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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)**

**MAJOR TRANSACTION  
CONNECTED TRANSACTION  
KARAMAY BT CONTRACT  
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 Friday, 10 May 2013 at 9:30 a.m. at Unit 1602-03, Tower 1, China HK City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, is set out on page 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.

\* For identification purpose only

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## DEFINITIONS

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

“Announcement”	the announcement dated 26 March 2013 in relation to the Karamay BT Contract
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors of the Company
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“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
“Completion Date”	the date on which the Project is completed by Tongfang and after the quality and specification of the Project have been examined and accepted by Karamay Construction as meeting the relevant required standards
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the transaction under the Karamay BT Contract
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“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
“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 terms under the Karamay BT Contract

## DEFINITIONS

“Independent Financial Adviser”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Karamay BT Contract and the transactions contemplated thereunder
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules
“Karamay BT Contract”	a construction contract in the business model of “Build-Transfer” dated 26 March 2013, entered into among Karamay Construction, Tongfang and Technovator Beijing
“Karamay Construction”	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.*), a limited liability company established under the laws of PRC
“Latest Practicable Date”	18 April 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
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Project”	the construction of architectural complex in downtown of Karamay covering a gross area of approximately 950,306 square meters for the purpose of culture, sports and entertainment and their intelligent systems engineering
“Prospectus”	the prospectus of the Company dated 17 October 2011
“Repurchase Price”	the repurchase price of the Project to be paid by Karamay Construction to Technovator Beijing pursuant to the Karamay BT Contract

## DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as defined in the Listing Rules
“substantial shareholder(s)”	has the meaning as defined in the Listing Rules
“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, engages principally in the design, manufacturing and marketing of building automation solutions
“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), is 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. As at the Latest Practicable Date, it directly and indirectly through Resuccess, owned 32.98% of issued shares of the Company
“USD”	the United States dollars, the lawful currency of the United States
“%”	per cent.
“*”	for identification purpose only



**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

23 April 2013

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
CONNECTED TRANSACTION  
KARAMAY BT CONTRACT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement regarding the Karamay BT Contract.

The purpose of this circular is to provide you with further information regarding details of the Karamay BT Contract and a notice convening the EGM.

\* For identification purpose only

## LETTER FROM THE BOARD

### The Karamay BT Contract

Date: 26 March 2013

Parties: (1) Karamay Construction;  
(2) Tongfang; and  
(3) Technovator Beijing.

Subject matter: Karamay Construction agreed to engage Tongfang as the contractor to carry out the Project (on the basis of “Build-Transfer” mode) with the finance and major equipment supply to be provided by Technovator Beijing. The Project will be transferred to Karamay Construction after completion, and Karamay Construction will then pay the Repurchase Price to Technovator Beijing in five instalments.

Karamay Construction is the promoter and has the ultimate ownership of the Project. It is mainly responsible for obtaining necessary governmental approval for the Project and paying the Repurchase Price after the completion of the Project. Unless otherwise agreed by the parties, Karamay Construction shall not interfere with Technovator Beijing’s financing arrangements.

Tongfang is the contractor of the Project and is mainly responsible for implementing all construction and engineering work for the Project.

Technovator Beijing is mainly responsible for provision of finance and major equipment supply during the construction period. Technovator Beijing will provide the finance in stages according to the construction progress of the Project. The total investment costs are expected to be fully provided by the completion of the Project. The provision of major equipment supply has been covered by the sales agreement dated 19 August 2011 entered into between Technovator Beijing and Tongfang, 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. Please refer to the paragraph headed “Sales of product to Tongfang from Technovator Beijing and such other parties procured by Technovator Beijing and agreed by Tongfang” in the section headed “Continuing Connected Transactions” in the Prospectus for further details.

## LETTER FROM THE BOARD

Construction period:	<p>Approximately 16 months from 30 August 2012</p> <p>Prior to entering into the Karamay BT Contract, Karamay Construction conducted certain preparatory works for the Project, and none of Technovator Beijing, the Company or any other subsidiaries of the Company had any major involvement at this preparatory stage. Technovator Beijing will not have any material involvement in the Project prior to the Shareholders' approval of the transaction under the Karamay BT Contract at the EGM.</p>
Estimated total investment amount of the project:	<p>The estimated total investment costs financed by Technovator Beijing is approximately RMB180,000,000, which is determined by the parties through arm's length negotiation, taking into account the expected construction costs of the Project, other disbursements costs in respect of the Project and the total finance costs of the Project, subject to the approval of the Project budget by the Karamay Government and actual progress of the Project.</p> <p>The total investment costs shall be satisfied by the financial resources of Technovator Beijing obtained or to be obtained for usual business purpose and deposited with the account for the Project during the construction period according to the progress of the Project.</p>
Repurchase price:	<p>In consideration for transferring the rights of the Project from Tongfang to Karamay Construction, Karamay Construction shall pay the repurchase price to Technovator Beijing by five instalments.</p> <p>The Repurchase Price shall be calculated as follows:</p> $\text{Repurchase Price} = \text{base repurchase price} + \text{repurchase investment return}$ <p>The base repurchase price is equivalent to the estimated total investment amount of the Project, which is approximately RMB180 million, subject to the approval of the Project budget by the Karamay Government and the actual progress of the Project.</p> <p>The repurchase investment return is calculated as follows:</p> $\text{Repurchase investment return} = \text{outstanding base repurchase price payable by Karamay Construction to Technovator Beijing} \times \text{rate of return}$



## LETTER FROM THE BOARD

The Karamay BT Contract specified that the relevant rate of return for the purpose of calculating the repurchase investment return payable in each instalment shall be 140% of the then prevailing lending interest rate in respect of loans for the same term as quoted by the People's Bank of China and is a result of arm's length negotiations with reference to the evaluation criteria specified in the tender invitation of the Project, which included, among other things, the repurchase investment return payable being no more than 150% of the then prevailing lending interest rate of the loans for the same term as quoted by the People's Bank of China.

Repurchase price  
payment period:

After the completion of the Project, Tongfang shall transfer the operation rights of the Project to Karamay Construction and Karamay Construction shall pay the Repurchase Price to Technovator Beijing by the following instalments:

- (a) 20% of the base repurchase price plus the repurchase investment return determined at such time shall be paid by Karamay Construction within 15 business days after 12 months following 31 December 2013 or the Completion Date;
- (b) 20% of the base repurchase price plus the repurchase investment return determined at such time shall be paid by Karamay Construction within 15 business days after 24 months following 31 December 2013 or the Completion Date;
- (c) 20% of the base repurchase price plus the repurchase investment return determined at such time shall be paid by Karamay Construction within 15 business days after 36 months following 31 December 2013 or the Completion Date;
- (d) 20% of the base repurchase price plus the repurchase investment return determined at such time shall be paid by Karamay Construction within 15 business days after 48 months following 31 December 2013 or the Completion Date; and
- (e) 20% of the base repurchase price plus the repurchase investment return determined at such time shall be paid by Karamay Construction within 15 business days after 60 months following 31 December 2013 or the Completion Date.

## LETTER FROM THE BOARD

The repurchase period of 60 months after the completion of the Project was reached with reference to the evaluation criteria specified in the tender invitation of the Project, which included, among other things, the repurchase period shall be no less than 60 months after the completion.

The amount for each instalment is equal to the sum of one fifth of the base repurchase price and the applicable repurchase investment return calculated based on the prevailing rate of return as set out in the sub-paragraph "Repurchase Price" above.

For the purpose of the payment of the Repurchase Price, if the completion of the relevant unit architecture under the Project takes place prior to 31 December 2013, then the repurchase period for such unit architecture shall commence from 31 December 2013; if the completion of the relevant unit architecture happens after 31 December 2013, then the repurchase period shall commence from the actual Completion Date.

Karamay Construction will not grant any security to Technovator Beijing.

Given that Karamay Construction and Tongfang are entities independent from each other and that they enjoy and undertake separate rights and obligations under the Karamay BT Contract, if Karamay Construction fails to pay the repurchase price to Technovator Beijing, Tongfang will not be liable for such payment.

Taking into account (i) the rate of repurchase investment return to the Group for provision of financing for the Project is higher than the interest rate for bank loans for the same period, and (ii) the fact that the Karamay BT Contract provides the Group an opportunity to supply energy saving services for municipal public utilities, the Board is of the view that it is acceptable for the Repurchase Price to be paid over a period of 60 months after the completion of the Project.

The Karamay BT Contract does not specifically provide for how the Company can recover the investment costs paid to the Project if the Project is terminated for reason not attributable to any party's fault. In such case, the parties will have to separately discuss how to resolve this commercially, and there is no assurance that Technovator Beijing will be able to recover any of the Repurchase Price or at all.

## LETTER FROM THE BOARD

Events of Default: The events of default of Karamay Construction mainly include: (i) if Karamay Construction fails to make payment of the Repurchase Price in the manner as prescribed in the Karamay BT Contract, a penalty interest shall be charged on the delayed payment to Karamay Construction at a rate no less than 140% of the then prevailing lending interest rate in respect of the loans for the same term as quoted by the People's Bank of China. The Karamay BT Contract does not specifically provide for the basis of determination of the penalty interest rate. The parties will have to separately discuss and determine the exact penalty interest rate commercially; and (ii) if the construction of the Project is terminated due to any reasons attributable to Karamay Construction, Karamay Construction shall pay to Technovator Beijing a sum of the invested amounts by Technovator Beijing for the Project and the interest accrued thereon, and a monetary compensation equivalent to 0.5% of such interest accrued. The repurchase period shall be commenced automatically after the 20th date of the agreed commencement date of the repurchase period of the Project (i.e. 30 December 2013) if the construction of the Project cannot be completed as scheduled due to reasons attributable to Karamay Construction, unless the parties agree to extend the construction period.

Further, if Karamay Construction fails to fulfill its contractual obligations, or does not fulfill its contractual obligations in accordance with the terms of the Karamay BT Contract, Karamay Construction shall be liable for its breach and shall compensate Tongfang and Technovator Beijing for their losses arising from such breach.

The events of default of Tongfang mainly include: (i) if there is any delay in the completion of the Project for no more than 60 days (other than due to force majeure or due to material change of design or proposal by Karamay Construction and agreed by Karamay Construction), Tongfang shall pay to Karamay Construction a penalty for breach of contract amounting to 0.01% of construction costs on a daily basis starting from the date of the contractual breach, and if such delay lasts for more than 60 days due to reasons attributable to Tongfang, Karamay Construction has the right to terminate the Karamay BT Contract unilaterally and require Tongfang to relinquish the construction site and Karamay Construction shall, upon auditing, make payment with reference to the portion of the Project completed and up to the required standards; and (ii) if any material quality defects, safety incidents and economic legal liabilities are caused by Tongfang, Karamay Construction has the right to terminate the Karamay BT Contract and require Tongfang to compensate all losses incurred.

## LETTER FROM THE BOARD

The Karamay BT Contract did not provide a detailed compensation and refunding solution (and whether it includes the investment return) if the Karamay BT Contract is terminated under an event of default of Tongfang and the relevant parties will then have to discuss how to resolve such issue commercially.

The events of default of Technovator Beijing mainly include: (i) if Technovator Beijing fails to pay any amount (including but not limited to provision of finance in stages and deposit of investment amount with the account for the Project) according to the progress of the Project on time and as required under the Karamay BT Contract without cause more than twice, Karamay Construction has the right to terminate the Karamay BT Contract and require Technovator Beijing to compensate the corresponding losses; (ii) if Technovator Beijing fails to pay the construction costs to the relevant party in the Project on time and as required under the Karamay Contract, Karamay Construction has the right to request Technovator Beijing to pay the same within a specific time; and (iii) if Technovator Beijing fails to provide finance for the Project in accordance with the terms of the Karamay BT Contract, Karamay Construction has the right to engage another party to invest and the relevant fees incurred in engaging such other party (“**Relevant Fees**”) will be deducted from the amount payable to Technovator Beijing by Karamay Construction and Technovator Beijing will also be liable for a breaching penalty of 0.5% of the Relevant Fees.

The aforesaid events of default of Technovator Beijing may overlap with each other and Karamay Construction has the discretion to choose among the aforesaid remedies.

The Karamay BT Contract also does not specifically provide for the contractual consequences for a delay in the Project due to reasons not attributable to any parties other than force majeure events. There is no assurance that Technovator Beijing will be paid on time or at all. Any delay in the completion of the Project, whether or not for reasons not attributable to any party’s fault, may result in a delay in payment receivable by Technovator Beijing.

Conditions  
precedent:

The Karamay BT Contract shall become effective upon fulfillment of the following conditions:

- (a) signing by the legal representatives or authorised person of the parties; and
- (b) in respect of Technovator Beijing’s rights and obligations under the Karamay BT Contract, approval of the Karamay BT Contract and the transactions thereunder by the independent Shareholders at the EGM.

## LETTER FROM THE BOARD

- Force majeure:** Force majeure is not a ground for termination of the Karamay BT Contract. However, in the event of any force majeure cause, the relevant party suffering the force majeure event shall notify the other parties within 14 days after the occurrence of the force majeure event and such party shall be exempted from performing its obligations under the Karamay BT Contract until the force majeure event stops to affect such party. All parties shall make all reasonable efforts to minimise the delay and losses incurred as a result of the force majeure event.
- Dispute resolution:** In case of any dispute, the parties shall resolve it by negotiation. If the dispute cannot be resolved through negotiation, either party shall have the right to submit the dispute to the court.

### **EFFECTS OF THE KARAMAY BT CONTRACT**

The provision of financing under the Karamay BT Contract will decrease the bank balances and cash of the Group. Given the Group's cash position, the provision of financing under the Karamay BT Contract will not have any material impacts on the revenue and earnings of the Group. The total investment costs are expected to be recovered through five equal installments and the investment return will be recorded as an income of the Group over the five-year repurchase period.

### **REASONS FOR AND BENEFITS OF THE KARAMAY BT CONTRACT**

The terms of the Karamay BT Contract were reached based on arm's length negotiations. The entering into the transaction under the Karamay BT Contract is of great importance in respect of the implementation of the business strategy of the Group. Karamay is an important city with petroleum resources and is undergoing rapid developments. The Karamay Government focuses on energy savings and reduction of waste emissions. The Project is comprised of smart system construction works in the building complex around the culture and sports centre in Karamay, with core construction of the smart control centre to be carried out inside the building. Technovator Beijing will finance the Project and will supply all energy-saving products and equipment required for the Project. Given that the return rate under the Karamay BT Contract is higher than the prevailing interest rate for bank loans for the same period, additional returns for the Group will be generated. The Project represents a milestone of the Group in providing energy saving services for municipal public utilities in the region following the execution of the "strategic cooperation agreement" by Technovator Beijing and 克拉瑪依市機關事務管理局 (Karamay Organization Affairs Management Bureau\*). It is believed that the execution of the Karamay BT Contract will present a new opportunity for the development of the energy-saving construction industry in Karamay and will provide more business opportunities to the Group there.

Based on the above and balancing the risks associated, the Directors are of the view that the terms and conditions of the Karamay BT Contract are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### INFORMATION ABOUT KARAMAY CONSTRUCTION

Karamay Construction is a wholly-owned subsidiary of a wholly State-owned enterprise (國有獨資企業), ultimately owned by the Karamay Government, which principally engaged in the business of completing the investment and project management of relevant government construction projects and public construction projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Karamay Construction and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

### INFORMATION ABOUT TONGFANG

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. As at the date of this announcement, Tongfang is a substantial shareholder of the Company.

### INFORMATION ABOUT THE GROUP

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

### LISTING RULES IMPLICATIONS

Given that some applicable percentage ratios in respect of the provision of financing by Technovator Beijing under the Karamay BT Contract are 25% or more but less than 100%, the transaction under the Karamay BT Contract constitutes provision of financial assistance and a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval in general meeting pursuant to Rule 14.40 of the Listing Rules.

As at the Latest Practicable Date, Tongfang was a substantial shareholder of the Company, and therefore a connected person. Accordingly, the transaction under the Karamay BT Contract also constitutes provision of financial assistance and a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since some applicable percentage ratios in respect of the provision of financing by Technovator Beijing under the Karamay BT Contract exceed 5%, and the consideration under the Karamay BT Contract is more than HK\$10 million, such provision of financing constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48.

### EGM

A notice convening the EGM is set out on page 40 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the special resolution to approve the Karamay BT Contract and the transaction contemplated thereunder.

## LETTER FROM THE BOARD

Given that none of the Directors is a party to the Karamay BT Contract or an associate of Tongfang or Karamay Construction nor will obtain any personal interest or benefit from the Karamay BT Contract which is not available to the other Directors, none of the Directors has a material interest in the Karamay BT Contract and has abstained from voting on the board resolutions for approving the Karamay BT Contract.

Any connected persons or Shareholders with a material interest in the Karamay BT Contract or the transactions as contemplated thereunder or their respective associates shall abstain from voting at the EGM. Given that Tongfang is a party to the Karamay BT Contract, Tongfang and its associates (including Resuccess) will abstain from voting during the EGM. Other than Tongfang and its associates (including Resuccess), as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

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 Karamay BT Contract and to advise the Independent Shareholders on the same. The Independent Financial Adviser 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 page 15 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Independent Financial Adviser as set out on pages 16 to 30 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Karamay BT Contract.

## LETTER FROM THE BOARD

### RECOMMENDATION

The Directors, including the independent non-executive Directors, after taking into account the advice from the Independent Financial Adviser, consider that the transaction under the Karamay BT Contract is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution 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)**

23 April 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
CONNECTED TRANSACTION  
KARAMAY BT CONTRACT**

We refer to the Announcement and the circular dated 23 April 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 Karamay BT Contract, details of which are set out in the Letter from the Board contained in the Circular.

Having considered the Karamay BT Contract, and the advice and opinion of the Independent Financial Adviser in relation thereto as set out on pages 16 to 30 of the Circular, we are of the opinion that (i) while any financial assistance provided by Technovator Beijing under the Karamay Contract is not in the ordinary and usual course of business as defined in the Listing Rules, the Karamay BT Contract, is on normal commercial terms, and is fair and reasonable so far as the Company and the Independent Shareholders are concerned; and that (ii) the transaction under the Karamay BT Contract is in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the transaction under the Karamay BT Contract.

Your faithfully  
Independent Board Committee  
**Mr. Fan Ren Da Anthony    Mr. Chia Yew Boon    Ms. Chen Hua**  
*Independent non-executive Directors*

\* For identification purpose only

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Karamay BT Contract and the transactions contemplated thereunder.*



**Quam Capital Limited**

A Member of The Quam Group

### **Technovator International Limited**

Unit 1602-03, Tower 1  
China HK City  
33 Canton Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

23 April 2013

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION CONNECTED TRANSACTION KARAMAY BT CONTRACT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Karamay BT Contract, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 23 April 2013 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 26 March 2013, Karamay Construction, Tongfang and Technovator Beijing entered into the Karamay BT Contract, pursuant to which Karamay Construction agreed to engage Tongfang as the contractor to carry out the Project (on the basis of “Build-Transfer” mode) with the finance and major equipment supply to be provided by Technovator Beijing and in consideration for transferring the rights of the Project from Tongfang to Karamay Construction, Karamay Construction shall pay the repurchase price to Technovator Beijing by five instalments.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that some applicable percentage ratios in respect of the provision of financing by Technovator Beijing under the Karamay BT Contract are 25% or more but less than 100%, the transaction under the Karamay BT Contract constitutes provision of financial assistance and a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval in general meeting pursuant to Rule 14.40 of the Listing Rules. As at the Latest Practicable Date, Tongfang was a substantial Shareholder of the Company and therefore a connected person of the Company. And thus, the transaction under the Karamay BT Contract also constitutes provision of financial assistance and a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since some applicable percentage ratios in respect of the provision of financing by Technovator Beijing under the Karamay BT Contract exceed 5% and the consideration under the Karamay BT Contract is more than HK\$10 million, such provision of financing constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, all being the independent non-executive Directors, have been formed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Karamay BT Contract are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the entering into of the Karamay BT Contract and the transactions contemplated thereunder at the EGM. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the Group, the Directors and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group, Tongfang, Karamay Construction and the Karamay BT Contract provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in respect of the terms of the Karamay BT Contract and the transactions contemplated thereunder, we have taken into consideration of the following factors and reasons:

### **1. Reasons for and benefits of the entering into of the Karamay BT Contract**

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

As set out in the Letter from the Board, the entering into the transaction under the Karamay BT Contract is of great importance in respect of the implementation of the business strategy of the Group. Karamay is an important city with petroleum resources and is undergoing rapid developments. The Karamay Government focuses on the energy-saving and waste emission reduction. We noted that the Xinjiang Uygur Autonomous Region Energy Development Twelfth Five-Year Plan (新疆維吾爾自治區能源發展“十二五”規劃) mentions the key areas of energy development of the region which includes, among others, reasonable control of the total energy consumption, promoting the transformation of energy production and use, accelerating the exploration of energy resources, enhancing the scale of development of energy resources, accelerating the energy infrastructure construction of energy conversion, accelerating energy projects benefit to the citizens and enhancing the innovation of energy technology. As set out in the Letter from the Board, Karamay Construction, being a wholly-owned subsidiary of a wholly state-owned enterprise, is ultimately owned by the Karamay Government, and is principally engaged in the business of completing the investment and project management of relevant government construction projects and public construction projects. The Project is comprised of smart system construction works in the building complex around the culture and sports centre in Karamay with core construction of the smart control centre to be carried out inside the building. The Project represents a milestone for the Group in providing energy saving services for municipal public utilities in the region following the execution of “strategic cooperation agreement” by Technovator Beijing and 克拉瑪依市機關事務管理局 (Karamay Organization Affairs Management Bureau\*) and it is believed that the execution of the Karamay BT Contract will present a new opportunity for development of the energy-saving construction industry in Karamay and will provide more business opportunities to the Group there. As noted from the annual report of the Company for the twelve months ended 31 December 2012 (the “**2012 Annual Report**”), the Group has been focusing on expanding the sales of its energy-saving solutions and products and customer base and will devote its resources to explore new business models, expand customer base and addressable market and enhance its business presences. And thus, we concur with the view of the management of the Company that the entering into of the Karamay BT Contract is in line with the Group’s business strategy.

We also noted that under the Karamay BT Contract, Tongfang is the contractor of the Project and is mainly responsible for implementing all construction and engineering work for the Project while Technovator Beijing is mainly responsible for provision of financing and supply of major energy-saving equipments for the Project. We are advised by the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company that Tongfang possesses the qualification and license which is required on bidders in the tender invitation of Karamay Construction for the Project while the Group does not have and thus we concur with the view of the Company that the Group's cooperation with Tongfang in the Karamay BT Contract will benefit the Group not only by expanding revenue base but also expanding domestic customer base and further developing its business presence in the PRC market through leveraging Tongfang's industry capability and expertise in the PRC market.

Furthermore, under the Karamay BT Contract, Technovator Beijing will provide finance for the Total Investment Costs (as defined below) of the Project with the Repurchase Investment Return (as defined below), which is considered by the Company, which we concur, will benefit the Group by generating additional returns for the Group.

Having considered the above, we are of the view that the entering into of the Karamay BT Contract is in the interests of the Company and the Shareholders as a whole.

### **2. Principal terms of the Karamay BT Contract**

**Date:**

26 March 2013

**Parties:**

- (1) Karamay Construction;
- (2) Tongfang; and
- (3) Technovator Beijing.

**Subject matter:**

Karamay Construction agreed to engage Tongfang as the contractor to carry out the Project (on the basis of "Build-Transfer" mode) with the finance and major equipment supply to be provided by Technovator Beijing. The Project will be transferred to Karamay Construction after completion and Karamay Construction will then pay the Repurchase Price to Technovator Beijing in five instalments.

In particular, Karamay Construction is the promoter and has the ultimate ownership of the Project and is mainly responsible for obtaining necessary governmental approval for the Project and paying the Repurchase Price after the completion of the Project. Tongfang is the contractor of the Project and is mainly responsible for implementing all construction and engineering work for the Project. Technovator Beijing is mainly responsible for provision of finance for the estimated total investment costs of approximately RMB180 million (details of which are set out below) and provision of major equipment supply during the planned construction period of approximately 16 months from 30 August 2012 to 31 December 2013.

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As stated in the Letter from the Board, the provision of equipment by Technovator Beijing under the Karamay BT Contract has been covered by the sales agreement dated 9 February 2011 and amended on 19 August 2011 entered into between Technovator Beijing and Tongfang, 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 for a period of three years from 9 February 2011 to 8 February 2014. We noted from the Prospectus that in respect of the transactions under such sales agreement, the Stock Exchange has granted a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules, details of which are set out in the paragraph headed "Sales of products to Tongfang from Technovator Beijing and such other parties procured by Technovator Beijing and agreed by Tongfang" in the section headed "Continuing Connected Transactions" in the Prospectus.

### **Estimate total investment amount of the Project:**

In addition to provision of energy-saving products and equipments for the Project, Technovator Beijing will provide financing for the estimated total investment costs of the Project of approximately RMB180 million (the "**Total Investment Costs**"). Such Total Investment Costs shall be deposited by Technovator Beijing with the bank account for the Project purpose only during the construction period according to the progress of the Project and the use of the Total Investment Costs shall be jointly approved, checked and monitored by parties to the Karamay BT Contract.

We have discussed with the management of the Company and understood that the estimated Total Investment Costs were determined by the parties through arm's length negotiation, taking into account the expected construction costs of the Project according to the approved construction drawing of the Project, other disbursement costs in respect of the Project and the total finance costs of the Project.

The final Total Investment Costs shall be determined and approved by the Karamay Government after completion of the Project based on the estimated Total Investment Costs and the alterations (if any) to the construction of the Project as negotiated and agreed by parties and approved by relevant Karamay Government during the construction period.

### **Repurchase Price:**

In consideration for transferring the rights of the Project from Tongfang to Karamay Construction, Karamay Construction shall pay the Repurchase Price to Technovator Beijing by five instalments.

The Repurchase Price shall be a sum of the base repurchase price (which is equivalent to the above mentioned final Total Investment Costs) and the repurchase investment return with the formula of which is set out in the Letter from the Board (the "**Repurchase Investment Return**", the rate of which shall be 140% of the then prevailing lending interest rate in respect of the loans for the same term as quoted by the People's Bank of China (the "**PBOC Rate**").

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As advised by the Company, the Repurchase Investment Return was determined by parties based on arm's length negotiations after taking into account the evaluation criteria specified in the tender invitation of the Project and a reasonable return to the Group for provision of financing for the Project. As the PBOC Rate is regarded as a benchmark rate of return of a commercial advance/loan, we consider it appropriate to determine the rate of the Repurchase Investment Return with reference to the PBOC Rate. Additionally, under the arrangement of payment of the Total Investment Costs, the Company may be subject to the opportunity cost representing the return that can be generated by the amount of the Total Investment Costs. The Company advised that the Group has not identified, or been in negotiation for, any other appropriate business opportunities as at the Latest Practicable Date and thus such opportunity cost can represent the interest rate of RMB time deposit quoted by commercial banks in the PRC. We noted that the rate of the Repurchase Investment Return (which is equivalent to 8.96% per annum based on the prevailing PBOC Rate of 6.4% per annum for a loan for a term of three to five years (inclusive)) is higher than the prevailing RMB benchmark time deposit interest rate for a term of five years as quoted by the People's Bank of China. Furthermore, as stated below, the Group will provide the financing for the estimated Total Investment Costs with its financial resources, including among others available banking facilities if necessary. We noted from the 2012 Annual Report of the Company that as at 31 December 2012, the Group had an average annual interest rate of approximately 5.8% for short-term loan and approximately 4.8% for long-term loan, which is lower than the rate of the Repurchase Investment Return. We have also conducted a search (the "**Search**"), on our best efforts, on the notifiable transactions relating to "Build-Transfer" mode based on the announcements/circular published by companies listed on the main board of the Stock Exchange for the 24 months preceding the Latest Practicable Date and noted four cases (the "**Reference Cases**") in "Build-Transfer" mode with details below. However, we noted that the Reference Cases were different from that under Karamay BT Contract in terms of the nature of the construction works, investment amount, and/or mechanism for determining return and payment, all of which may affect determination of the respective terms of the Reference Cases, and thus we consider that the Reference Cases may not be directly comparable to the case under the Karamay BT Contract and in forming our opinion, we have considered the other factors as discussed in this letter as a whole.

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As an alternative and for reference purpose only, we have compared the average rate of return as calculated below (“**Calculated Average Rate of Return**”) implied under the Karamay BT Contract and those of the Reference Cases as set out below.

Stock code	Company name	Date of the announcement/ circular	Subject matter	Estimated investment amount (RMB million)	Payment arrangement	Estimated return set out in the announcement/ circular	Rate of return of the total investment amount (approximately) (A) (Note 1)	Total investment period (being the sum of the construction period and the payment period) (approximately) (B) (Note 1)	Calculated Average Rate of Return (approximately) (A/B) (Note 1)
1812	Shandong Chenming Paper Holdings Limited	6 February 2013	Constructing waterfront and mudflat comprehensive regulation works in Zhanjiang City, Guangdong Province, the PRC	4,607.0	Payment will be made after the land created being put on sale by means of auction in three consecutive years upon completion of the project	Depends on the income derived from the sales of land	N/A	N/A	N/A
3378	Xiamen International Port Co., Ltd	6 July 2012	Investing in and constructing a section of the inter-connection highway connecting the Zhangzhou Gulei operating area and the Gulei harbour area	523.0 (in which 100.0 from the other investor)	Payment will be made in 4 instalments within 3 years (i.e. 25% of the total investment amount (and applicable repurchase investment return) to be paid within one month after the completion date, and 25% of the outstanding investment amount (and applicable repurchase investment return) for each of the subsequent three years)	155% of the applicable PBOC Rate of the total investment amount as at the completion date	14.88% (Notes 2 and 3)	4 years and 6 months	3.31%



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company name	Date of the announcement/ circular	Subject matter	Estimated investment amount (RMB million)	Payment arrangement	Estimated return set out in the announcement/ circular	Rate of return of the total investment amount (approximately) (A)	Total investment period (being the sum of the construction period and the payment period) (approximately) (B)	Calculated Average Rate of Return (approximately) (A/B)
747	Shenyang Public Utility Holdings Company Limited	23 September 2011	Developing a piece of land located at an industrial zone in Chaozhou, the PRC	945.0	Payment will be made within 30 days after the acceptance criterion being met and verified	18% of the total land development cost and construction cost	18%	3 years	6.00%
548	Shenzhen Expressway Company Limited	12 August 2011	Construction of phase I of Guilong Road (as defined in the announcement)	600.0	Payment will be made upon completion of each batch of the sale of land use right after the conditions for sale of the land have been fulfilled and be completed within 3 months after completion of the project	5% of the total project investment and capital cost	5%	2 years and 4 months	2.15%

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Stock code	Company name	Date of the announcement/ circular	Subject matter	Estimated investment amount (RMB million)	Payment arrangement	Estimated return set out in the announcement/ circular	Rate of return of the total investment amount (approximately) (A)	Total investment period (being the sum of the construction period and the payment period) (approximately) (B)	Calculated Average Rate of Return (approximately) (A/B)
1206	The Company	26 March 2013	The Project	180.0	As detailed in the Letter from the Board	140% of the PBOC Rate (equivalent to 8.96% per annum) of the Total Investment Costs	26.88% (Note 3)	6 years and 4 months	4.25%

**Notes:**

- Such information/calculation is produced for illustration purpose only, is made based on our interpretation of the public information in the relevant announcements/circular, and may not represent the actual rate of return of the respective projects. It is noted that in forming our opinion, we have considered the other factors as discussed in this letter as a whole.
- Assuming the prevailing PBOC Rate is 6.4% per annum for a loan with a term of three to five years (inclusive), the rate of return is equivalent to 9.92% per annum.
- Calculated by dividing the total amount of return by the estimated total investment amount. Total amount of return is the sum of the amount of investment return for each payment period, being the outstanding investment amount multiplied by the rate of return per annum.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the mechanism for determining payment and return varied by projects. Based on the above, we noted that the Calculated Average Rate of Return for provision of financing by Technovator Beijing under the Karamay BT Contract is within the range of those of those of the Reference Cases. In terms of the payment period, as the Measures (as defined below) provide that the repurchase period of a Build-Transfer project of Karamay Government shall be no less than five years since completion of the relevant project, the five-year repurchase period of the Project is justifiable for purpose to comply with the Measures.

Given the above, we concur with the view of the Company that provision of financing for the Project by Technovator Beijing represents an opportunity for the Group to earn additional return since the Group has not identified any other appropriate business opportunities as at the Latest Practicable Date.

Furthermore, taking into account and balancing the following factors, namely (i) the benefit to the Group by entering into of the Karamay BT Contract, in particular, the Project representing a milestone of the Group in providing energy saving service for municipal public utilities in Karamay region and the expansion of the Group's revenue and PRC customer base through supply of energy-saving products and equipments for the Project and enhancing its business presence in the PRC market; and (ii) the Group's capability to track the risk of defaults by other parties as elaborated below, and the risks associated as discussed in our letter as a whole, we concur with the view of the Company that the overall return to the Group under the Karamay BT Contract is in the interests of the Company.

### **Payment of the Repurchase Price:**

After the completion of the Project, Tongfang shall transfer the operation rights of the Project to Karamay Construction and Karamay Construction shall pay the Repurchase Price to Technovator Beijing by five instalments. Each instalment represents 20% of the aforementioned base repurchase price plus the applicable Repurchase Investment Return calculated based on the above mentioned rate of return at each payment time and shall be payable within 15 business days after every 12 months following 31 December 2013 (if the completion of the relevant unit architecture under the Project takes place prior to 31 December 2013) or the Completion Date (if such completion takes place after 31 December 2013). Details of the payment schedule of the Repurchase Price by Karamay Construction are set out in the Letter from the Board.

The Karamay BT Contract also provides the legal consequences Karamay Construction shall bear in the event that Karamay Construction fails to make payment of the Repurchase Price in the manner as prescribed in the Karamay BT Contract and the construction of the Project is terminated due to any reasons attributable to Karamay Construction, details of which are set out in the paragraph headed "Events of default" below.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that Karamay Construction will not grant any security to Technovator Beijing regarding its obligation to pay the Repurchase Price, and Tongfang, as the contractor of the Project, will not be liable for the default from Karamay Construction in this regard and also will not be liable to Technovator Beijing for its own default of the events as set out in the paragraph headed “Events of default” below. Nonetheless, given that (i) as a party to the Karamay BT Contract, Technovator Beijing will actively participate in the construction of the Project and thus can have direct access to the information relating to the progress of the Project; and (ii) the Total Investment Costs will be funded by Technovator Beijing in instalments in accordance with the progress of the Project, instead of an immediate lump-sum investment, and the Repurchase Price will also be recovered in instalments with the completion of the construction of the relevant unit architecture under the Project, the Company believes that the Group is able to timely track the risk of default by other parties to the Karamay BT Contract and to minimize its possible losses. The management also advised that the Project is owned by the Karamay Government and they consider the risk of default by Karamay Construction is minimal in the absence of any unforeseeable circumstances given its governmental background. Based on the information relating to Karamay Construction provided by the Company and our search on public domain, we are not aware of any negative public information on Karamay Construction as at the Latest Practicable Date.

We noted from our Search that the repurchase arrangement varied by Build-Transfer projects. The Company advised that such repurchase arrangement under “Build-Transfer” mode usually depends on factors including among other project scale, construction period, complex of a project and, as one of the commercial terms, subject to parties’ negotiations. We also noted that the repurchase period of the Project has complied with the Measures (as defined below) which provides that the repurchase period of a Build-Transfer project of Karamay Government shall be no less than five years since completion of the relevant project.

Given the above, we concur with the view of the Company that the arrangement of the payment of the Repurchase Price is commercially justifiable.

### **Events of default:**

The events of default of Karamay Construction mainly include: (i) if Karamay Construction fails to make payment of the Repurchase Price in the manner as prescribed in the Karamay BT Contract, a penalty interest shall be charged on the delayed payment to Karamay Construction at a rate no less than 140% of the then prevailing lending interest rate in respect of the loans for the same term as quoted by the People’s Bank of China; and (ii) if the construction of the Project is terminated due to any reasons attributable to Karamay Construction, Karamay Construction shall pay to Technovator Beijing a sum of the invested amounts by Technovator Beijing for the Project and the interest accrued thereon, and a monetary compensation equivalent to 0.5% of such interest accrued. The repurchase period shall commence automatically after the 20th date of the agreed commencement date of the repurchase period of the Project (i.e. 30 December 2013) if the construction of the Project cannot be completed as scheduled due to reasons attributable to Karamay Construction, unless the parties agree to extend the construction period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The events of default of Tongfang mainly include: (i) if there is any delay in the completion of the Project for no more than 60 days (other than due to force majeure or due to material change of design or proposal by Karamay Construction and agreed by Karamay Construction), Tongfang shall pay to Karamay Construction a penalty for breach of contract amounting to 0.01% of construction costs on a daily basis starting from the date of the contractual breach, and if such delay lasts for more than 60 days, due to reasons attributable to Tongfang, Karamay Construction has the right to terminate the Karamay BT Contract unilaterally and require Tongfang to relinquish the construction site and Karamay Construction shall, upon auditing, make payment with reference to the portion of the Project completed and up to the required standards; and (ii) if any material quality defects, safety incidents and economic legal liabilities are caused by Tongfang, Karamay Construction has the right to terminate the Karamay BT Contract and require Tongfang to compensate all losses incurred. The Karamay BT Contract did not provide the detailed compensation and refunding solution (and whether it includes the investment return) if the Karamay BT Contract is terminated under an event of default of Tongfang and the relevant parties will then have to discuss how to revolve these commercially.

The events of default of Technovator Beijing mainly include: (i) if Technovator Beijing fails to pay any amount (including but not limited to, as stated in the Letter from the Board, provision of finance in stages and deposit of investment amount with the account for the Project according to the progress of the Project) on time and as required under the Karamay BT Contract without cause more than twice, Karamay Construction has the right to terminate the Karamay BT Contract and require Technovator Beijing to compensate the corresponding losses; (ii) if Technovator Beijing fails to pay the construction costs to the relevant party in the Project on time and as required under the Karamay Contract, Karamay Construction has the right to request Technovator Beijing to pay the same within a specific time; and (iii) if Technovator Beijing fails to provide finance for the Project in accordance with the terms of the Karamay BT Contract, Karamay Construction has the right to engage another party to invest and the relevant fees incurred in engaging such other party (the “**Relevant Fees**”) will be deducted from the amount payable to Technovator Beijing by Karamay Construction and Technovator Beijing will also be liable for a breaching penalty of 0.5% of the Relevant Fees.

Based on our Search, we are not aware of any disclosure on terms of events of default and force majeure under those “Build-Transfer” contracts. Given that the above terms regarding parties’ obligations in the event of defaults are for purpose to make clear the obligations of the possible defaulting party(ies) based on their respective roles and responsibilities under the Karamay BT Contract and were arrived at after arm’s length negotiations by parties, we concur with the view of the Company that such terms are fair and reasonable.

We noted that the Karamay BT Contract does not specifically provide for how the Company can recover the investment costs paid to the Project if the Project is terminated for reason not attributable to any party’s fault . In such case, the relevant parties will have to separately discuss how to resolve this commercially, and there is

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

no assurance that Technovator Beijing will be able to recover any of the Repurchase Price or at all. The Karamay BT Contract also does not specifically provide for the contractual consequences for a delay in the Project due to reasons not attributable to any parties other than force majeure events. There is no assurance that Technovator Beijing will be paid on time or at all. Any delay in the completion of the Project, whether or not for reasons not attributable to any party's fault, may result in a delay in payment receivable by Technovator Beijing. Nonetheless, having considered that (i) the Directors believe that such dispute, if any, can be solved through negotiation or submit the dispute to the court if it cannot be solved through negotiation; (ii) the benefits to the Group by entering into of the Karamay BT Contract (details of which are set out in the section headed "Reasons for and benefits of the entering into of the Karamay BT Contract" above); (iii) Technovator Beijing can have direct access to the information relating to the progress of the Project and is able to timely track the risks in connection with the execution of the Karamay BT Contract; and (iv) the Total Investment Costs will be funded and the Repurchase Price will be recovered in instalments as discussed above, the Directors consider such risks are justifiable commercially.

Furthermore, based on our discussion with the management, our understanding on the "Build-Transfer" mode and our review of 克拉瑪依市政府投資BT融資建設項目管理辦法(試行) (translated as Provisional Administrative Measures on Karamay Municipal Investment of BT Financing Construction Projects, the "Measures") issued and effective on 17 May 2011 for purpose of regulating the operation of projects (such as the Project) relating to construction of municipal infrastructure and/or public welfare utilities of Karamay city invested by Karamay Government and operated under "Build-Transfer" mode, we are not aware of any exceptional and unusual arrangement relating to the "Build-Transfer" mode under the Karamay BT Contract. Given the Measures are mentioned in the Karamay BT Contract and to our best knowledge and based on our search on public domain, we are not aware of any other measures or policies issued by the relevant government to have overridden the Measures and thus we have no reason to doubt the validity of such Measures as at the Latest Practicable Date.

### *Our view*

Having considered the above, we are of the view that the terms of the Karamay BT Contract are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

**3. Financial effects of the Karamay BT Contract**

As stated in the Letter from the Board, Technovator Beijing will provide the financing for the estimated Total Investment Costs with its financial resources, including among others internal resources or available banking facilities (where necessary) and thus the provision of such financing will decrease the bank balances and cash of the Group. The Total Investment Costs are expected to be recovered through five equal instalments and the Repurchase Investment Return will be recorded as an income of the Group over the five-year repurchase period.

After taking into account the Group's audited cash position of approximately US\$40.5 million (equivalent to approximately RMB251.1 million) as at 31 December 2012 primarily consisting of cash at bank and in hand and deposit with banks and other financial institutions that are readily convertible into known amounts of cash and that the Total Investment Costs will be funded by Technovator Beijing in instalments in accordance with the progress of the Project, instead of an immediate lump-sum investment, we concur with the view of the Company that the provision of such financing under the Karamay BT Contract will not have any material impacts on the revenue and earnings of the Group.

The management also advised that after taking into account the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements that is for at least the next 12 months from the date of the Circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION

Having taken into account the following principal factors and balancing the risks associated,

- (i) the entering into the Karamay BT Contract is in line with the Group's business strategy and would benefit the Group by expanding revenue base and domestic customer base and enhancing business presence in the PRC market;
- (ii) balancing the risk associated, the overall return to the Group under the Karamay BT Contract is in the interests of the Company;
- (iii) no exceptional arrangements relating to the "Build-Transfer" mode under the Karamay BT Contract are noted; and
- (iv) the financial effects on the Group for the entering into of the Karamay BT Contract,

we are of the opinion that while the provision of financing by Technovator Beijing under the Karamay BT Contract is not in the ordinary and usual course of business as defined in the Listing Rules, the entering into of the Karamay BT Contract is in the interests of the Company and Shareholders as a whole and the terms of the Karamay BT Contract are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Karamay BT Contract and the transactions contemplated thereunder.

Yours faithfully,  
for and on behalf of  
**Quam Capital Limited**  
**Gary Mui**  
*Managing Director*



## 1. INDEBTEDNESS STATEMENTS

As at 28 February 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular:

### (i) Debt Securities

The Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued or any term loans.

### (ii) Borrowings and Finance Lease

#### (a) Borrowings

The Group had no other borrowings or indebtedness in the nature borrowing other than below:

	<i>USD'000</i>
Bank overdraft	26
Loans	
– Secured	11,164
– Unsecured	4,944
Other Borrowings	
– Unsecured	475
<b>Total</b>	<b>16,609</b>

#### (b) Obligations under finance lease

The Group had obligation under finance lease amount to USD172,900.

### (iii) Mortgages and charges

The Group had no mortgages or charges other than the secured banking facilities being pledged by the investment in subsidiaries held by Distech Controls and the following assets with an aggregate carrying value of:

	<i>USD'000</i>
Property, plant and equipment	1,036
Land & building under construction	3,746
Inventories	2,265
Trade debtors and other receivables	5,461

### (iv) Contingent liabilities

The Group did not have any contingent liabilities or guarantees.

## 2. FINANCIAL AND TRADING PROSPECTUS OF THE GROUP

In 2012, the Group's business scale kept expanding as a result of continuous investments in its sales channel penetration and research and development ability under the vigorous development of building energy-saving solutions market in both PRC and around the world.

The Group expects 2013 still to be a year full of opportunities. The need to increase energy efficiency and savings while implementing green and sustainable measures is driving the uptake of building energy-saving products and systems globally. With legislation that imposes certain energy efficiency standards for buildings, building owners and facility managers are opting to install building energy-saving products and systems to meet the more stringent requirements. In addition, supportive policies and energy mandates that set higher energy efficiency requirements fuel the market demand. We will maintain our strength in research and development and focus on product and solution developments, so as to capture more business opportunities. We will continually expand its sales channel and strengthen its customer base. We will also take advantage from our high-quality and low-cost base products which can provide us with a competitive advantage in the building energy-saving market. In addition, we will continually put efforts on identifying any potential acquisition opportunities, so as to accelerate the Group's development. In concluding, we believe the Group can take advantage of the favourable opportunities offered by the soaring demand of the building energy-saving product and solution market, and consolidate our leading position in the industry.

## 3. WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

## 1. RESPONSIBILITY STATEMENT

This document, for which the Directors of the Company 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 Division 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>	36,000,000	6.90%
	Interest in a controlled corporation <sup>(2)</sup>	8,000,000	1.53%
	Beneficial owner	16,120,000 <sup>(3)</sup>	3.09%
Mr. Lu Zhicheng	Beneficial owner	4,800,000 <sup>(4)</sup>	0.92% <sup>(5)</sup>
	Beneficial owner	4,800,000 <sup>(4)</sup>	0.92% <sup>(5)</sup>
Mr. Zhao Xiaobo	Beneficial owner	12,120,000 <sup>(3)</sup>	2.32%
	Beneficial owner	4,800,000 <sup>(4)</sup>	0.92% <sup>(5)</sup>
Mr. Leung Lok Wai	Beneficial owner	3,000,000 <sup>(4)</sup>	0.58% <sup>(5)</sup>

*Notes:*

- (1) Mr. Seah Han Leong owns 50% 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.
- (2) 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.
- (3) 12,120,000 of these Shares were issued by the Company on 20 July 2012 upon exercise of the share options by all the grantees pursuant to Technovator Employee Share Option Scheme 2009.
- (4) Shares subject to options under the Share Option Scheme.
- (5) 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 Division 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:

Name of Shareholders	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner	92,000,000	17.64%
	Interest in a controlled corporation <sup>(1)</sup>	80,000,000	15.34%
Resuccess Investments Limited	Beneficial owner	80,000,000	15.34%
Dragon Point Limited	Beneficial owner	108,436,320	20.79%
Zana China Fund L.P	Interest in a controlled corporation <sup>(2)</sup>	108,436,320	20.79%

*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.

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 Division 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) Director' 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 CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within the two years preceding the Latest Practicable Date and are or may be material:

- (1) material contracts (12) to (44) referred to in the paragraph headed "Summary of material contracts" in Appendix VI to the Prospectus;
- (2) underwriting agreement dated 24 October 2011 relating to the Placing (as defined in the Prospectus) between, among others, the Company, the Sole Sponsor and the Joint Bookrunners, details of which are set forth in the section headed "Underwriting" in the Prospectus;

- (3) price determination agreement dated 24 October 2011 entered into to by the Joint Bookrunners (on behalf of the Underwriters (as defined in the Prospectus)) and the Company to fix the Offer Price (as defined in the Prospectus);
- (4) share purchase agreement dated 26 September 2012 entered into between Distech Controls Contrôles Inc. ("**Distech Controls**"), an operating subsidiary of the Company, and Groupe Arcom in relation to repurchase of the Class A common shares of Distech Controls from Groupe Arcom by Distech Controls at a consideration of CAD\$5,762,505.55, details of which are set forth in the announcement dated 26 September 2012 and the circular dated 31 October 2012 issued by the Company;
- (5) subscription agreement dated 11 March 2013 entered into among Distech Controls, the Company, Caisse de dépôt et placement du Québec, EnerTech Capital Partners IV L.P., Export Development Canada, Fonds de solidarité des travailleurs du Québec (F.T.Q.), Fonds de solidarité FTQ Investissements Croissance I S.E.C., SVIC No. 25 New Technology Business Investment L.L.P., Investissements W2 Inc., Mr. Étienne Veilleux and 9109-2759 Québec Inc. in relation to subscription of the shares of Distech Controls at a consideration of CAD\$25,499,956.32, details of which are set forth in the announcement dated 11 March 2013 and the circular dated 5 April 2013 issued by the Company; and
- (6) Karamay BT Contract.

## 5. 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.

## 6. 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>
Quam Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser 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.

**7. INTERESTS OF EXPERT**

As at the Latest Practicable Date, the Independent Financial Adviser:

- (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.

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

**9. GENERAL**

- (a) The registered office, the headquarters and principal place of business in Singapore of the Company is at 66 Tannery Lane, #04-10/10A, Sindo Industrial Building, Singapore 347805.
- (b) The principal place of business of the Company in Hong Kong is at Unit 1602-03, Tower 1, China HK City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, which is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Leung Lok Wai who is a member of Hong Kong Institute of Certified Public Accountants, and Ms. Tan Siew Hua who is a member of The Singapore Association of the Institute of Chartered Secretaries & Administrators.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.



**10. 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 Memorandum and the Articles of Association;
- (b) the material contracts referred in the paragraph headed "Material contracts" in this appendix;
- (c) the Karamay BT Contract;
- (d) the accountants' report of the Company for the financial year ended 31 December 2010, the text of which is set out in Appendix I to the Prospectus;
- (e) the published annual reports of the Company for each of the financial years ended 31 December 2011 and 2012;
- (f) the circular dated 31 October 2012 issued by the Company;
- (g) the circular dated 5 April 2013 issued by the Company;
- (h) a letter of recommendation from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (i) a letter of advice from the Independent Financial Adviser, the text of which is set out on pages 16 to 30 of this circular; and
- (j) the written consent from the Independent Financial Adviser referred in paragraph 6 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 Friday, 10 May 2013 at 9:30 a.m. at Unit 1602-03, Tower 1, China HK City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, to pass with or without amendments as an ordinary business the following ordinary resolution:

**ORDINARY RESOLUTION**

“**THAT** the Karamay BT Contract (as defined in the circular of the Company dated 23 April 2013) and the transaction contemplated thereunder, be and are hereby approved, confirmed and ratified.”

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

Hong Kong, 23 April 2013

*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, 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.*

\* For identification purpose only