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## **China Titans Energy Technology Group Co., Limited**

**中國泰坦能源技術集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2188)**

### **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF 10% OF EQUITY INTEREST IN TITANS NEW POWER**

On 5 January 2017, Zhuhai Titans, an indirect wholly-owned subsidiary of the Company, as vendor entered into the SP Agreement with Lead Intelligent as purchaser, pursuant to which Zhuhai Titans conditionally agreed to sell and Lead Intelligent conditionally agreed to purchase the Sale Interest, representing 10% equity interest in Titans New Power, at the Provisional Consideration of RMB135,000,000 (equivalent to approximately HK\$149,850,000), subject to the Consideration Adjustment Mechanism. The Final Consideration will be settled by Lead Intelligent by way of the payment of the Cash Consideration and the issue of the Consideration Shares.

As some of the applicable percentage ratios for the Disposal under the SP Agreement are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Disposal is conditional upon fulfilment of the conditions set out in the SP Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in securities of the Company. If the Shareholders and potential investors have any doubt about their position, they should consult their professional advisers.**

## **THE SP AGREEMENT**

### **Date:**

5 January 2017

### **Parties:**

Vendor : Zhuhai Titans, an indirect wholly owned subsidiary of the Company

Purchaser : Lead Intelligent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Lead Intelligent and its ultimate beneficial owner(s) is a third party independent of the Company and its connected person(s).

### **Assets disposed under the SP Agreement**

Pursuant to the SP Agreement, Zhuhai Titans conditionally agreed to sell and Lead Intelligent conditionally agreed to purchase the Sale Interest, representing 10% equity interest in Titans New Power.

### **Conditions precedent**

The SP Agreement shall only become effective upon the fulfillment of the following conditions:

- (1) the Asset Reorganisation having been validly approved by the board of directors and the shareholders' meeting of Lead Intelligent;
- (2) the Asset Reorganisation having obtained all the necessary approvals of the regulatory authorities (including the CSRC); and
- (3) the Remaining Shareholders' SP Agreement having become effective.

## Consideration

Pursuant to the SP Agreement, the Provisional Consideration for the Disposal shall be RMB135,000,000 (equivalent to approximately HK\$149,850,000) and the Final Consideration shall be determined in the following manner:

- (1) if the final appraisal value of Titans New Power in the Final Valuation Report is not less than 95% of the Preliminary Appraisal Value, the Final Consideration shall be equal to the Provisional Consideration, i.e. RMB135,000,000; or
- (2) if the final appraisal value of Titans New Power in the Final Valuation Report is less than 95% of the Preliminary Appraisal Value, the parties to the SP Agreement shall negotiate and determine the Final Consideration by entering into the written agreement (if any); if the parties fail to reach any agreement on the amount of the Final Consideration within two (2) months of the issue date of the Final Valuation Report, the SP Agreement shall be automatically terminated upon the expiry of the aforesaid period,

(collectively referred to as the “Consideration Adjustment Mechanism”).

Assuming the Final Consideration is RMB135,000,000, the Final Consideration will be settled by Lead Intelligent in the following manner within three (3) months after the Effective Date:

- (1) as to 45% of the Final Consideration, being RMB60,750,000 (subject to adjustment) (equivalent to approximately HK\$67,433,000), shall be settled in cash by Lead Intelligent; and
- (2) as to 55% of the Final Consideration, being RMB74,250,000 (subject to adjustment) equivalent to approximately HK\$82,418,000), shall be settled by the issue of 2,185,108 (subject to adjustment) new shares by Lead Intelligent at the issue price of RMB33.98 per Consideration Share. If there is any declaration of dividend, bonus share issue and/or issue of new shares of Lead Intelligent for cash to the shareholder(s) of Lead Intelligent and/or any other third parties, which occur during the period between the Account Date and the completion of the issue of the Consideration Shares (both days inclusive), the

issue price of the Consideration Shares shall be adjusted in accordance with the following formula:

$$P_1 = \frac{P_0 - D + A \times K}{(1 + K + N)}$$

where,

P<sub>1</sub>: the adjusted issue price of the Consideration Shares;

P<sub>0</sub>: RMB33.98 per Consideration Share;

D: the amount of dividend per share of Lead Intelligent;

A: the subscription price per new share of Lead Intelligent;

K: (i) where the new shares are to be issued to the shareholders of Lead Intelligent, the number of the new share(s) for each share of Lead Intelligent that the shareholders of Lead Intelligent are entitled to subscribe for;

(ii) where the new shares are to be issued to any other third parties, the number of the total number of new share(s) to be issued by Lead Intelligent divided by the total number of issued shares of Lead Intelligent as at the date of the proposed issue;

N: the number of the bonus share(s) for each share of Lead Intelligent.

The number of the Consideration Shares shall be adjusted in accordance with the following formula:

$$M = X / P_1$$

where,

M: the adjusted number of the Consideration Shares;

X: 55% of the Final Consideration;

P<sub>1</sub>: the adjusted issue price of the Consideration Shares as determined by the formula above.

The Provisional Consideration, being RMB135,000,000, and the Consideration Adjustment Mechanism were arrived at based on normal commercial terms after arm's length negotiations between Zhuhai Titans and Lead Intelligent with reference to the Preliminary Valuation Report and the Preliminary Appraisal Value of Titans New Power as of the Account Date.

Pursuant to the relevant PRC regulations, the issue price of the Consideration Shares should not be less than 90% of the Market Reference Price, which should be one of the average trading prices of the shares of Lead Intelligent for the last twenty (20), sixty (60) or one hundred and twenty (120) consecutive trading days prior to the Board Meeting Date. The following table shows the details of the Market Reference Price:

<b>Type of average trading price</b>	<b>Amount of the average trading price (per share of Lead Intelligent)</b>	<b>Average trading price x 90% (per share of Lead Intelligent)</b>
For twenty (20) consecutive trading days prior to the Board Meeting Date	RMB 34.26	RMB 30.83
For sixty (60) consecutive trading days prior to the Board Meeting Date	RMB 33.27	RMB 29.94
For twenty (120) consecutive trading days prior to the Board Meeting Date	RMB 34.82	RMB 31.34

The issue price of the Consideration Shares was not less than 90% of the Market Reference Price and was arrived at based on normal commercial terms after arm's length negotiations between Zhuhai Titans and Lead Intelligent with reference to the Market Reference Price.

The Directors (including the independent non-executive Directors) consider that the terms of the SP Agreement (including the basis of the Provisional Consideration, the issue price of the Consideration Shares and the Consideration Adjustment Mechanism), as determined based on an arm's length negotiations between the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **Restriction on the transfer of Consideration Shares**

Zhuhai Titans shall not transfer the Consideration Shares in any way within twelve (12) months after the Consideration Shares are issued to Zhuhai Titans. Such restriction shall also apply to the share(s) of Lead Intelligent acquired by Zhuhai Titans after the Completion due to the issue of new shares or the capitalisation issue by Lead Intelligent or other reasons.

## **Non-competition Undertaking**

Pursuant to the non-competition undertaking given by Zhuhai Titans in favour of Lead Intelligent on 5 January 2017, Zhuhai Titans has undertaken that after the Completion, Zhuhai Titans and the companies controlled by it shall not directly or indirectly engage in, participate in or assist others to engage in the same or similar business or operation activities which may directly or indirectly compete with the business relating to the production line equipment of lithium battery currently carried out by Titans New Power, Lead Intelligent and its subsidiaries, for (i) the period during which Zhuhai Titans remains a shareholder of Lead Intelligent or (ii) 5 years after the Completion, whichever is later.

## **Completion**

Zhuhai Titans shall complete the transfer of the Sale Interest within one (1) month after the Effective Date.

Lead Intelligent shall settle the Final Consideration in the manner stated above within three (3) months after the Effective Date.

The parties to the SP Agreement have agreed that (i) Lead Intelligent shall be entitled to the profits of Titans New Power attributable to the Sale Interest generated during the Transition Period; and (ii) Zhuhai Titans shall be responsible for the loss of Titans New Power attributable to the Sale Interest incurred during the Transition Period in proportionate to its shareholding in Titans New Power, which shall be paid by Zhuhai Titans in cash (the “Compensation”) to Lead Intelligent within ten (10) business days after the issue of the audited report of Titans New Power for the Transition Period by the accountants appointed by Lead Intelligent.

## INFORMATION OF TITANS NEW POWER

Titans New Power is a company established in the PRC with limited liability. Titans New Power is principally engaged in, among others, research, development, production and sale of energy recovery battery formation, capacity grading, sorting and warehousing & logistics automation, and the batteries and module test equipment. Its major products and solutions include energy recovery battery related formation and grading system, sorting testing system, cell sorting system, power battery pack testing system, full automatic lithium battery production solution.

After the completion of the transfer of the Sale Interest pursuant to the SP Agreement, the Group will cease to have any interest in Titans New Power.

Set out below is the financial information of Titans New Power for the two years ended 31 December 2014 and 2015.

	Year ended 31 December	
	2014	2015
	RMB	RMB
	(unaudited)	(unaudited)
Net (loss) profit before taxation	(1,354,406.80)	12,219,804.30
Net (loss) profit after taxation	(1,354,406.80)	12,219,804.30

The unaudited net asset value of Titan New Power was approximately RMB55,318,000 as at 31 October 2016.

## FINANCIAL EFFECT OF THE DISPOSAL

The Group will recognise a gain of approximately RMB134,096,000 (equivalent to approximately HK\$148,847,000) as a result of the Disposal under the SP Agreement based on a preliminary review, being the difference between the aggregate amount of (i) the Cash Consideration and (ii) the fair value of the Consideration Shares, and the carrying value of the Sale Interest in the consolidated financial statements of the Group as at 31 December 2016 (assuming that the Final Consideration is equal to the Provisional Consideration and there is no loss incurred during the Transition Period from Titans New Power in which Zhuhai Titans is responsible of and required to be settled in cash to Lead Intelligent).

For illustrative purpose, the estimated gain to be recognised as a result of the Disposal is calculated based on the Cash Consideration and the fair value of the shares of Lead Intelligent as at the date of this announcement (assuming the aggregate amount of the Cash Consideration and the fair value of the Consideration Shares is approximately equal to the Final Consideration upon the Completion, the Final Consideration is equal to the Provisional Consideration and no Compensation was required to be paid by Zhuhai Titans). The Shareholders should be noted that the actual amount of the gain to be recognised and the financial effect as a result of the Disposal to be recorded by the Group will be subject to the audit by the auditors of the Company.

## **REASONS FOR THE DISPOSAL AND THE USE OF PROCEEDS**

The Company believes that the Disposal can optimise the operation management of the Group, and at the same time, enable the Group to focus its capital and management resources on its main operating business, namely research, development and production of charging equipment for electric vehicles, and investment and operation of electric vehicle charging network. The Directors consider that the present time is a mature time for the Disposal.

Having regard to the nature of and the benefits resulting from the Disposal, the Directors believe that the terms of the SP Agreements are fair and reasonable and in the interest of the Company and the Shareholders taken as a whole.

The proceeds generated from the Disposal will be applied as general working capital of the Group.

## **INFORMATION OF THE COMPANY AND ZHUHAI TITANS**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding.

Zhuhai Titans is a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company.



The Group, including Zhuhai Titans, is principally engaged in research and development, production and sale of electrical direct current (DC) products, charging equipment for electric vehicles and power grid monitoring and management products. At the same time, the Group is also engaged in the planning, design, investment and construction, engineering services, operating services and other value-added services in relation to charging facilities of new energy vehicles.

## **INFORMATION OF LEAD INTELLIGENT**

Lead Intelligent is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. Lead Intelligent is principally engaged in research, development, production and sale of the high-end automation equipment and provision of the high-end automation equipment and the solution service for the manufacturers of the energy saving environmental and new energy products, e.g., among others, the lithium batteries and photovoltaic cells/components, thin-film capacitors.

## **LISTING RULES IMPLICATIONS OF THE DISPOSAL**

As some of the applicable percentage ratios for the Disposal under the SP Agreement are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Disposal is conditional upon fulfilment of the conditions set out in the SP Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in securities of the Company. If the Shareholders and potential investors have any doubt about their position, they should consult their professional advisers.**

## **DEFINITIONS**

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

“Account Date” 31 October 2016

“Asset Reorganisation” the entering into and the completion of the SP Agreement and Remaining Shareholders’ SP Agreement

“Board Meeting Date”	5 January 2017, being the date of the board meeting of Lead Intelligent, on which the board of directors of Lead Intelligent has approved the acquisition of the Sale Interest and the issue of the Consideration Shares
“Cash Consideration”	45% of the Final Consideration which shall be settled in cash
“Company”	China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2188)
“Completion”	the completion of the registration procedure of the Consideration Shares at the relevant share registration organisation and the settlement of the Cash Consideration by Lead Intelligent, and payment of the Compensation (if any) by Zhuhai Titans
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	the new shares to be issued by Lead Intelligent at the issue price of RMB33.98 per new share for the settlement of 55% of the Final Consideration
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest to be carried out under the terms and conditions of the SP Agreement
“Effective Date”	the date on which the SP Agreement has become effective
“Final Consideration”	the final consideration for the Disposal, which shall be determined by the Consideration Adjustment Mechanism and shall be settled by payment of Cash Consideration and issue of the Consideration Shares

“Final Valuation Report”	the final valuation report to be prepared by the Valuer based on the audited report of Titans New Power for the period from 24 February 2014, being the date of incorporation of Titans New Power, to the Account Date in respect of the market value of Titans New Power as at the Account Date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lead Intelligent”	Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300450)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Reference Price”	the average trading price of the shares of Lead Intelligent for the last twenty (20), sixty (60) or one hundred and twenty (120) consecutive trading days prior to the Board Meeting Date
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preliminary Appraisal Value”	RMB1,380,000,000, being the preliminary appraisal value of Titans New Power as of the Account Date, pursuant to the Preliminary Valuation Report
“Preliminary Valuation Report”	the preliminary valuation report dated 4 January 2017 prepared by the Valuer based on the management account of Titans New Power as of the Account Date in respect of the fair market value of Titans New Power as of the Account Date

“Provisional Consideration”	RMB 135,000,000 (equivalent to approximately HK\$149,850,000), subject to the Consideration Adjustment Mechanism
“Remaining Shareholders’ SP Agreement”	the sale and purchase agreement dated 5 January 2017 entered into between the remaining shareholders of Titans New Power as vendors and Lead Intelligent as purchaser in relation to the disposal of 90% equity interest in Titans New Power
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	10% equity interest in Titans New Power owned by Zhuhai Titans prior to completion of the Disposal
“Shareholder(s)”	holder(s) of the shares of the Company
“SP Agreement”	the sale and purchase agreement dated 5 January 2017 entered into between Zhuhai Titans as vendor and Lead Intelligent as purchaser relating to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Titans New Power”	Zhuhai Titans New Power Electronics Company Limited* (珠海泰坦新動力電子有限公司), a company established in the PRC with limited liability and is owned as to 10% by Zhuhai Titans as at the date of this announcement
“Transition Period”	the period between the Account Date and the date on which Zhuhai Titans has completed the transfer of the Sale Interest to Lead Intelligent
“Valuer”	Jiangsu Zhongtian Assets Appraisal Office Co., Ltd.* (江蘇中天資產評估事務所有限公司), an appraisal company in the PRC appointed by Lead Intelligent

“Zhuhai Titans”

Zhuhai Titans Power Electronics Group Co., Ltd.\* (珠海泰坦電力電子集團有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent

By Order of the Board

**China Titans Energy Technology Group Co., Limited**

**Li Xin Qing**

*Chairman*

Hong Kong, 5 January 2017

*For the purpose of this announcement, translations of RMB into HK\$ have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.11. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Xin Qing and Mr. An Wei; and three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan.*

\* *For identification purpose only*