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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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**TECHNOVATOR INTERNATIONAL LIMITED**  
**同方泰德國際科技有限公司\***  
*(incorporated in Singapore with limited liability)*  
**(Stock Code: 1206)**

**REVISION OF EXISTING ANNUAL CAPS FOR 2013,  
NEW SALES AGREEMENT AND  
NEW PURCHASE AGREEMENT  
IN RELATION TO  
CERTAIN CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders



A notice convening the extraordinary general meeting ("EGM") of the Company to be held on 27 August 2013 at 10:00 a.m. at 66 Tannery Lane, #04-10/10A, Sindo Industrial Building, Singapore 347805, is set out on pages 39 to 40 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Affiliate”	means any individual, partnership, corporation, trust or other entity that directly or indirectly controls, or is controlled by, or is under common control with, such individual, partnership, corporation, trust or other entity, where control means the direct or indirect ownership of 10% or more of the outstanding shares or other ownership interests having ordinary voting power to elect directors or the equivalent
“Announcement”	the announcement dated 8 August 2013 in relation to, among others, the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps
“Articles of Association”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Technovator International Limited, a limited liability company incorporated in Singapore on 25 May 2005 and the issued securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of Company to be convened to approve, among other things, the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder
“Existing Purchase Agreement”	the purchase agreement dated 9 February 2011 entered into between Technovator Beijing and Tongfang, as amended on 19 August 2011

## DEFINITIONS

“Existing Sales Agreement”	the sales agreement dated 9 February 2011 entered into between Technovator Beijing and Tongfang, as amended on 19 August 2011
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee appointed by the Board, consisting of Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, being all the independent non-executive Directors, to advise the Independent Shareholders in respect of the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) the Directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates, and not otherwise a connected person of the Company
“Latest Practicable Date”	8 August 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions of Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
“New Purchase Agreement”	the purchase agreement dated 8 August 2013 entered into between Technovator Beijing and Tongfang
“New Sales Agreement”	the sales agreement dated 8 August 2013 entered into between Technovator Beijing and Tongfang

## DEFINITIONS

“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	proposed annual caps for the continuing connected transactions contemplated under the New Sales Agreement and the New Purchase Agreement
“Prospectus”	the prospectus of the Company dated 17 October 2011
“Resuccess”	Resuccess Investments Limited, an investment holding company incorporated in the British Virgin Islands on 30 March 2004 and a wholly-owned subsidiary of Tongfang
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“Technovator Beijing”	同方泰德國際科技(北京)有限公司 (TongFang Technovator Int (Beijing) Co., Ltd*), a wholly foreign-owned enterprise established in the PRC on 7 August 2006 and a wholly-owned subsidiary of the Company
“Tongfang”	同方股份有限公司 (Tsinghua Tongfang Co., Ltd*), formerly known as 清華同方股份有限公司 (Tsinghua Tongfang Company Limited*), a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所)
“Tongfang Group”	Tongfang, its subsidiaries and their respective associates and Affiliates, from time to time, (excluding the Group)
“USD”	United States dollars, the lawful currency of the United States
“Waiver”	the waiver granted at the time of the listing of the Shares in 2011 by the Stock Exchange to the Company from strict compliance with the announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for the non-exempt continuing connected transactions of the Company
“%”	per cent.
“*”	for identification purpose only

## ROUNDING

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.



**TECHNOVATOR INTERNATIONAL LIMITED**

**同方泰德國際科技有限公司\***

*(incorporated in Singapore with limited liability)*

**(Stock Code: 1206)**

*Executive Directors*

Mr. Zhao Xiaobo

Mr. Seah Han Leong

*Non-executive Directors*

Mr. Lu Zhicheng

Dr. Li Jisheng

Mr. Liu Tianmin

Mr. Ng Koon Siong

*Independent Non-executive Directors*

Mr. Fan Ren Da Anthony

Mr. Chia Yew Boon

Ms. Chen Hua

*Registered Office*

66 Tannery Lane

#04-10/10A

Sindo Industrial Building

Singapore 347805

*Principal place of business in Hong Kong*

Unit 1602-03, Tower 1

China HK City

33 Canton Road

Tsim Sha Tsui, Kowloon

Hong Kong

9 August 2013

*To the Shareholders*

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAPS FOR 2013,  
NEW SALES AGREEMENT AND  
NEW PURCHASE AGREEMENT  
IN RELATION TO  
CERTAIN CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with further information regarding details of the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and a notice convening the EGM.

\* For identification purpose only

## LETTER FROM THE BOARD

### BACKGROUND

Reference is made to the Prospectus in relation to, among others, the continuing connected transactions between Technovator Beijing and Tongfang under the Existing Sales Agreement and the Existing Purchase Agreement.

As disclosed in the Prospectus, on 9 February 2011, Technovator Beijing and Tongfang entered into:

- (1) the Existing Sales Agreement, pursuant to which Technovator Beijing agreed to sell or procure such other parties agreed by Tongfang to sell integrated building automation and energy management systems to Tongfang from 9 February 2011 to 8 February 2014; and
- (2) the Existing Purchase Agreement, pursuant to which Tongfang agreed to sell or procure such other parties agreed by Technovator Beijing to sell cables and peripheral equipments to Technovator Beijing from 9 February 2011 to 9 February 2014.

At the time of the listing of the Shares on the Stock Exchange in 2011, the Stock Exchange granted the Waiver to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the non-exempt continuing connected transactions of the Company.

Pursuant to the Waiver, the transactions contemplated under the Existing Sales Agreement and the Existing Purchase Agreement are subject to the annual caps for the years ended 31 December 2011 and 2012, and for the year ending 31 December 2013.

With the continued development of the business of the Group and based on the 30% forecasted growth in the sales revenue in the building energy-saving industry as set out in the 12th Five Year Plan issued by the State Council of the PRC, the Board anticipates that there will be a corresponding increase in sales from the Group to the Tongfang Group and a corresponding increase in purchases by the Group from the Tongfang Group such that the existing annual caps for the Existing Sales Agreement and the Existing Purchase Agreement for the year ending 31 December 2013 will not be able to satisfy the operational needs of the Group and the Tongfang Group for the year ending 31 December 2013. Accordingly, Technovator Beijing and Tongfang agreed to terminate the Existing Sales Agreement and the Existing Purchase Agreement, and entered into the New Sales Agreement and the New Purchase Agreement with the Proposed Annual Caps for the years ending 31 December 2013, 2014 and 2015.



## LETTER FROM THE BOARD

### THE NEW SALES AGREEMENT

The New Sales Agreement was entered into on 8 August 2013 between Technovator Beijing and Tongfang to terminate the Existing Sales Agreement with a new term of three years from 1 January 2013 to 31 December 2015 and annual caps for the years ending 31 December 2013, 2014 and 2015, being RMB240 million, RMB300 million and RMB360 million, respectively.

#### Principal Terms

- Date: 8 August 2013
- Parties: (1) Technovator Beijing  
(2) Tongfang
- Term: Three years from 1 January 2013 to 31 December 2015, unless terminated by either party upon giving the other party three months' written notice.
- Subject matter: Technovator Beijing agreed to sell or procure such other parties agreed by Tongfang, including members of the Group, to sell building energy-saving solutions, control security systems and fire alarm systems to the Tongfang Group.
- Consideration and Payment: The price at which the Group sells such products to the Tongfang Group will be determined based on normal commercial terms after arm's length negotiation.
- When negotiating the price, the Group will make reference to the following factors:
- (i) the prevailing market rate determined based on:
    - (a) the price of similar products used in similar scale and nature of projects offered by the Group and accepted by Independent Third Party customers (the "Comparable Sales Transactions") during a period of 12 months prior to the relevant transaction with the Tongfang Group (the "12-Month Sales Period") (if any), including but not limited to the most recent relevant transactions offered by the Group and accepted by Independent Third Party customers; and

## LETTER FROM THE BOARD

- (b) if there are no Comparable Sales Transactions within the 12-Month Sales Period, the price of similar products used in similar scale and nature of products offered by the Group and accepted by Independent Third Party customers any time prior to the 12-Month Sales Period, including but not limited to the most recent relevant transactions offered by the Group and accepted by Independent Third Party customers, and taking into account the latest market and competitor information available to the Group at the time of the relevant transaction with the Tongfang Group;
- (ii) length of the contracts; and
- (iii) the type, design and expected costs of the products.

In any event, the price offered to the Tongfang Group should be no less favourable to the Group than that offered by the Group to Independent Third Party customers for products of a similar type, scale and nature of projects and length of contracts.

The payment terms for the products will be set out in separate sales contracts, shall be on normal commercial terms, and determined with reference to prevailing market practices.

Depending on the product type, scale and length of contracts, the payment term may include a deposit and/or instalments which may be payable at the completion of different stages of the contract or after certain deliverables are available or after certain milestones are reached.

In any event, the payment terms should be no less favorable to the Group than those offered by the Group to Independent Third Party customers for products of a similar type, scale and length of contracts.

## LETTER FROM THE BOARD

As an active market participant, the Group will through market analysis, market research, feedback from customers and interactions with other market participants obtain sufficient market intelligence to enable them to ascertain the prevailing market rate and practices as well as the latest market and competitor information at any point in time. The Company will also continue to take steps to keep themselves abreast of market developments through maintaining a team of experienced sales and marketing personnel focusing on different regions and cities throughout the PRC.

Effectiveness: The New Sales Agreement will become effective upon the Company obtaining all approvals and resolutions as required under the Listing Rules.

### Historical, Existing and Proposed Annual Caps

Historical Transaction Amounts: During each of the years ended 31 December 2011 and 2012, the Group sold products under the Existing Sales Agreement to the Tongfang Group in the amount of approximately RMB70 million and RMB86.7 million, respectively.

During the five months from 1 January 2013 to 31 May 2013, the Group sold products under the Existing Sales Agreement to the Tongfang Group in the amount of approximately RMB38.4 million.

Existing Annual Cap for 2013: The existing annual cap under the Existing Sales Agreement for the year ending 31 December 2013 is RMB85 million.

Proposed Annual Caps for 2013 to 2015: The Directors estimate that the proposed annual sales under the New Sales Agreement for the three years ending 31 December 2015 will not exceed RMB240 million, RMB300 million and RMB360 million, respectively.

### Reasons for the Proposed Annual Caps

In arriving at the Proposed Annual Cap for 2013, the Company has taken into account the following:

- (i) the aforementioned 30% forecasted growth in the building energy-saving market in China and the expected corresponding growth in the Group's business and sales (including those made to the Tongfang Group);

## LETTER FROM THE BOARD

- (ii) favourable national policies such as the 12th Five Year Plan in the PRC which require new buildings in first-tier cities generally to comply with a minimum energy-saving standard and existing buildings to be renovated to make them consume less energy and more energy-efficient and “The Chinese Green Building Movement Plan” whereby subsidy is provided for having green buildings. These policies have increased the awareness of efficiency of energy-savings in buildings and stimulated demand for energy-saving solutions in the PRC, resulting in increased business for the Group and corresponding increase in sales to the Tongfang Group;
- (iii) release of operating tax exemptions for energy management servicing companies in the PRC, VAT exemptions for building equipment owners and corporate tax exemptions for energy management servicing companies in the first three years of operations after they have signed up for the scheme and half the normal rate for the following three years, which have encouraged growth in the energy management industry and increased sales of energy saving solutions (including those to the Tongfang Group);
- (iv) estimated sales from the Group to the Tongfang Group under the Karamay BT Contract (details of which have been set out in the announcement of the Company dated 26 March 2013) in the second half of 2013;
- (v) actual and increasing sales from the Group to the Tongfang Group during the historical periods, in particular, for the year ended 31 December 2012, which was in line with the revenue growth of Technovator Beijing during the relevant periods; and
- (vi) the sales to the Tongfang Group recognised subsequent to 31 December 2012 and up to 31 May 2013 amounted to approximately RMB38.4 million, representing approximately 45% of the existing annual cap for 2013. The Directors expect that demand will gradually increase in the later part of the year based on their past experience and that the existing annual cap for 2013 will be used up by the end of August 2013.

The annual caps for 2014 and 2015 were determined based on, among other things, the historical transaction amounts, the projected increase in sales from the Group to the Tongfang Group in respect of 2014 and 2015 based on the 30% forecasted growth in the building energy-saving industry and the expected demand for the Group’s products from the Tongfang Group, in particular, the anticipation that the Group will be engaged as a provider of building energy-saving products for projects of similar scale to that of Karamay BT Contract in 2014 and 2015.

The Directors, including the independent non-executive Directors, consider that the New Sales Agreement was entered into on normal commercial terms, in the ordinary and usual course of business, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### THE NEW PURCHASE AGREEMENT

The New Purchase Agreement was entered into on 8 August 2013 between Technovator Beijing and Tongfang to terminate the Existing Purchase Agreement with a new term of three years from 1 January 2013 to 31 December 2015 and annual caps for the years ending 31 December 2013, 2014 and 2015, being RMB120 million, RMB150 million and RMB180 million, respectively.

#### Principal Terms

- Date: 8 August 2013
- Parties: (1) Technovator Beijing  
(2) Tongfang
- Term: Three years from 1 January 2013 to 31 December 2015, unless terminated by either party upon giving the other party three months' written notice.
- Subject matter: Tongfang agreed to sell or procure such other parties agreed by Technovator Beijing, including members of the Tongfang Group, to sell cables and peripheral equipments (primarily LED lighting systems) to the Group.
- Consideration and Payment: The price of such raw materials supplied by the Tongfang Group to the Group will be determined based on normal and commercial terms after arm's length negotiations, with reference to the prevailing market price of similar raw materials at the time of a particular transaction, and in any event no less favourable to the Group than those offered by Independent Third Party suppliers to the Group.
- The market rate of the raw materials is to be ascertained based on the prevailing market price of the raw materials determined based on:
- (a) the price of similar raw materials used in similar scale and nature of projects offered by Independent Third Party suppliers and accepted by the Group (the "Comparable Purchase Transactions") during a period of 12 months prior to the relevant transaction with the Tongfang Group (the "12-Month Purchase Period") (if any), including but not limited to the most recent relevant transactions accepted by the Group and Independent Third Party suppliers; and

## LETTER FROM THE BOARD

- (b) if there are no Comparable Purchase Transactions within the 12-Month Purchase Period, the price of similar products used in similar scale and nature of products offered by Independent Third Party suppliers and accepted by the Group any time prior to the 12-Month Purchase Period including but not limited to the most recent relevant transactions accepted by the Group and Independent Third Party suppliers, and taking into account the latest market and Independent Third Party supplier information available to the Group at the time of the relevant transaction with the Tongfang Group.

The payment terms for purchase of the raw materials will be set out in separate purchase contracts and shall be on normal commercial terms.

When determining the payment terms, the Group will make reference to prevailing market practices determined based on:

- (a) the terms for similar scale and nature of projects offered by Independent Third Party suppliers and accepted by the Group during the 12-Month Purchase Period prior to the relevant transaction with the Tongfang Group (if any), including but not limited to the most recent relevant transactions accepted by the Group and Independent Third Party suppliers; and
- (b) if there are no Comparable Purchase Transactions within the 12-Month Purchase Period, the terms of similar products used in similar scale and nature of products offered by Independent Third Party suppliers and accepted by the Group any time prior to the 12-Month Purchase Period, including but not limited to the most recent relevant transactions accepted by the Group and Independent Third Party suppliers, and taking into account the latest market and Independent Third Party supplier information available to the Group at the time of the relevant transaction with the Tongfang Group.

In any event, the payment terms should be no less favorable to the Group than those offered by Independent Third Party suppliers to the Group.

## LETTER FROM THE BOARD

As an active market participant, the Group will through market analysis, market research, quotations obtained from other Independent Third Party suppliers and interactions with other market participants obtain sufficient market intelligence to enable them to ascertain the prevailing market rate and practices as well as the latest market and Independent Third Party supplier information at any point in time. The Company will also continue to take steps to keep themselves abreast of market developments through maintaining a team of experienced procurement personnel focusing on different regions and cities throughout the PRC.

Effectiveness: The New Purchase Agreement will become effective upon the Company obtaining all approvals and resolutions as required under the Listing Rules.

### **Historical, Existing and Proposed Annual Caps**

Historical Transaction Amounts: During the years ended 31 December 2011 and 2012, the Group purchased such raw materials under the Existing Purchase Agreement from the Tongfang Group in the amount of approximately RMB13 million and RMB8.9 million, respectively.

During the five months from 1 January 2013 to 31 May 2013, the Group purchased such raw materials under the Existing Purchase Agreement from the Tongfang Group in the amount of approximately RMB6.4 million.

Existing Annual Cap for 2013: The existing annual cap under the Existing Purchase Agreement for the year ending 31 December 2013 is RMB21 million.

Proposed Annual Caps for 2013 to 2015: The Directors estimate that the proposed annual purchase under the New Purchase Agreement for the three years ending 31 December 2015 will not exceed RMB120 million, RMB150 million and RMB180 million, respectively.

### **Reasons for the Proposed Annual Caps**

In arriving at the Proposed Annual Cap for 2013, the Company has taken into account the following:

- (i) the aforementioned 30% forecasted growth in the building energy-saving market in China and the expected corresponding increase in the size of the energy-saving projects to be undertaken by the Group;

## LETTER FROM THE BOARD

- (ii) tremendous increase in demand in the building energy-saving market in China as a result of favourable national policies such as 12th Five Year Plan and tax treatments in the PRC and “The Chinese Green Building Movement Plan” whereby subsidy is provided for having green buildings. These policies have increased the awareness of the efficiency of energy-savings in buildings and stimulated demand for energy-saving solutions in the PRC, resulting in increased business for the Group and corresponding increase in purchases from the Tongfang Group;
- (iii) estimated purchases from the Tongfang Group for the Group’s needs for energy-saving projects in the second half of 2013 based on the current project pipelines;
- (iv) actual purchases by the Group from the Tongfang Group during historical periods. Amount of purchases from the Tongfang Group in 2012 decreased as compared to 2011 because the Group acquired more raw materials in 2011 in anticipation of securing sufficient supply for potential large projects; and
- (v) the amount of purchase orders placed by the Group with the Tongfang Group subsequent to 31 December 2012 and up to 31 May 2013, which amounted to approximately RMB6.4 million, representing approximately 30.3% of the existing annual cap for 2013. The Directors expect that the amount of purchase orders placed by the Group will gradually increase in the later part of the year based on their past experience.

The annual caps for 2014 and 2015 were determined based on, among other things, the historical transaction amounts, the projected increase of purchases to be made from the Tongfang Group by the Group in respect of 2013, 2014 and 2015, based on the 30% forecasted growth in the building energy-saving industry, the current production capacities of the Group’s PRC manufacturing facility and the estimated purchase requirement based on the Group’s current project pipelines.

The Directors, including the independent non-executive Directors, consider that the New Purchase Agreement was entered into on normal commercial terms, in the ordinary and usual course of business, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **REASONS AND BENEFITS FOR THE NEW SALES AGREEMENT AND THE NEW PURCHASE AGREEMENT**

The Tongfang Group has been an important customer and supplier of the Group. Tongfang is listed on the Shanghai Stock Exchange and is a leading contractor in the “intelligent building” construction market of the PRC. The sales of products to the Tongfang Group has a positive contribution to the operating revenue of the Group. The Tongfang Group has proven to be reliable supplier to the Group at competitive prices which is important to the operations and business of the Group. The Group has benefited from working with the Tongfang Group. Given the mutual beneficial relationship between



## LETTER FROM THE BOARD

the Group and the Tongfang Group, and the fact that the Tongfang Group's businesses are important to the Group, the Company considers that the New Sales Agreement and the New Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As at the date of this circular, Tongfang directly and indirectly through Resuccess held approximately 32.98% of the issued Shares of the Company. Tongfang is a controlling shareholder of the Company and is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Accordingly, the transactions between the Group and the Tongfang Group under the New Sales Agreement and the New Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.36 of the Listing Rules, if an annual cap is exceeded in respect of a given transaction or when the relevant agreement is renewed or there is a material change to the terms of the agreement, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules. In the circumstances, the Company will re-comply with the reporting, announcement and independent shareholders approval requirements in relation to the continuing connected transactions under the New Sales Agreement and the New Purchase Agreement.

As certain applicable percentage ratios for the Proposed Annual Caps in respect of the New Sales Agreement and the New Purchase Agreement for the years ending 31 December 2013, 2014 and 2015 exceed 5% on an annual basis, the transactions between the Group and the Tongfang Group under the New Sales Agreement and the New Purchase Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will monitor the transaction amount under the New Sales Agreement and New Purchase Agreement from time to time. If the actual amount of transactions contemplated under the New Sales Agreement and the New Purchase Agreement exceeds the corresponding Proposed Annual Caps disclosed, the Company will be required to comply with the applicable requirements under Chapter 14A of the Listing Rules.

As the transactions under the New Sales Agreement and the New Purchase Agreement are transactions of a revenue nature in the ordinary and usual course of business of the Company, these transactions do not constitute transactions under Chapter 14 of the Listing Rules.

### INFORMATION ABOUT THE GROUP AND TECHNOVATOR BEIJING

The Group is principally engaged in the business of provision of building energy management and solution services.

Technovator Beijing is a wholly-owned subsidiary of the Company, and is principally engaged in the design, manufacturing and marketing of building automation solutions.

## LETTER FROM THE BOARD

### INFORMATION ABOUT TONGFANG

Tongfang is a joint stock limited company incorporated in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所). It is principally engaged in supplying different products and services for a wide range of industries including but not limited to, the information media, energy and environment industries.

### EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 39 to 40 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder.

None of the Directors has a material interest in the New Sales Agreement and the New Purchase Agreement and has abstained from voting on the Board resolutions for approving the New Sales Agreement and the New Purchase Agreement.

Any connected persons or Shareholders with a material interest in the New Sales Agreement, New Purchase Agreement or the transactions as contemplated thereunder or their respective associates shall abstain from voting at the EGM. In view of the interests of Tongfang, Tongfang and its associates (i.e. including Resuccess) will abstain from voting at the EGM on resolutions to approve the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time for holding of the EGM or adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM or any adjourned meeting thereof should the Shareholders so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM must be taken by poll.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, being all the independent non-executive Directors, has been formed to consider the terms of the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and to advise the Independent Shareholders on the same. Optima Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

## LETTER FROM THE BOARD

Your attention is also drawn to the letter from Optima Capital as set out on pages 20 to 33 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps).

### RECOMMENDATION

The Directors, including the independent non-executive Directors, after taking into account the advice from Optima Capital, consider that the transactions under the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

By order of the Board  
**Technovator International Limited**  
**Lu Zhicheng**  
*Chairman*



**TECHNOVATOR INTERNATIONAL LIMITED**

**同方泰德國際科技有限公司\***

*(incorporated in Singapore with limited liability)*

**(Stock Code: 1206)**

9 August 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAPS FOR 2013,  
NEW SALES AGREEMENT  
AND  
NEW PURCHASE AGREEMENT  
IN RELATION TO  
CERTAIN CONTINUING CONNECTED TRANSACTIONS**

We refer to the Announcement and the circular dated 9 August 2013 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise. We, being the independent non-executive Directors, have been appointed as the Independent Board Committee to advise you as a Shareholder in connection with the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps, details of which are set out in the Letter from the Board contained in the Circular.

Having considered the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps, and the advice and opinion of, and the factors and reasons considered by Optima Capital in relation thereto as set out on pages 20 to 33 of the Circular, we are of the opinion that (i) the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) are in the ordinary and usual course of business of the Company, on normal commercial terms and that the terms of the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the transactions under the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in

\* For identification purpose only

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

favour of the resolutions to be proposed at the EGM to approve the New Sales Agreement and the New Purchase Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder.

Your faithfully

Independent Board Committee

**Mr. Fan Ren Da Anthony**

**Mr. Chia Yew Boon**

**Ms. Chen Hua**

*Independent non-executive Directors*

## LETTER FROM OPTIMA CAPITAL

*The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**OPTIMA CAPITAL LIMITED**  
Suite 1501, 15th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

9 August 2013

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs/Madam,

### **REVISION OF EXISTING ANNUAL CAPS FOR 2013, NEW SALES AGREEMENT AND NEW PURCHASE AGREEMENT IN RELATION TO CERTAIN CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Sales Agreement and the New Purchase Agreement entered into between Technovator Beijing and Tongfang, and the Proposed Annual Caps for which the Independent Shareholders' approval is being sought. Details of the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps are set out in the letter from the Board (the "Letter") contained in the circular of the Company to the Shareholders dated 9 August 2013 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

As at the Latest Practicable Date, Tongfang is the controlling Shareholder, directly and indirectly through Resuccess, holding 172,000,000 Shares, representing approximately 32.98% of the entire issued share capital of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As disclosed in the Announcement, Technovator Beijing entered into the New Sales Agreement and the New Purchase Agreement with Tongfang and the transactions contemplated thereunder constitute continuing connected transactions of the Company which, together with the Proposed Annual Caps, are subject to the Independent Shareholders' approval at the EGM under Chapter 14A of the Listing Rules. Tongfang and its associates (including Resuccess) shall abstain from voting at the EGM on the resolution(s) approving the New Sales Agreement, the New Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

## LETTER FROM OPTIMA CAPITAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, has been established to make recommendation to the Independent Shareholders as to whether the terms of the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of this letter. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice, we have taken into account the principal factors and reasons set out below:

#### **1. Principal business of the Group, Technovator Beijing and Tongfang**

The Group is principally engaged in the business of provision of building energy management and solution services. Technovator Beijing is a wholly-owned subsidiary of the Company, which is principally engaged in the design, manufacturing and marketing of building automation solutions in the PRC. The products of the Group are principally supplied to customers related to the building construction industries.

Tongfang is principally engaged in supplying different products and services for a wide range of industries including but not limited to the information media, energy and environment industries. One of the divisions of Tongfang, namely “Digital City” Division, is principally engaged as a system integrator to contracting business for city-railed transportation control systems, city-wide district heating systems and extra low voltage systems in buildings. Tongfang also offers a wide range of products among its other divisions such as cables, peripheral equipment, resistors, capacitors, chips, connectors, indicators, printed circuit boards and transformers. The shares of Tongfang are listed on the Shanghai Stock Exchange.

## LETTER FROM OPTIMA CAPITAL

### 2. Background to and reasons for the New Sales Agreement and the New Purchase Agreement

As disclosed in the Prospectus, the history of the Group can be traced back to 2005 when Tongfang and an executive Director established the Company with a view to conducting the current business of the Group, in particular the provision of building-related automation system and energy management system related products and solution services. Since the establishment of the Group, the Group has been supplying its products to the “Digital City” Division of Tongfang and sourcing peripheral products as raw materials from other divisions of Tongfang.

Technovator Beijing and Tongfang entered into the Existing Sales Agreement on 9 February 2011 (which was then amended on 19 August 2011), pursuant to which Technovator Beijing agreed to sell or procure such other parties agreed by the Tongfang Group to sell its products (the “Products”), which included building energy-saving solutions, control security systems and fire alarm, to the Tongfang Group (the “Connected Sales”) for a period from 9 February 2011 up to 8 February 2014. Technovator Beijing and Tongfang also entered into the Existing Purchase Agreement on 9 February 2011 (which was then amended on 19 August 2011), pursuant to which Tongfang agreed to supply or procure such other parties agreed by Technovator Beijing to supply cables and peripheral equipment (the “Raw Materials”), which are raw materials used by Technovator Beijing in its production process, to the Group (the “Connected Purchases”) for a period from 9 February 2011 up to 8 February 2014. As disclosed in the Prospectus, the Company has applied for and has received from the Stock Exchange a waiver from strict compliance with the announcement and/or independent shareholders’ approval requirements for the Connected Sales and Connected Purchases subject to the annual amount of the Connected Sales and Connected Purchases not exceeding the respective annual caps set out in the Prospectus. These annual caps (the “Original Caps”) and the actual transaction amounts for the Connected Sales and Connected Purchases during 2011 to 2013 are set out below:

#### Connected Sales

	<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Original Caps	73	88	85
Actual transaction amount	70	87	38.4 <i>(Note)</i>



## LETTER FROM OPTIMA CAPITAL

### Connected Purchases

	<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Original Caps	13	16	21
Actual transaction amount	13	8.9	6.4
			<i>(Note)</i>

*Note:* These represent the actual amount of the Connected Sales and Connected Purchases for the five months ended 31 May 2013.

As disclosed above, the actual transaction amounts for the Connected Sales and Connected Purchases in the past two years were close to the respective Original Caps, except that in the year ended 31 December 2011, more Raw Materials have been purchased in advance for use in the following year, resulting in a lower transaction amount of the Connected Purchases in the year ended 31 December 2012. The actual transaction amounts of the Connected Sales and Connected Purchases for the five months ended 31 May 2013 accounted for approximately 45.2% and 30.5% of the respective Original Caps. Based on past experience that the customers of the Group (including Tongfang) would usually conduct planning and commence bidding for projects at the beginning of each year and would proceed with the projects towards the later part of the year, the Directors expect larger demand for the Products from the customers (including Tongfang) in the second half of the year. In view of the development of the PRC market and the expected increase in business with the Tongfang Group as explained in the paragraph headed "Basis of the Proposed Annual Caps" below, it is expected that the Original Caps for the year ending 31 December 2013 may be exceeded. To facilitate the Group's continued business with the Tongfang Group in compliance with the Listing Rules, the New Sales Agreement and the New Purchase Agreement were entered into between Technovator Beijing and Tongfang on 8 August 2013 to (i) replace the Existing Sales Agreement and the Existing Purchase Agreement; (ii) extend the term originally covered by the Existing Sales Agreement and the Existing Purchase Agreement to 31 December 2015; and (iii) revise the annual caps of the Connected Sales and Connected Purchases for the year ending 31 December 2013 and set the proposed annual caps of the Connected Sales and Connected Purchases for each of the two years ending 31 December 2015 (i.e. the Proposed Annual Caps).

In view of (i) the respective principal business activities of the Group and Tongfang; and (ii) the historical transactions under the Existing Sales Agreement and the Existing Purchase Agreement, we consider that the entering into of the New Sales Agreement and the New Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole.

## LETTER FROM OPTIMA CAPITAL

### 3. Principal terms of the New Sales Agreement and the New Purchase Agreement

#### The New Sales Agreement

The principal terms of the New Sales Agreement are set out as follows:

- Term: From 1 January 2013 to 31 December 2015
- Subject matter: Technovator Beijing agreed to sell or procure other parties (including members of the Group) to sell the Products to the Tongfang Group
- Pricing: To be determined based on normal commercial terms after arm's length negotiation, with reference to the following factors: (i) the prevailing market rate determined based on the prices of similar products used in projects of similar scale and nature which were offered by the Group to and accepted by customers who are Independent Third Parties in the last twelve months prior to the relevant transaction with the Tongfang Group (i.e. the 12-Month Sales Period) (including but not limited to the most recent relevant transactions offered by the Group and accepted by the customers who are Independent Third Parties), if any, or if no such transactions available, the prices of similar products used in projects of similar scale and nature which were offered by the Group to customers who are Independent Third Parties any time prior to the 12-Month Sales Period (including but not limited to the most recent relevant transactions offered by the Group and accepted by the customers who are Independent Third Parties) taking into account latest market and competitor information available to the Group at the time of the relevant transaction; (ii) length of contracts; and (iii) the type, design and expected costs of the Products, and in any event no less favourable to the Group than those offered by the Group to customers who are Independent Third Parties
- Payment terms: The payment terms for the Products as stated in the separate sales contracts shall be on normal and commercial terms, and determined with reference to prevailing market practices. Depending on the Product type, scale and length of contracts, the payment terms may include deposit and/or settlement in instalments, for instance, after certain deliverables are available and/or after certain milestones of the separate sales contracts are reached. In any event, the payment terms should be no less favourable to the Group than those offered by the Group to customers who are Independent Third Parties

## LETTER FROM OPTIMA CAPITAL

### The New Purchase Agreement

The principal terms of the New Purchase Agreement are set out as follows:

- Term: From 1 January 2013 to 31 December 2015
- Subject matter: Tongfang agreed to sell or procure such other parties agreed by Technovator Beijing, including members of the Tongfang Group, to sell the Raw Materials to the Group
- Pricing: To be determined based on normal and commercial terms after arm's length negotiation, with reference to the prevailing market rate of similar Raw Materials at the time of particular transaction, and in any event no less favourable to the Group than those offered by suppliers who are Independent Third Parties to Technovator Beijing

As noted from the Letter, the prevailing market rate of the Raw Materials is to be ascertained based on the price of the Raw Materials used in projects of similar scale and nature offered by the suppliers who are Independent Third Parties and accepted by the Group in the last twelve months prior to the relevant transaction with the Tongfang Group (i.e the 12-Month Purchase Period) (including but not limited to the most recent relevant transactions accepted by the Group and the suppliers who are Independent Third Parties), if any, or if no such transactions available, the prices of the Raw Materials used in similar scale and nature of projects offered by the suppliers who are Independent Third Parties and accepted by the Group any time prior to the 12-Month Purchase Period (including but not limited to the most recent relevant transactions accepted by the Group and the suppliers who are Independent Third Parties) taking into account latest market and independent suppliers information available to the Group at the time of the relevant transaction

## LETTER FROM OPTIMA CAPITAL

Payment terms: The payment terms for the Raw Materials as stated in separate purchase contracts shall be on normal and commercial terms, determined with reference to prevailing market practices and the terms of purchases of Raw Materials for projects of similar scale and nature which are offered by suppliers who are Independent Third Parties and accepted by the Group during the 12-Month Purchase Period (including but not limited to the most recent relevant transactions accepted by the Group and the suppliers who are Independent Third Parties), if any, or if no such transactions available, the terms of the Raw Materials used in similar scale and nature of projects offered by the suppliers who are Independent Third Parties and accepted by the Group any time prior to the 12-Month Purchase Period (including but not limited to the most recent relevant transactions accepted by the Group and the suppliers who are Independent Third Parties) taking into account latest market and independent suppliers information available to the Group at the time of the relevant transaction. In any event, the payment terms should be no less favourable to the Group than those offered by suppliers who are Independent Third Parties

The New Sales Agreement and the New Purchase Agreement set out the fundamental principles on which future Connected Sales and Connected Purchases will be conducted which are similar to the Existing Sales Agreement and Existing Purchase Agreement respectively. In particular, the terms of the Connected Sales and Connected Purchases (including pricing and payment terms) must be determined with reference to prevailing market terms and no less favourable to the Group than those available to/from Independent Third Parties. The Company confirmed that the abovementioned procedures to be taken by the Group to ascertain the prevailing market terms of the Products and Raw Materials under the New Sales Agreement and the New Purchase Agreement are identical to the existing practices adopted by the Group.

We have reviewed the letters issued by KPMG, being the auditors of the Company, on their review of the Connected Sales and Connected Purchases during the financial years ended 31 December 2011 and 2012. We have also discussed with KPMG on the scope of work performed and their findings of the review. We understand that KPMG have made inquiries, primarily of persons responsible for financial and accounting matters of the Company, applied analytical and other review procedures and compared contracts with the Tongfang Group and contracts with Independent Third Parties of similar

## LETTER FROM OPTIMA CAPITAL

Products/Raw Materials on a sample basis where they considered appropriate to form their view. KPMG confirmed that, among other things, nothing has come to the attention of KPMG that causes them to believe that (i) the Connected Sales and Connected Purchases of each of the two years ended 31 December 2011 and 2012 were not, in all material respects, in accordance with the pricing policies of the Group; and (ii) the Connected Sales and Connected Purchases of each of the two years ended 31 December 2011 and 2012 were not entered into, in all material respects, in accordance with the respective relevant agreements governing the Connected Sales and Connected Purchases.

Having considered the typical project cycle of the Group which includes product design, manufacturing, installation and test-running of the Products (as the case may be) and the length of contracts between the Group and its customers which ranges from three to six months, we considered that the price and payment terms of comparable transactions between the Group and the Independent Third Parties in the last twelve months prior to the relevant transactions with the Tongfang Group is an appropriate factor to be considered by the Group to determine the price and payment terms of the Connected Sales and Connected Purchases. The Directors confirmed that being an active market participant in the industry, the Group obtains market information, including market rate of the Products and Raw Materials, from time to time via market analysis, market research, feedbacks from the customers and interactions with other participants in the market. We consider that the market information forms a reasonable reference point for the Group to determine the price and payment terms of the Connected Sales and Connected Purchases at the time of the relevant transaction with the Tongfang Group in the event that comparable transaction between the Group and the Independent Third Parties is not available in the last twelve months prior to the relevant transactions with the Tongfang Group.

Based on the results of the review of KPMG on the Connected Sales and Connected Purchases in the past, there is no reason to doubt that the Connected Sales and the Connected Purchases will not be entered into according to the terms of the New Sales Agreement and New Purchase Agreement. Having considered (i) the nature of the Connected Sales and the Connected Purchases which will be conducted in the ordinary course of business of the Group; (ii) the nature of the Products and Raw Materials that the Group is not the only provider of the Products while the Tongfang Group is not the only supplier of the Raw Materials in the market, and sufficient market information can be obtained by the Group via market analysis, market research and interactions with other participants in the market; (iii) the history and experience of the Group in the business of designing, manufacturing and marketing of building automation solutions which enables it to gauge sufficient knowledge about market and competitor information, we are of the view that the mechanism of determining the pricing and payment terms for the Connected Sales and Connected Purchases by reference principally to prevailing market rates and practices a fair

mechanism. In light of the above, we consider that the terms of the New Sales Agreement and the New Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Basis of the Proposed Annual Caps**

##### **Connected Sales**

Pursuant to the New Sales Agreement, the Proposed Annual Caps for the Connected Sales for the three years ending 31 December 2013, 2014 and 2015 are revised/set to be RMB240 million, RMB300 million and RMB360 million respectively, subject to the approval of the Independent Shareholders at the EGM. As set out in the Letter, the Proposed Annual Caps for the Connected Sales were determined by the management of the Company taking into account the following factors:

- (i) the 30% forecast annual growth in the building energy-saving market in the PRC as mentioned in 服務業發展十二五規劃 (12th Five-year Plan for Service Industry\*) and the corresponding growth in the Group's business and sales (including the Connected Sales);
- (ii) the favourable national policies such as (a) 第十二個五年規劃 (the 12th Five-Year Plan\*) in the PRC which requires new buildings in first-tier cities generally to comply with a minimum energy-saving standard and existing buildings to be renovated to make them consume less energy and more energy-efficient; and (b) 綠色建築行動方案 (the Chinese Green Building Movement Plan\*) whereby subsidy is provided for having green buildings. These policies have increased the awareness of efficiency of energy-saving in buildings and stimulated demand for energy-saving solutions in the PRC, resulting in increased business for the Group and corresponding increase in Connected Sales;
- (iii) the release of (a) operating tax exemptions for energy management servicing companies in the PRC; (b) value added tax exemptions for building equipment owners; and (c) corporate tax exemptions for energy management servicing companies in the first three years of operations after they have signed up for the scheme and half the normal tax rate for the following three years, which have encouraged growth in the energy management industry and increased sales of energy saving solutions (including Connected Sales);
- (iv) the estimated amount of Connected Sales to the Tongfang Group under the Karamay BT Contract (details of which are set out in the

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announcement of the Company dated 26 March 2013 and the circular of the Company dated 23 April 2013) in the second half of 2013;

- (v) the actual and increasing sales from the Group to the Tongfang Group during the historical periods, in particular, for the year ended 31 December 2012, which was in line with the revenue growth of the Group during the relevant period; and
- (vi) the Connected Sales recognised subsequent to 31 December 2012 and up to 31 May 2013 amounted to approximately RMB38.4 million, representing approximately 45.2% of the Original Cap for the Connected Sales for 2013. The Directors expect the demand will gradually increase in the later part of the year based on their past experience and that the Original Cap will be used up by the end of August 2013.

As set out in the 2012 annual report of the Company, the Group recorded significant year-on-year growth in total revenue of 31.6% and 27.4% in 2011 and 2012 respectively. Such growth was contributed by, among other things, the organic growth of the Group and increase in sales of integrated building automation systems. Being the major market of the Company, the PRC segment contributed approximately 62.7% of the total revenue in 2012 and recorded growth of approximately 33.8% as compared to the previous year.

The Tongfang Group supplies different products and services for a wide range of industries which include the information media, energy and environment industries, and principally derives its revenue in the PRC. As set out in its latest annual report, the Tongfang Group also recorded year-on-year growth in total revenue of 6.6% in 2012.

As discussed above, the transaction amount of Connected Sales in 2012 increased to RMB87 million, which represented an annual growth of 24.3% when compared with the transaction amount of the Connected Sales of RMB70 million in 2011 and is close to the Original Cap of 2012. As stated in the Letter, the actual transaction amount of Connected Sales for the five months ended 31 May 2013 was RMB38.4 million. Based on the preliminary sales report and the orders received from Tongfang which are expected to be delivered in August 2013, the Company expects the transaction amount of Connected Sales will be close to the Original Cap of 2013 by end of August.

In determining the Proposed Annual Cap for the Connected Sales for 2013, the Directors have noted that the Original Cap for 2013 would have been used up by end of August. Based on the historical growth in Connected Sales from 2011 to 2012, the management of the Company projected similar growth in 2013 in relation to the normal scale projects with Tongfang and therefore estimated the amount of the Connected Sales in relation to such projects to be around RMB110 million this year, thus providing an additional amount of



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RMB25 million on top of the Original Cap of RMB85 million to cater for the sales from September to December 2013.

As set out in the announcement of the Company dated 26 March 2013 and the circular of the Company dated 23 April 2013, Technovator Beijing, Tongfang and 克拉瑪依市城投工程建設專案管理有限責任公司 (Karamay Construction Management Co., Ltd.\*) entered into a construction contract on 26 March 2013 in relation to the construction of an architectural complex in downtown of Karamay (the "Karamay BT Project") with total project investment of around RMB180 million. Tongfang was engaged as the main contractor of this project. Since the Karamay BT Project comprises substantially works on smart control system and energy-saving elements in the building complex therein, Technovator Beijing will be engaged to supply energy-saving products and related equipment required for the Karamay BT Project, which the Company expects to account for a substantial portion of the total project investment, during the construction period from 30 August 2012 to 31 December 2013. The Company estimates that around 70% of the total project investment of the Karamay BT Project would be incurred for smart control system and energy-saving elements. Accordingly, an additional amount of approximately RMB130 million has been provided for the purpose of setting the Proposed Annual Cap for 2013.

Based on the above, the Proposed Annual Cap for the Connected Sales for the year ending 31 December 2013 is revised to RMB240 million.

The Proposed Annual Caps for the Connected Sales for the years ending 31 December 2014 and 2015, being RMB300 million and RMB360 million, represent an increase of 25% and 20% from the respective Proposed Annual Cap for the preceding year. The Proposed Annual Caps for the Connected Sales for 2014 and 2015 were determined based on (i) the expectation that projects of scale and cooperation model similar to the Karamay BT Project will be undertaken in 2014 and 2015; and (ii) the expected growth in demand of the Products from Tongfang in 2014 and 2015 taking into account the historical growth and forecast growth in the building energy-saving industry in the PRC.

### **Connected Purchases**

Pursuant to the New Purchase Agreement, the Proposed Annual Caps for the Connected Purchases for each of the three years ending 31 December 2013, 2014 and 2015 are revised/set to be RMB120 million, RMB150 million and RMB180 million respectively, subject to the approval of the Independent Shareholders at the EGM. As set out in the Letter, the Proposed Annual Caps for the Connected Purchases were determined based on the following factors:

- (i) the 30% forecast annual growth in the building energy-saving market in the PRC and the expected corresponding increase in the size of energy-saving projects to be undertaken by the Group;



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- (ii) the tremendous increase in demand in the building energy-saving market in the PRC as a result of favourable national policies in the PRC as set out in the paragraph headed “ Connected Sales” above in this section;
- (iii) the estimated amount of Connected Purchases for the Group’s needs for energy-saving projects in the second half of 2013 based on the current project pipelines;
- (iv) the actual amount of Connected Purchase during historical periods; and
- (v) the amount of purchase orders placed by the Group with the Tongfang Group subsequent to 31 December 2012 and up to 31 May 2013, which amounted to approximately RMB6.4 million, representing approximately 30.5% of the Original Cap for 2013. The Directors expect the amount of purchase orders placed by the Group will gradually increase in the later part of the year based on their past experience.

In order to realise the energy-saving and reduction emission planning in 第十二個五年規劃 (the 12th Five-Year Plan\*) of the PRC and as a result of increasing awareness of building energy-saving efficiency in the PRC, each local government launched various measures in step with the national policy and stimulated the energy-saving demand. This together with the speedy urbanisation of the second and third tier cities has been and will continue to be beneficial to the development of the building energy-saving solutions business of the Group.

As set out in the 2012 annual report of the Company, the Group has been expanding the sales of the energy-saving solutions and products and customer base while utilising its global reputation, existing nationwide presence and cumulative experience in new products and solutions development to strengthen sale channels in the PRC market. Based on the information provided by the management of the Company, the Company has started a new type of projects in the second half of 2012 which involved the provision of energy-saving lighting solutions to its customers. These projects would require relatively large amount of Raw Materials, especially LED lamps, from Tongfang.

As advised by the Company, the project team of the Group has been giving advices to, and carrying out data analysis and site inspection for over ten potential customers of large scale energy-saving lighting projects in the PRC since 2013, which involve the design and installation of energy-saving systems of street lamps, and energy-saving lighting designs for shopping malls and government buildings. Based on the discussions of the project team with the Group’s clients on the scale and budgets of these new projects and the

## LETTER FROM OPTIMA CAPITAL

historical project costing of similar projects completed in 2012, the Company estimates that additional Connected Purchases, which are mainly for LED lamps and peripheral products, of around RMB100 million are expected to be incurred in the remaining months of 2013. Taking this and the Original Cap into account, the Proposed Annual Cap for 2013 is revised to RMB120 million.

The Proposed Annual Caps for the Connected Purchases for the two years ending 31 December 2014 and 2015, being RMB150 million and RMB180 million, represent an increase of 25% and 20% from the respective Proposed Annual Caps of the preceding year. The Proposed Annual Caps of 2014 and 2015 were determined based on, among other things, (i) the management's expectation of the Group's continuing involvement in energy-saving lighting projects in 2014 and 2015; and (ii) the potential growth of the building energy-saving industry in the PRC.

Having considered the basis and factors taken into account by the Company in determining the Proposed Annual Caps for the Connected Sales and Connected Purchases as described above, we are of the view that the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the continuing connected transactions are subject to the following annual review and reporting requirements:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the continuing connected transactions:
  - (a) have received the approval of the Board;
  - (b) are in accordance with the pricing policies of the Group;

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- (c) have been entered into in accordance with the relevant agreement governing the continuing connected transactions; and
  - (d) have not exceeded the annual caps;
- (iii) the Company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the Company's auditors to have sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

In light of the reporting requirements attached to the continuing connected transactions, in particular, (i) the restriction of the value of the Connected Sales and Connected Purchases by way of the Proposed Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company on the terms of the Connected Sales and Connected Purchases and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Connected Sales and Connected Purchases and safeguard the interests of the Independent Shareholders.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the New Sales Agreement and the New Purchase Agreement are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the New Sales Agreement, the New Purchase Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the New Sales Agreement, the New Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Beatrice Lung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### *Long positions in the Company*

Name of Director	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Seah Han Leong	Interest in a controlled corporation <sup>(1)</sup>	8,000,000	1.53%
	Beneficial owner	16,120,000	3.09%
Mr. Lu Zhicheng	Beneficial owner	4,800,000 <sup>(2)</sup>	0.92% <sup>(3)</sup>
	Beneficial owner	4,800,000 <sup>(2)</sup>	0.92% <sup>(3)</sup>
Mr. Zhao Xiaobo	Beneficial owner	12,120,000	2.32%
	Beneficial owner	4,800,000 <sup>(2)</sup>	0.92% <sup>(3)</sup>
Mr. Leung Lok Wai	Beneficial owner	3,000,000 <sup>(2)</sup>	0.58% <sup>(3)</sup>

*Notes:*

- (1) Mr. Seah Han Leong is the sole shareholder of M2M Holdings Ltd and hence is deemed to be interested in all the Shares held by M2M Holdings Ltd.
- (2) Shares subject to options under the share option scheme adopted by the Company on 18 May 2012.
- (3) The percentage of interest in the issued share capital of the Company is calculated based on the number of issued Shares without taking into account Shares which may be allotted and issued to all grantees upon their after full exercise of the options under the share option scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

#### **Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

<b>Name of Shareholders</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares interested</b>	<b>Approximate percentage of interest in the issued share capital of the Company</b>
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner Interest in a controlled corporation <sup>(1)</sup>	92,000,000 80,000,000	17.64% 15.34%
Resuccess Investments Limited	Beneficial owner	80,000,000	15.34%
Dragon Point Limited	Beneficial owner	65,436,320	12.55%

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Zana China Fund L.P.	Interest in a controlled corporation <sup>(2)</sup>	65,436,320	12.55%
Diamond Standard Ltd	Beneficial owner	36,000,000	6.90%
Sun Lu	Beneficial owner Interest in a controlled corporation <sup>(3)</sup>	2,928,000 36,000,000	0.56% 6.90%
Liu Feng	Interest in a controlled corporation <sup>(4)</sup>	36,000,000	6.90%

*Notes:*

- (1) Tsinghua Tongfang Co., Ltd (同方股份有限公司) is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.
- (2) Zana China Fund L.P. is the sole shareholder of Dragon Point Limited and hence is deemed to be interested in all the Shares held by Dragon Point Limited.
- (3) Sun Lu owns one-third of the issued share capital of Diamond Standard Ltd and hence is deemed to be interested in all the Shares held by Diamond Standard Ltd.
- (4) Liu Feng owns two-third of the issued share capital of Diamond Standard Ltd and hence is deemed to be interested in all the Shares held by Diamond Standard Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. FURTHER INFORMATION CONCERNING DIRECTORS

#### (a) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

**(b) Directors' interest in competing business**

As at the Latest Practicable Date, none of the Directors or their respective associate is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

**(c) Directors' interest in assets**

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

**(d) Directors' interest in contracts**

As at the Latest Practicable Date, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2012, the date to which the latest audited financial statements of the Company were made up.

**5. QUALIFICATION AND CONSENT OF EXPERT**

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

<b>Name</b>	<b>Qualification</b>
Optima Capital Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

**6. INTERESTS OF EXPERT**

As at the Latest Practicable Date, Optima Capital:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the below documents will be available for inspection during normal business hours at Unit 1602-03, Tower 1, China HK City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the EGM date:

- (a) the Existing Purchase Agreement;
- (b) the Existing Sales Agreement;
- (c) the New Purchase Agreement;
- (d) the New Sales Agreement;
- (e) a letter of recommendation from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;
- (f) a letter of advice from Optima Capital, the text of which is set out on pages 20 to 33 of this circular; and
- (g) the written consent from Optima Capital referred to in paragraph 5 of this appendix.



NOTICE OF EXTRAORDINARY GENERAL MEETING



**TECHNOVATOR INTERNATIONAL LIMITED**

**同方泰德國際科技有限公司\***

*(incorporated in Singapore with limited liability)*

**(Stock Code: 1206)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Meeting**”) of Technovator International Limited (the “**Company**”) will be held on 27 August 2013 at 10:00 a.m. at 66 Tannery Lane, #04-10/10A, Sindo Industrial Building, Singapore 347805, for the purpose of considering and, if thought fit, to pass with or without amendments as an ordinary business the following ordinary resolutions:

**ORDINARY RESOLUTIONS**

- (1) “**THAT** the New Sales Agreement (including the Proposed Annual Caps) (as defined in the circular of the Company dated 9 August 2013) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.”
  
- (2) “**THAT** the New Purchase Agreement (including the Proposed Annual Caps) (as defined in the circular of the Company dated 9 August 2013) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.”

By order of the Board  
**Technovator International Limited**  
**Lu Zhicheng**  
*Chairman*

Hong Kong, 9 August 2013

\* *For identification purpose only*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Principal place of business in Hong Kong:*

Unit 1602-03, Tower 1

China HK City

33 Canton Road

Tsim Sha Tsui, Kowloon

Hong Kong

*Registered Office:*

66 Tannery Lane

#04-10/10A

Sindo Industrial Building

Singapore 347805

*As at the date of this notice of the Meeting, the executive directors of the Company are Mr. Zhao Xiaobo and Mr. Seah Han Leong; the non-executive directors of the Company are Mr. Lu Zhicheng, Dr. Li Jisheng, Mr. Liu Tianmin and Mr. Ng Koon Siong; and the independent non-executive directors of the Company are Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua.*