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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)

POTENTIAL CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF BUSINESSES IN RELATION TO PROVIDING INTELLIGENCE INTEGRATED SOLUTIONS WHICH CENTER AROUND SUPERVISION AND CONTROL SYSTEMS IN THE FIELDS OF INTELLIGENT RAIL TRANSIT, INTELLIGENT BUILDING AND INTELLIGENT URBAN HEATING NETWORK AND RELATED ASSET

INTRODUCTION

Reference is made to the announcement of Technovator International Limited (the “**Company**”) dated 28 July 2015 (the “**Announcement**”) in relation to the acquisition of the Target Businesses by the Group. Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless otherwise specified.

As disclosed in the Announcement, upon completion of the Acquisition, THTF and the Purchaser will enter into the Future Business Arrangements, which will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company would like to disclose the particulars of the Future Business Arrangements as follows.

* *for identification purposes only*

FUTURE BUSINESS ARRANGEMENTS

Overview

As disclosed in the Announcement, in order to facilitate the successful transfer of the Target Businesses pursuant to the Acquisition and the future development of the Target Businesses, pursuant to the Business and Assets Purchase Agreements dated 28 July 2015,

- (i) THTF and the Purchaser will cooperate to implement the transfer of the Acquired Projects from THTF to the Purchaser by way of assignment, sub-contracting and/or delegation. Since the Completion Date, the Purchaser will be responsible for performing the work required by the Acquired Projects and entitled to the income from the Acquired Projects. To the extent that the legal rights of THTF under the contracts in respect of any Acquired Projects have not been assigned to the Purchaser, or for any other reasons THTF receives any payment from the customers of any Acquired Projects for any income generated after the Completion Date, THTF is required to pay such amount to the Purchaser no later than the balance sheet date of the month in which such amount is received without any additional compensation;
- (ii) THTF should use its reasonable endeavors to notify all of the debtors of loans which are part of the Target Assets of the assignment of such debt to the Purchaser. In the event that the relevant debtors settle such debt by paying THTF, THTF is required to pay such amount to the Purchaser no later than the balance sheet date of the month in which such amount is received without any additional compensation;
- (iii) THTF should use its reasonable endeavors to facilitate the assumption of debt which are part of the liabilities of the Target Businesses by the Purchaser, primarily comprising trade payables to third party suppliers. In the event that THTF is required to settle such debt with the relevant third party creditors, the Purchaser is required to reimburse THTF for such amount no later than the balance sheet date of the month in which such amount is paid by THTF;
- (iv) THTF undertakes to assist the Purchaser to take up the Acquired Projects without any additional compensation, including but not limited to providing any necessary information to the Purchaser and handling the relevant project completion and settlement procedures as necessary; and
- (v) THTF will support the Purchaser on the continual development and expansion of the Target Businesses, including cooperating with the Purchaser to develop new projects and business opportunities in respect of the Target Businesses, being a party to the relevant agreements to facilitate the Purchaser's conducting of the Target Businesses if necessary, and providing the required information and assistance to complete the relevant projects, in manners similar to the support to be provided by THTF in respect of the Acquired Projects as set out in paragraphs (i) to (iv) above.

By virtue of the Future Business Arrangements as set out above, after completion of the Acquisition, to the extent that any existing sales or project contract of the Target Businesses are not capable to be assigned to Technovator Beijing or Tongfang Energy Saving (as applicable), THTF will continue to act as the party to such agreements, and will transfer any payments it receives from the relevant customers of the Target Businesses to Technovator Beijing and Tongfang Energy Saving, respectively, without any additional charges. To the extent that there is any new sales, supply or project contract to which THTF will act as the party, all terms of such contracts will still be negotiated by the Purchaser; any payment made or received by THTF shall be based on the results of such negotiation and, if incorporated in the contracts, the terms as determined by the Purchaser.

Under such arrangements, if after completion of the Acquisition circumstances arise such that it is necessary or desirable for THTF to be a contracting party to new sales or project contracts of the Target Businesses, THTF may cooperate with Technovator Beijing or Tongfang Energy Saving (as applicable) in the performance of such contracts for the relevant customers, and transfer any payments it receives from the relevant customers of the Target Businesses to Technovator Beijing and Tongfang Energy Saving, respectively, without any additional charges.

On the other hand, after completion of the Acquisition, to the extent that it is necessary for THTF to act as the party to supply contracts to procure materials or services from third party suppliers for any projects undertaken by the Target Businesses, THTF will procure the necessary materials and services from the relevant third party suppliers for the Purchaser upon instruction by the Purchaser, and the Purchaser is required to reimburse THTF for the amount paid by THTF.

Pursuant to the Future Business Arrangements, THTF will only enter into contracts for the Target Businesses upon request and instructions of the Purchaser. Nevertheless, to safeguard the entering into of the new sales or supply contracts to which THTF will act as the party, the Purchaser will only recognize contracts (including any amendments of such contracts) the forms of which have been approved by the Purchaser in writing as subject to the Future Business Arrangements, and will manage all such contracts, including keeping original copies of such contracts and all amendments to such contracts, during the course of their terms.

As after completion of the Acquisition, all current employees of the Target Businesses, whose employment will be transferred to the Purchaser, will continue to be responsible for the operation of the Target Businesses, the relevant personnel at the Target Businesses currently responsible for managing sales and supply contracts at the Target Businesses according to their respective functions, including sales, project management, procurement, operation and finance, will continue to be responsible for managing these contracts, under the overall supervision of the general manager of the respective Target Businesses and the senior management of the Purchaser. Please refer to the Circular for further details.

Other than the Business and Assets Purchase Agreements, the Purchaser and THTF have not entered into any other agreements with respect to the future business arrangements as set out above.

Term

Subject to approval by the Shareholders at the EGM, the Future Business Arrangements will take effect upon completion of the Acquisition until 31 December 2017. In the event that the Future Business Arrangements would continue after 31 December 2017 or if any of the Annual Caps would be exceeded in any relevant years, the Company will re-comply with the requirements regarding continuing connected transactions in respect of the Future Business Arrangements.

The Annual Caps

The estimated aggregate amount of payments to be transferred by THTF to the Group and the estimated aggregate amount of payments to be transferred by the Group to THTF pursuant to the Future Business Arrangements for each of the years ending 31 December 2015, 2016 and 2017 are as follows (the “**Annual Caps**”):

	Year ending 31 December		
	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)
Payments to be transferred by THTF to the Group	338	778	874
Payments to be transferred by the Group to THTF	238	622	700

The Annual Caps only cover (i) any amount paid by THTF to the Purchaser arising from THTF’s obligations under the Business and Assets Purchase Agreements to pay such amount that THTF has received from third party customers in relation to projects undertaken by the Target Businesses; and (ii) any amount paid by the Purchaser to THTF arising from the Purchaser’s obligations under the Business and Assets Purchase Agreements to reimburse THTF for such amount that THTF has paid to third party creditors in relation to projects undertaken by the Target Businesses.

The Annual Caps are determined based on the following factors:

- (i) sales data of the Target Businesses, including the contract price of the Acquired Projects, contracts in negotiation and bidding of projects participated by the Target Businesses, and estimated growth for each of the Target Businesses (as further detailed in paragraph (v) below);
- (ii) historical pattern of payments of contract prices by the Target Businesses' customers – The amount of fees to be received by the Purchaser from third party customers through THTF during each year is determined by reference to the historical pattern of payments of contract prices, including seasonality and proportions of payments in each year;
- (iii) historical cost of sales of the Target Businesses – The historical cost of sales of the Target Business as a percentage of revenue received each year is used to approximate the amount of payments that the Purchaser will pay to THTF to settle debts with third party creditors by reference to the amount of contract price it will receive for the given year;
- (iv) trends of the gross profit margin of each of the Target Businesses – The cost of sales of the Target Business as a percentage of revenue received each year (as mentioned in paragraph (iii) above) is determined based on the historical gross profit margins of the Target Businesses and taking into account the prevailing trend of such gross profit margins;
- (v) expected growth of the Target Businesses – The assumed growth rate of the total contract price for each year is based on the historical growth rates of the Target Businesses, taking into account industry trends and macro-economic factors.

The Annual Caps are determined on the assumption that none of the existing sales or project contract of the Target Businesses are assigned to Technovator Beijing or Tongfang Energy Saving, as such assignment would require consents of the relevant customers.

Please refer to the Circular for further details.

Pricing and Payment Terms

The transactions between the Purchaser and THTF under the Future Business Arrangements are part and parcel of the subject matter of the Acquisition, for which THTF will not be entitled to any additional fees or compensation.

The prices for new sales contracts to which THTF will act as the party will be negotiated with third party customers based on the price range as indicated by the prices charged by the relevant Target Business for projects with scope of services undertaken and/or for past sale of products by the relevant Target Business which most closely resembles the requirements of the new sales contract concerned within a certain period. The prices for the purchase of material and/or services to be procured under supply contracts subject to the Future Business Arrangements will be negotiated with third party suppliers based on the price range as indicated by the prices paid by the relevant Target Business in past purchases for similar material and/or services within a certain period. Please refer to the Circular for further details.

Listing Rules Implications

THTF, which directly and indirectly owns a total of 268,148,142 Shares, representing approximately 34.64% and approximately 34.48% of the entire issued share capital of the Company as at the date of the Business and Assets Purchase Agreements and the Latest Practicable Date, respectively, is a Controlling Shareholder of the Company. Under Rule 14A.07(1) of the Listing Rules, THTF is a connected person of the Company and the aforementioned business arrangements between THTF and the Purchaser after the completion of the Acquisition, including transfer of payments received from third party customers from time to time from THTF to the Purchaser and reimbursement of payments made by THTF to third party creditors for projects undertaken by the Target Businesses will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Although no consideration will be paid by the Group to THTF in relation to such business arrangements, given that there will be payments between the Group and THTF pursuant to the Future Business Arrangements, the Board considers it appropriate to subject such payments to the requirements for continuing connected transactions under Chapter 14A of the Listing Rules, and adopt the Annual Caps as the maximum transaction amounts for the Future Business Arrangements. As each of the applicable percentage ratios in respect of the Annual Caps is greater than 5%, the Future Business Arrangements and the Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. A resolution will be put forth to the Shareholders at the EGM for the Shareholders to consider and approve the Future Business Arrangements and the Annual Caps. In the event that the Future Business Arrangements would continue after 31 December 2017 or if any of the Annual Caps would be exceeded in any relevant years, the Company will re-comply with the requirements regarding continuing connected transactions in respect of the Future Business Arrangements.

REASONS FOR AND BENEFITS OF THE FUTURE BUSINESS ARRANGEMENTS

Under the Business and Assets Purchase Agreements, the Purchaser has the right, but not the obligation, to require THTF to facilitate the Target Businesses' future business in the manners set out above. The Future Business Arrangements will enable the Purchaser to seamlessly take over the Acquired Projects upon completion of the Acquisition and allow the Target Businesses to continue to develop and grow without any interruption as a result of the change in their ownership. In addition, as the Purchaser is entering into the Target Businesses, it will take time for the Purchaser to establish their positions in the market under their own names, instead of THTF. As THTF has been operating for a significant period of time and has built its brand recognition among customers, with its assistance by way of the Future Business Arrangements, the Purchaser can avoid loss of potential business opportunities due to the Purchaser's relatively new presence in the relevant markets. For example, for projects for which the Target Businesses have submitted bids under the name of THTF before the completion of the Acquisition, THTF will be required to be the contracting party in accordance with the rules of the relevant tenders. In addition, after completion of the Acquisition, THTF will no longer be capable of carrying out the Target Businesses and fulfil customer's requirements for those services. In case of any potential customer who would need time to obtain their own internal approval to deal with a new owner of the Target Businesses

and therefore wishes to continue to deal with THTF in the meantime due to their history of dealings with THTF, the Company may capture such opportunity by leveraging on the Future Business Arrangements. Hence the Future Business Arrangements also cover new projects which may be undertaken by the Target Businesses in the future. The Directors consider the Future Business Arrangements an integral aspect of the Acquisition and one of the key factors taken into account by the Company for entering into the Business and Assets Purchase Agreements.

The Board (excluding the independent non-executive Directors whose opinion are stated in the Circular) considers that the Future Business Arrangements and their terms are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

INFORMATION ABOUT THE GROUP AND THE PURCHASERS

The Group is a leading provider of integrated and comprehensive urban energy saving services, focusing on providing integrated products, solutions and services in relation to energy saving. The Group's businesses cover energy monitoring, management and design and application of solutions for urban infrastructures in relation to energy saving in buildings, industrial energy saving, urban heat supply energy saving and energy saving in urban rail transit. The Company was incorporated in Singapore in 2005, and the shares of the Company are listed on the Main Board of the Stock Exchange since 27 October 2011.

Technovator Beijing is a wholly-owned subsidiary of the Company and is established in the PRC. Technovator Beijing is principally engaged in providing integrated comprehensive energy saving products, solutions and services in the areas of urban rail transit, building and urban heat supply.

Tongfang Energy Saving is a wholly-owned subsidiary of the Company and is established in the PRC with limited liability. Tongfang Energy Saving is principally engaged in providing energy saving solutions for heating and cooling in areas such as industrial production and building environment with absorption heat pump technology. The main business models of Tongfang Energy Saving are Energy Management Contract (EMC), Engineering, Procurement and Construction (EPC) and sales of products.

INFORMATION ABOUT THE VENDOR

THTF, a Controlling Shareholder of the Company, is a joint stock limited company established in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所) since June 1997. The principal businesses of THTF cover the following six sectors: internet services and terminals, public security, intelligent city; energy saving and environment protection, science park, and headquarters and investment. Its internet services and terminal sector includes business groups such as smart chips, hardware terminals and internet content services; its public security sector includes business groups such as security systems, national security and military industry; its intelligent city sector includes business groups such as internet of things, intelligent building, intelligent rail transit and intelligent urban heating network; its energy saving and environment protection sector includes business groups such as building energy saving, industrial energy saving, semi-conductor lighting and water supply.

The Target Businesses in the Acquisition are primarily the businesses relating to intelligent rail transit, intelligent building and intelligent urban heating network in the intelligent city sector which are developed based on core technologies self-developed by THTF.

THE EGM

The EGM will be convened on 16 October 2015 at which ordinary resolutions will be proposed for the Shareholders to consider, and, if thought fit, to approve the Acquisitions under the Business and Assets Purchase Agreements, the Future Business Arrangements and the Annual Caps. Pursuant to Rule 14A.36 of the Listing Rules, at the EGM, THTF, the controlling shareholder of the Company, and its associates are required to abstain from voting on the ordinary resolution approving the Business and Assets Purchase Agreements, the Future Business Arrangements and the Annual Caps. Voting at the EGM will be conducted by poll.

The Circular containing, among other things, (1) further information on the Acquisitions and the Business and Assets Purchase Agreements; (2) details of the terms of the Future Business Arrangements and the Annual Caps; (3) the notice of the EGM; (4) a letter from Quam Capital Limited to the independent board committee and the Independent Shareholders; and (5) the recommendation of the independent board committee to the Independent Shareholders will be despatched to the Shareholders on or before 29 September 2015.

By order of the Board
Technovator International Limited
Lu Zhicheng
Chairman

Hong Kong, 25 September 2015

As at the date of this announcement, 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. Fan Xin, 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.