the Target Group and the Target Group will own the Business, the Assets and the Transferring Employees.

Details of the finalised terms of the Reorganisation and the alternative arrangements (if any) will be set out in the circular.

IP Licence Agreement and the Transitional Services Agreement

Pursuant to the Acquisition Agreement, the Vendors shall deliver or make available to the Company copies of the IP Licence Agreement and the Transitional Services Agreement on Completion Date.

The IP Licence Agreement will set forth the terms of (i) the licensing of certain intellectual property rights by certain Reorganisation Sellers to the Company and its affiliates and (ii) the licensing of certain technology by the Target Company to the Reorganisation Sellers and their respective affiliates.

The intellectual property rights ("**IPR**") under the arrangements pursuant to the IP Licence Agreement and the Acquisition Agreement can be categorised as follows:

(a) transferring IPR ("**Transferring IPR**"), being IPR owned by any Reorganisation Sellers and exclusively used by the Target Company or any Reorganisation Sellers in connection with the Business which will be transferred to the Target Group;

(b) retained IPR ("**Retained IPR**"), being IPR retained by the Reorganisation Sellers and mainly used in the existing business of the Vendors (other than the Business) but will also be shared with the Business, which will be retained by the relevant Reorganisation Sellers and licensed to the Company and its affiliates pursuant to the IP Licence Agreement; and

(c) reverting IPR ("**Reverting IPR**"), being IPR held by the Target Group and mainly used for the Business but will also be shared with the Vendors, which will be licensed to the Telit Communications, the Reorganisation Sellers and their respective affiliates pursuant to the IP Licence Agreement.

Based on the above arrangements, the Transferring IPR will be transferred to the Target Group, and as the Retained IPR, which is mainly used in the existing business of the Vendors and which is also used in the Business, will be licensed to the Company and its affilitates under the IP Licence Agreement, the Target Group will also gain access to the Retained IPR pursuant to the IP Licence Agreement. Pursuant to the IP Licence Agreement, the licenses for the Retained IPR will be granted to the Company and its affiliates on a non-exclusive, perpetual, non-assignable (except as specified therein), sub-licensable (except as specified therein), worldwide and royalty-free basis. The IP Licence Agreement may not, according to its terms, be terminated by any party thereto after the Completion Date. Based on the Acquisition Agreement and the licensing arrangements under the IP Licence Agreement, the IPR owned by the Vendors and essential to the Business will be transferred to or licensed to the Target Group.

The Retained IPR mainly consists of software, database and know-how (including certain generic software source codes and know-how) which are unregistered rights held in copyright and rights to confidential information and trade secrets, which are mainly used by the existing businesses of the Vendors (other than the Business), but may be used by the Target Group for the Business in the "design-in" phase relating to the development of new products from time to time.

Pursuant to the IP Licence Agreement, (i) the Company will be given copies of the Retained IPR (to the extent not otherwise delivered in connection with the transactions contemplated by the Acquisition Agreement) at or prior to Completion; (ii) the Company will be granted a perpetual and irrevocable licence to use such Retained IPR; and (iii) the Company shall take all necessary steps to record itself and its affiliates as the licensee of any registered Retained IPR at the relevant intellectual property registries around the world, if and as required under the applicable rules, and the Reorganisation Sellers should provide assistance as may be reasonably necessary to the Company for such registration.

Further, the Company considers that:

(i) the parties to the IP Licence Agreement will have the commercial interests to comply with the terms of the IP Licence Agreement with a view to enjoying their respective rights as licensee of the Retained IPR or the Reverting IPR (as the case may be) thereunder;

(ii) as the Retained IPR will be mainly used by the Reorganisation Sellers, the Reorganisation Sellers will have the commercial interests to maintain and defend their rights under the Retained IPR where necessary;

(iii) the Company understands that it is a common industry practice for different market stakeholders which engage in R&D activities to share the use of relevant IPR through licensing arrangements, usually involving the payment of royalty fee; and

(iv) the Target Group may continue to enjoy the use and benefit of the Retained IPR without having to pay any royalty fee or to incur extra costs and efforts that may be required to maintain and defend the Retained IPR as the registered owner.

Based on the above, the Company understands that the risk that it will cease to have access to any of the Retained IPR will be minimal; and it considers that the licensing arrangements set out above are commercially fair and reasonable and the Target Group can operate independently after Completion.

The Transitional Services Agreement will set forth the terms in relation to the provision of certain information technology services and other transitional services by certain Reorganisation Sellers to the Target Group.

Completion

Completion will take place on the Business Day after the satisfaction or (if applicable) waiver of all the conditions precedent to the Acquisition Agreement as set out under "Conditions Precedent" above.

Upon Completion, the Target Company and its subsidiaries will become wholly-owned subsidiaries of the Company, and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

The Vendors shall ensure that a draft of the Completion Accounts ("**Draft Completion Accounts**") is prepared and delivered to the Company on or before the date falling 15 Business Days after Completion. The Draft Completion Accounts will be deemed to be agreed by the Company on the date falling 30 days after the Company's receipt of the Draft Completion Accounts unless during such period it gives a disagreement notice ("**Disagreement Notice**") to the Vendors. If the Company and the Vendors are unable to resolve the matters raised in the Disagreement Notice and agree a final form of the Draft Completion Accounts within 12 Business Days after the date on which the Vendors receive the Disagreement Notice, the Company and the Vendors shall appoint an independent chartered accountant ("**Independent Accountant**") to deliver a determination of the outstanding matters in the Disagreement Notice and a revised Draft Completion Accounts. The Draft Completion Accounts as agreed or deemed agreed between the Company and the Vendors, or as revised and determined by the Independent Accountant will be final and binding on the parties and will constitute the Completion Accounts for the purposes of the Acquisition Agreement.

Voting undertakings

As requested by the Vendors, under the Acquisition Agreement, the Company is required to procure for the irrevocable undertakings from the Relevant Shareholders (the "**Undertakings**") to the effect that each of the Relevant Shareholders will, among other matters, exercise or procure the exercise of all voting rights in respect of all the Shares of which such Relevant Shareholder is the registered holder and/or beneficial owner as at the record date for determining Shareholder's entitlement to vote at the EGM in favour of the relevant resolution(s) at the EGM for approving the Acquisition Agreement and the transactions contemplated thereunder.

As at the date of this announcement, the Relevant Shareholders hold in aggregate 573,208,802 Shares, representing approximately 46.9% of the issued share capital of the Company. Subject to completion of the subscription of in aggregate 100,000,000 new Shares by Mr. Shen and Sumchi (or its wholly-owned subsidiary) as set out in the Company's announcements dated 17 April 2018 and 21 June 2018 before the record date for Shareholders' entitlement to attend and vote at the EGM, and assuming no other change in the shareholding interests of the Relevant Shareholders in the Company or the issued share capital of the Company, the Relevant Shareholders will hold in aggregate 673,208,802 Shares, representing approximately 50.9% of the issued share capital of the Company as enlarged by the 100,000,000 new Shares to be subscribed by Mr. Shen and Sumchi (or its wholly-owned subsidiary).

The Company has been a participant in a competitive multi-stage tendering process held by the Vendors in respect of the Acquisition for multiple months since December 2017. On 17 April 2018, the Company entered into a subscription agreement with the Relevant Shareholders (other than Tuspark Venture) in relation to the subscription of new Shares and convertible bonds as set out in the Company's announcement dated 17 April 2018 and the Company's circular dated 23 May 2018 (the

"**Subscription**"). On 7 June 2018, an extraordinary general meeting of the Company was convened and the Shareholders approved, among others, the Subscription. Up to that stage, the pertinent terms of the Acquisition were open to ongoing non-exclusive negotiations between the Company and the Vendors and there was no indication, knowledge nor certainty that the Company would be invited to the final bidding process.

After the Acquisition was approved by the Board on 21 June 2018, the Relevant Shareholders were approached by the Company in relation to the Undertakings on a confidential basis.

The Company confirms that the provision of the Undertakings had not been contemplated at the time when the Subscription was entered into by the Company and the applicable Relevant Shareholders.

As at the date of this announcement, the Company has obtained the Undertakings from all of the Relevant Shareholders. Save for providing the Undertakings to facilitate the Acquisition, none of the Relevant Shareholders is involved in or has material interest in the Acquisition, and none of them has received any benefit from the Group in relation to the Undertakings. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, (i) the Relevant Shareholders are independent of and do not have any relationships (business or otherwise) with the Vendors and the Target Group, and the Relevant Shareholders are not required to abstain from voting at the EGM; and (ii) the Relevant Shareholders have agreed to provide the relevant Undertakings because they consider that the Acquisition will be in the interest of the Company and the Shareholders.

INFORMATION ON THE TARGET GROUP

The Target Group is a one of the major suppliers of automotive-grade wireless connectivity modules. The Business was launched by Telit Communications as a separate business unit in 2014, along with the acquisition of Automotive Telematics On-board unit Platform (ATOP) business, being R&D and sale of automotive-grade communication modules from NXP Semiconductors N.V.. Its product portfolio covers different network technologies from 3G to LTE-A and offers various matching regional requirements and frequency bands. The Target Group has a growing, diversified blue-chip customer base of global leading car OEMs and Tier-1 suppliers of car manufacturers ("**Tier-1 Suppliers**").

Similar to the business model of the Group's ADAS business, at the prospect and proposal phases, the Target Group maintains relationship with OEMs and Tier-1 Suppliers, to identify new business opportunities, follow up on prospects that mature into Request for Quotations (RFQs), respond to specific RFQ for a specific product as defined by a Tier-1 Supplier/OEM for a specific project. Once a specific project is awarded to the Target Group, the project becomes a "design-win", where detailed specifications and terms of the project will be agreed between the Target Group and the Tier-1 Supplier/OEM. The project will then progress into the "design-in" phase, where extensive interaction and support will be required to assure that the module is developed, certified and qualified. The project will thereafter progress into the "Start of Production (SOP)" phase, where mass production will commence. It typically takes around three years to turn a RFQ into a SOP for mass production.

The Target Group does not have its own production facilities and outsources the electronic manufacturing process to a leading semiconductor packaging and testing services provider. Other major suppliers of the Target Group include suppliers of chipsets and auto-parts components, which are key raw materials procured by the Target Group for use by the outsourced electronic manufacturing service provider in the manufacturing process.

The Target Group has a track record of successful product implementation with over 5 million total product shipments of automotive-grade communication modules as of the end of 2017. From 2015 to 2017, the Target Company has successfully won various new programmes from existing and new customers. The business of the Target Group has penetrated into the Asia- Pacific region. As a result, the Target Group incurred R&D expenses for the new wins during the design-in phase as the product samples and prototypes have to be developed, certified and qualified in 2016 and 2017. The Target Company recorded a higher revenue for the year of 2017 as such new wins only commenced mass

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production in 2017. Based on the unaudited combined management accounts of the Target Group for the year ended 31 December 2017, the Target Group recorded revenue of approximately US$63.2 million (equivalent to approximately HK$496.1 million) in 2017, representing a CAGR of approximately 42.1% from 2015, and total net assets as at 31 December 2017 of approximately US$30.5 million (equivalent to approximately HK$239.4 million). The Target Group currently has a total of 110 employees, and has R&D centers in France, Belgium and Israel, and five sales centers in Germany, France, the USA, the PRC and Korea. The Target Group has superior in-house R&D capabilities and strong technology competence in cellular modules with an experienced R&D team which accounts for more than 75% of the employees of the Target Group.

In terms of licences and regulatory approvals, the Target Group is required to obtain product certification on wireless communication modules in different regions. The Target Group has obtained the certification from regulatory bodies including without limitation, (i) Global Certification Forum (GCF) and Radio Equipment Directive (RED) in Europe, (ii) Personal Communications Service Type Certification Review Board (PTCRB) in North America, (iii) China Compulsory Certification (CCC) and State Radio Regulatory Commission of PRC (SRRC) in China, (iv) Japan Approvals Institute for Telecommunications Equipment (JATE) and Telecom Engineering Center (TELEC) in Japan and (v) Korea Communications Commission (KCC) in Korea.

Though IoT and automotive grade modules are both broadly based on wireless communication technologies, communication modules for line-fit automotive use, i.e. automotive grade modules, have its unique design and functioning features that meet various automotive specific standards, including without limitation, the ability to function properly in extremely low and high temperatures, the reliability of communication and the integration of other functions and features such as positioning, security function and eCall (being a system that provides an automated message to the emergency services following a road crash which includes the precise crash location).

Based on information provided by the Vendors, as compared to the automotive grade modules of the Target Group, the IoT services of Telit Group serve the needs of other industries and markets such as retail, healthcare and hospitality, manufacturing, logistics and utilities. Consumer IoT relates to connected devices in the consumer market such as security and surveillance, smart homes and smart building and energy systems, whereas industrial IoT enhances manufacturing and industrial processes by linking machines and devices. Based on information provided by the Vendors, the Target Group also has a distinct group of customers, its own R&D facilities and R&D staff, separate management team, and a distinct set of automotive application specific IPRs, patents and know-hows.

The Company plans to continue expanding the Target Group's customer base, in particular in China, being the world's largest vehicle sales market, and strengthen the R&D and promotion of new LTE/V2X/5G modules and solutions. The Company expects that main capital expenditure to be incurred by the Target Group will be the testing equipment to be placed onto the contracted manufacturer's site. Notwithstanding the above, the Company does not expect the Target Group to incur significant capital expenditure in 2019 and 2020 in relation to the above strategies/plans and anticipates that the Target Group's free cash flow would be able to support the operating expenditure required for carrying out the above strategies/plans.

The Target Company is a company incorporated in the Kingdom of Belgium with limited liability in February 2014 and is principally engaged in the development, manufacture and sale of line-fit wireless connectivity modules that are supplied to global leading car OEMs and Tier 1 Suppliers.

Telit France is a company incorporated in France with limited liability in March 2006 and is principally engaged in the development of linefit wireless connectivity modules that are supplied to global leading car OEMs and Tier 1 suppliers of car manufacturers. Telit France is a wholly-owned subsidiary of the Target Company as at the date of this announcement.

Set out below is certain financial information of the Target Group based on the unaudited combined management accounts of the Target Group which have been prepared based on International Financial Reporting Standards (IFRS):

For the year ended 31 December

	2015 (Unaudited)		**2016** (Unaudited)		2017 (Unaudited)	
	US$ million	equivalent HK$ million	US$ million	equivalent HK$ million	US$ million	equivalent HK$ million
Revenue (Note 1)	31.3	245.7	31.9	250.4	63.2	496.1
Gross profit (Note 1)	9.7	76.1	9.6	75.4	17.7	138.9
EBITDA (Note 1)	2.6	20.4	2.0	15.7	10.1	79.3
Net profit/(loss) before taxation (Note 2)	0.7	5.5	(1.9)	(14.9)	2.1	16.5
Net profit/(loss) after taxation (Note 2)	0.6	4.7	(1.9)	(14.9)	2.1	16.5

	As at 31 December 2017 (Unaudited)	
	US$ million	equivalent HK$ million
R&D assets (Notes 1 and 3)	20.2	158.6
Property, plant and equipment (Note 1)	5.9	46.3
Inventories (Note 1)	2.9	22.8
Registered Intellectual Property Rights (Note 1)	1.2	9.4
Net asset value (Note 1)	30.5	239.4

Notes:

1. Such information has been examined by the accountants appointed by Telit Communications (the "**Vendors' Accountants**"). An accountants' report on the Target Group prepared in accordance with the requirements under the Listing Rules will be included in the Circular.

2. Such information has not been reviewed by the Vendors' Accountants. An accountants' report on the Target Group prepared in accordance with the requirements under the Listing Rules will be included in the Circular.

3. The R&D assets are the capitalised R&D expenses relating to staff costs and direct development costs attributable to specific products that have entered the "Design-In" phase but have not entered the "SOP" phase which are eligible to be capitalised under IFRS. The R&D assets are amortised on straight-line basis based on the useful life of the products upon the commencement of the "SOP" phase.

Based on the information provided by the Vendors,

(i) the unaudited revenue increased by 1.9% from US$31.3 million (equivalent to approximately HK$245.7 million) in 2015 to US$31.9 million (equivalent to approximately HK$250.4 million) in 2016, which was mainly due to the increased volume of more advanced automotive connectivity modules based on 3.5G and LTE under mass production, which was offset by the declined sales volume of modules based on 2.5G and 3G;

(ii) the unaudited gross profit of the Target Group decreased from US$9.7 million (equivalent to approximately HK$76.1 million) in 2015 to US$9.6 million (equivalent to approximately HK$75.4 million) in 2016 due to the change in mix of products toward 3.5G and above technology which led to an increase in royalties payments;

(iii) the unaudited net profit of the Target Group decreased by approximately US$2.5 million (equivalent to approximately HK$19.6 million) from unaudited net profit of approximately US$0.6 million (equivalent to approximately HK$4.7 million) for the year ended 31 December 2015 to unaudited net loss of approximately US$1.9 million (equivalent to approximately HK$14.9 million) for the year ended 31 December 2016. Such decrease was due to the increased R&D spending, as the Target Group had won various new programs from existing and new customers and incurred R&D expenditure for product development, certification and qualification, which had not yet entered into the mass production phase;

(iv) the unaudited revenue of the Target Group increased by approximately 98.1% from approximately US$31.9 million (equivalent to approximately HK$250.4 million) for the year ended 31 December 2016 to approximately US$63.2 million (equivalent to approximately HK$496.1 million) for the year ended 31 December 2017. The increase was primarily due to the additional demand of products from customers and the start of mass production of modules with customer orders won by the Target Group in 2015 and 2016 in commercial quantities;

(v) the unaudited gross profit of the Target Group increased by approximately 84.4% from approximately US$9.6 million (equivalent to approximately HK$75.4 million) for the year ended 31 December 2016 to approximately US$17.7 million (equivalent to approximately HK$138.9 million) for the year ended 31 December 2017, while the gross profit margin decreased from 30.1% in 2016 to 28.0% in 2017, mainly due to the volume discount provided by the Target Group to its major customers to achieve greater scale of operation. The increase in gross profit was primarily due to the increase in product volumes sold; and

(vi) the Target Group turned around the loss-making position in 2016 and recorded an unaudited net profit before and after taxation of approximately US$2.1 million (equivalent to approximately HK$16.5 million); the increase in net profit in 2017 was driven by significant revenue growth, which was partially offset by the decrease in gross margin and the increase in R&D expenses.

DEFINITIONS

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

"Acquisition" the proposed acquisition of the Sale Shares as contemplated under the Acquisition Agreement

"Acquisition Agreement"the agreement dated 12 July 2018 entered into between the Company, the Vendors and the Target Company in relation to the Acquisition

"ADAS" advanced driving assistance system

"Assets" all specified property, rights and assets of the Reorganisation Sellers or the Target Company or Telit France (owned directly or indirectly) exclusively used in connection with the Business

"Board" the board of Directors

"Business" the development, manufacture and sale of auto grade cellular modules to car OEMs or to Tier 1 suppliers for installation in cars in the assembly line and V2X modules, as carried on collectively by the Target Company, Telit France and the Reorganisation Sellers or the New Subsidiaries immediately prior to the Completion Date

"Business Day" a day that is not a Friday or Saturday or Sunday or a public holiday in England, Hong Kong or Israel

"CAGR" compound annual growth rate

"CCID" CCID Consulting Company Limited, being a company listed on the GEM of the Stock Exchange (stock code: 8235) which engages in the provision of, among other things, consultancy and data information management services

"Circular" a circular required to be despatched by the Company in relation to, among other things, the Acquisition Agreement and the transactions contemplated thereunder pursuant to the Listing Rules

"Circular Long Stop Date" the date falling on five months after the date of the Acquisition Agreement

"Company" TUS International Limited（啟迪國際有限公司）, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 872)

"Completion" the completion of the sale and purchase of all the issued shares of the Target Company pursuant to and in accordance with the Acquisition Agreement

"Completion Accounts" the Completion Cash, the Completion Debt and the Completion Working Capital of the Target Group on a consolidated basis as at the Completion Date, as agreed or determined in accordance with the Acquisition Agreement

"Completion Cash" the aggregate amount of cash (if any) held by or on behalf of the Target Group as at the Completion Date as derived from the Completion Accounts

"Completion Date" the date on which Completion takes place

"Completion Debt" the aggregate amount of debts (if any) of the Target Group and the Shareholder Debt at the Completion Date as derived from the Completion Accounts

"Completion Working Capital" the aggregate value of the current assets of the Target Group excluding items which are part of Completion Cash as at the Completion Date, less the aggregate value of the current liabilities of the Target Group excluding the items which are part of Completion Debt as at the Completion Date, as derived from the Completion Accounts

"connected person(s)" has the meaning ascribed to it under the Listing Rules

"Consideration" the aggregate consideration of US$105 million (equivalent to approximately HK$824.25 million), subject to adjustments at Completion pursuant to the Acquisition Agreement

"Dawin"Dawin (H.K.) Limited（大 榮（ 香港 ）有限公司 ）, a company incorporated in Hong Kong with limited liability, and a Shareholder holding 50,000,000 Shares, representing approximately 4.09% of the issued share capital of the Company, as at the date of this announcement

"Director(s)" director(s) of the Company

"EBITDA" earnings before interest, tax, depreciation and amortisation

"EGM" an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider, and if thought fit, to approve the ordinary resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder

"Enlarged Group" the Group as enlarged by the Acquisition

"Escrow Agent" ABN Amro Bank N.V.

"Excluded Assets" all assets belonging to the Reorganisation Sellers other than the Assets

"Excluded Business" all businesses belonging to the Reorganisation Sellers or the Target Company or Telit France other than the Business

"GPRS" an acronym for General Packet Radio Service, which is a packet oriented mobile data service on the 2G and 3G cellular communication system

"Group" the Company and its subsidiaries

"HK$" Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong" the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Ben Ling" Hong Kong Ben Ling International Industrial Limited（香港奔羚國際實業有限公司）, a company incorporated in Hong Kong with limited liability, whose wholly-owned subsidiary is a Shareholder holding 40,000,000 Shares, representing approximately 3.27% of the issued share capital of the Company, as at the date of this announcement

"IoT" an acronym for Internet of Things, which is the interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data

"IP Licence Agreement" the intellectual property licence and licence back agreement (in the agreed form) to be entered into by and among the Reorganisation Sellers, the Target Company, Telit France and the Company as part of the Reorganisation

"Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date" the date falling on six months after the date of the Acquisition Agreement

"LTE-A" an acronym for Long Term Evolution Advanced, which is a mobile communication standard used on 4G cellular communication systems

"Mr. Cen" Mr. Cen Gangqi, a Shareholder holding 60,000,000 Shares, representing approximately 4.91% of the issued share capital of the Company, as at the date of this announcement

"Mr. Ma" Mr. Ma Chi Kong Karl, the Chairman of the Board and an executive Director, and a Shareholder holding 210,718,000 Shares, representing approximately 17.23% of the issued share capital of the Company, as at the date of this announcement

"Mr. Shen" Mr. Shen Xiao, an executive Director and the president of the Company

"New Subsidiaries" the corporate entities to be newly incorporated in Germany, Korea and Israel each as a direct wholly-owned subsidiary of the Target Company and each as the receiving entity for the transfer of assets and employees from the relevant Reorganisation Sellers in the corresponding jurisdiction, in each case pursuant to the Reorganisation

"OEMs" an acronym for original equipment manufacturers

"PRC" or "China" the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan

"R&D" research and development

"Relevant Shareholders"Mr. Ma, Tuspark Venture, Mr. Shen, Mr. Cen, Hong Kong Ben Ling, Dawin, and Sumchi (and, in respect of Hong Kong Ben Ling and Sumchi, their respective wholly-owned subsidiaries which are or will be holding Shares, as the case may be)

"Reorganisation" the reorganisation in respect of the Target Group as required under the Acquisition Agreement, a summary of which is set out the section headed "Reorganisation" of this announcement

"Reorganisation Agreement" the reorganisation agreement to be entered into by and among the Target Company, the New Subsidiaries and the Reorganisation Sellers in relation to the Reorganisation

"Reorganisation Sellers" certain subsidiaries of Telit Communications, which collectively hold certain of the Assets and the Business as at the date of this announcement

"RMB" Renminbi, the lawful currency of the PRC

"Sale Shares" all the issued shares of the Target Company at Completion

"Share(s)" ordinary share(s) of HK$0.01 each in the share capital of the Company

"Shareholder(s)" the holder(s) of Share(s)

"Shareholder Debt" any financial indebtedness owing, accrued or payable by the Target Group to a member of the Telit Group (other than a member of the Target Group)

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Sumchi" Sumchi International Co., Limited（順啟國際有限公司）, a company incorporated in Hong Kong with limited liability

"Target Company" Telit Automotive Solutions N.V., a company incorporated and registered in the Kingdom of Belgium, which is held as to approximately 99.35% by Telit Communications and approximately 0.65% by Telit Wireless as at the date of this announcement

"Target Group" the Target Company, Telit France and the New Subsidiaries

"Target Working Capital" US$0, being the amount agreed by the parties to be the target working capital of the Target Group at Completion

"Telit Group" Telit Communications and its subsidiaries which, for the avoidance of doubt: (a) prior to Completion, includes the Company, Telit France and the New Subsidiaries (to the extent incorporated/owned); and (b) following Completion, excludes the Company, Telit France and the New Subsidiaries

“Telit Communications” Telit Communications PLC, a public limited company incorporated in England and Wales, the shares of which are listed on the AIM market of the London Stock Exchange (stock code: TCM)

“Telit France” Telit Automotive Solutions S.a.r.l., a company incorporated in France with limited liability

“Telit Wireless” Telit Wireless Solutions S.R.L, a company incorporated and registered in Italy, which is a subsidiary of Telit Communications

“Transfer Costs”any taxes up to a maximum of US$500,000 relating to the Reorganisation to the extent that such taxes would normally fall to the Company; and any amounts incurred by the Target Company, Telit France or the Reorganisation Sellers at the request or with the consent of the Company

“Transferring Employees” certain employees of the Reorganisation Sellers who will commence employment with the Target Company, Telit France or a New Subsidiary in connection with the Reorganisation

“Transitional Services Agreement” the transitional services agreement (in the agreed form) to be entered into by certain Reorganisation Sellers and the Target Company in relation to the provision of certain information technology services and other transitional services by such Reorganisation Sellers to the Target Group

“Tuspark Venture” Tuspark Venture Investment Ltd.（啟迪創投有限公司）, a company incorporated in the British Virgin Islands with limited liability, and a Shareholder holding 212,490,802 Shares, representing approximately 17.37% of the issued share capital of the Company, as at the date of this announcement

“US” the United States of America

“US$” United States dollars, the lawful currency of the US

“V2X” an acronym for vehicle-to-everything communication technology, which is a form of wireless technology that allows the passing of information from a vehicle to any entity that may affect the vehicle, or vice versa

“Vendors” Telit Communications and Telit Wireless

“2G” an acronym for Second-Generation Cellular technology, being the second generation of wireless mobile telecommunication technology

“3G” an acronym for Third-Generation Wireless System, being the third generation of wireless mobile telecommunication technology

“3.5G” an enhanced 3G mobile communications protocol, being an interim mobile communication system between 3G and 4G

“4G” an acronym for Fourth-Generation Wireless System, being the fourth generation of broadband cellular network technology succeeding 3G

“5G” an acronym for fifth generation of mobile communication standards, the proposed next communications standard beyond 4G

“%” per cent.

In this announcement, for illustration purposes only, US$ has been converted into HK$ at the rate of US$1.00: HK$7.85 and RMB has been converted into HK$ at the rate of RMB1.00: HK$1.19. No representation is made that any amounts of US$ or HK$ have been, could have been or could be converted at the above rate or at any other rate or at all.