

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

CONNECTED TRANSACTION SHARE PURCHASE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Optima Capital Limited

A notice convening the extraordinary general meeting ("EGM") of the Company to be held on Friday, 16 November 2012 at 10:00 a.m. at 23/F, Tower A, Tsinghua Tongfang Hi-Tech Plaza, No. 1 Wangzhuang Road, Haidian District, Beijing, the People's Republic of China, is set out on page 27 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

31 October 2012

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DEFINITIONS

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

“Announcement”	the announcement dated 2 October 2012 in relation to the Share Purchase Agreement
“Arcom” or “Vendor”	Groupe Arcom, a company which was incorporated under the laws of France on 24 February 2006 that held 11.15% of the equity interest in Distech Controls immediately prior the completion of the Repurchase
“Articles of Association”	the articles of association of the Company as amended from time to time
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Technovator International Limited, a limited liability company incorporated in Singapore on 25 May 2005 and the issued securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Distech Controls” or “Purchaser”	Distech Contrôles Inc. (Distech Controls Inc.), which is an operating subsidiary of the Company, was incorporated under the laws of Québec, Canada on 5 January 1995 and owned as to 56.70% by the Company immediately prior to the completion of the Repurchase
“Distech Controls Group”	Distech Controls and its subsidiaries
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 16 November 2012 for the purpose of considering and, if thought fit, approving the transaction under the Share Purchase Agreement

DEFINITIONS

“Group”	the Company and its subsidiaries
“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 Share Purchase Agreement
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules
“Latest Practicable Date”	24 October 2012, 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
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Repurchase
“PRC”	People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Repurchase”	the repurchase of the Repurchase Shares by Distech Controls from Arcom pursuant to the Share Purchase Agreement
“Repurchase Shares”	the 4,310,407 Class A common shares of the issued and outstanding shares of the capital of the Purchaser which were owned by the Vendor immediately prior to the completion of the Repurchase

DEFINITIONS

“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
“Share Purchase Agreement”	a share purchase agreement entered into between the Vendor and the Purchaser dated 26 September 2012 for the purchase of the Repurchase Shares for cancellation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning as defined in the Listing Rules
“USA”	an addendum to the unanimous shareholders’ agreement dated 25 February 2010 entered into between the Company, Distech Controls, Étienne Veilleux, 9109-2759 Québec Inc. and Arcom to amend a unanimous shareholders’ agreement dated 28 May 2008 entered into between the Company, Distech Controls, Étienne Veilleux and 9109-2759 Québec Inc.
“CAD\$”	Canadian dollars, the lawful currency of Canada
“CHF”	Swiss Franc, the lawful currency of the Switzerland
“EUR”	euro, the official currency of the eurozone
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	the United States dollars, the lawful currency of the United States
“%”	per cent.
“*”	<i>For identification purpose only</i>



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

Mr. Chow Dah-Jen

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

31 October 2012

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
SHARE PURCHASE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement regarding the Share Purchase Agreement.

The purpose of this circular is to provide you with further information regarding details of the Share Purchase Agreement and a notice convening the EGM.

* For identification purpose only

LETTER FROM THE BOARD

The Share Purchase Agreement

Date: 26 September 2012

Parties: (1) the Vendor; and

(2) the Purchaser

Subject matter: Subject to the terms and conditions under the Share Purchase Agreement, the Purchaser agreed to purchase the Repurchase Shares, the net assets value of which was approximately CAD\$2.22 million as at 31 August 2012, which was arrived at by multiplying the net assets value as shown on the management accounts of Distech Controls as of 31 August 2012, i.e. approximately CAD\$19.9 million, with the percentage of the equity interest in Distech Controls to be repurchased from Arcom, from the Vendor for cancellation, at a consideration of CAD\$5,762,505.55, which was determined by the Vendor and the Purchaser with reference to a formula provided in the USA based on the 12-month EBITDA of the Purchaser for the period ended 31 December 2011. Such formula is for the purpose of calculating the price of the Repurchase Shares to be paid by the other voting shareholders of Distech Controls to Arcom upon exercise of the put option granted to Arcom pursuant to the USA. Please see the paragraph headed "Reasons for and Benefits of the Share Purchase Agreement" for further details. The formula is as follows:

$A/B \times C$, where

A = number of the voting shares in Distech Controls held by Arcom;

B = number of the outstanding voting shares in Distech Controls; and

C = 7 × Distech Controls' earnings before interest, taxes, depreciation, and amortization during the 12-month period prior to the exercise of the relevant option. The EBITDA shall include the research and development tax credits and the research and development expenses to be capitalized.

LETTER FROM THE BOARD

For the purpose of deriving the price of the Repurchase Shares under the Share Purchase Agreement, A/B in the above formula is calculated to be approximately 10.6% on a fully diluted basis taking into account shares issuable upon full exercise of the outstanding employee share options of Distech Controls. Based on the aforesaid fully diluted percentage of approximately 10.6% and the EBITDA of Distech Controls Group of approximately CAD\$8.2 million for the year ended 31 December 2011, the amount calculated according to the above formula is approximately CAD\$6.08 million, which was further adjusted through arm's length negotiation between the parties to arrive at the consideration of the Repurchase Shares of approximately CAD\$5.76 million under the Share Purchase Agreement.

The original acquisition costs for the Repurchase Shares of Arcom were approximately EUR 4 million, equal to part of the consideration paid by the Group to acquire Distech Controls S.A.S. and Acelia S.A.S., both of which are subsidiaries of the Group as at the date of this circular, from Arcom to enable the Group's presence and market share in Europe. Please refer to the section headed "History and Corporate Structure" in the prospectus of the Company dated 17 October 2011 for details.

Payment schedule:

The price for the purchase of the Repurchase Shares is payable on the signing of the Share Purchase Agreement.

The consideration for the Repurchase Shares is financed by a two-year bank loan obtained by the Purchaser with interest payable at the rate of 3% per annum over prime rate. Based on the entire principal amount of the loan of approximately CAD\$5.72 million and the prevailing prime rate of 3%, the annual interest charge for the loan is approximately CAD\$0.34 million of which the Group will share 63.81% (i.e. approximately CAD\$0.22 million). As the loan is repayable by quarterly instalments over the tenure of the loan, the principal amount outstanding will reduce gradually and the annual interest payable, which is calculated based on the outstanding principal amount of the loan, will be less than above amount assuming the prime rate remains at 3% per annum.

LETTER FROM THE BOARD

Effects of the Repurchase

Upon completion of the Share Purchase Agreement, Arcom will cease to be a shareholder of Distech Controls and the Company's equity interest in Distech Controls will increase from 56.70% to 63.81% as a result of the Repurchase and cancellation of the Repurchase Shares. Distech Controls will continue to be a subsidiary of the Company following the Repurchase and its financial results will continue to be consolidated into the accounts of the Group.

It is expected that the Group will not record any profit or loss from the Repurchase, because the Repurchase will be recorded as an equity transaction in accordance with the accounting policy of the Group.

Reasons for and Benefits of the Share Purchase Agreement

According to the USA, after the fourth anniversary of the signing of the USA, being 25 February 2014 (the "**Put Option Exercise Date**", where applicable) (or earlier in certain exceptional circumstances): (i) Distech Controls may require Arcom to sell all of its shares of Distech Controls for cancellation at an aggregate price equal to the greater of EUR 4 million (plus 6% per year from February 2010) and seven times the EBITDA per share of Distech Controls in the 12 months preceding the purchase; and (ii) Arcom may require the then voting shareholders of Distech Controls, including the Company, to purchase the shares of Distech Controls held by Arcom, at an aggregate price equal to seven times the EBITDA per share of Distech Controls in the 12 months preceding the purchase. Please refer to the section headed "History and Corporate Structure" of the prospectus of the Company dated 17 October 2011 for details.

Given that Arcom wishes to liquidate its investment in Distech Controls earlier for its own commercial reason, Arcom therefore asked Distech Controls to purchase the Repurchase Shares before the Put Option Exercise Date. Considering that the financial performance of Distech Controls in the past financial years is satisfactory, and based on the unaudited management accounts of Distech Controls Group, Distech Controls Group recorded a higher EBITDA for the eight months ended 31 August 2012, being approximately CAD\$6.13 million, than that of the corresponding period in 2011, representing an upward trend in its financial performance, the Directors are positive about the prospects and growth of the business of Distech Controls, therefore, the Company expects that Distech Controls will achieve a higher EBITDA amount in the coming years than for the 12-month period ended 31 December 2011 and which may mean that the consideration for purchasing the Repurchase Shares now may be lower than the consideration that the Group would otherwise have to pay Arcom after their exercise of the put option on or after the Put Option Exercise Date.

The consideration for the Repurchase Shares under the Share Purchase Agreement is arrived at through arm's length negotiation with Arcom and with reference to the formula for calculating EBITDA as agreed by the parties in the USA. By purchasing the Repurchase Shares pursuant to the Share Purchase Agreement, the Group will avoid the risk of having to pay a higher price for the Repurchase Shares upon exercise of the put option by Arcom.

LETTER FROM THE BOARD

Based on the above, the Directors are of the view that the terms and conditions of the Share Purchase Agreement including the use of the formula under the USA for calculating the consideration, are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Information about Arcom

Arcom is principally engaged in the business of the integration of communicating building management system which are used to control energy and comfort in commercial buildings. To the best of the knowledge and belief of the Directors after all reasonable enquiry, other than being shareholders of Arcom, the ultimate beneficial owners of Arcom has no relationship with the Company and its connected persons.

Information about Distech Controls

Distech Controls is principally engaged in the design, manufacturing, sales and marketing of energy management systems and integrated building automation systems.

The following table sets out the audited results of Distech Controls Group for the two years ended 31 December 2010 and 2011 as extracted from its 2011 audited consolidated financial statements:

	2011 <i>CAD\$'000</i>	2010 <i>CAD\$'000</i>
Revenue	39,025	29,571
Cost of goods sold	(18,310)	(15,195)
Gross margin	20,715	14,376
Operating expenses:		
– Selling expenses	(6,308)	(5,579)
– Administrative expenses	(6,961)	(6,259)
– Research and development expenses	(691)	(171)
– Amortisation	(1,552)	(1,174)
– Business combination acquisition-related costs	–	(312)
Financial expenses	(476)	(643)
Earnings before non-controlling interest and income taxes	4,727	238
Non-controlling interest	21	–
Income taxes	(1,157)	80
Net earnings	3,591	318

LETTER FROM THE BOARD

Distech Controls Group recorded nearly a 32% increase in turnover in 2011 as compared to 2010. Gross profit margin also improved from approximately 48.6% in 2010 to approximately 53.1% in 2011. The increase in turnover was mainly attributable to the effort on expanding sales network and focusing on customers with significant number of branches or chain stores. The improvement in gross profit margin was mainly due to the successful reduction in manufacturing cost by shifting the manufacturing process to the People's Republic of China. Net earnings also recorded a significant increase from approximately CAD\$0.3 million in 2010 to approximately CAD\$3.6 million in 2011. The EBITDA of Distech Controls Group for 2011 amounted to approximately CAD\$8.2 million.

Based on the unaudited consolidated management accounts of Distech Controls Group, the net earnings for the eight months ended 31 August 2012 amounted to approximately CAD\$2.9 million.

Information about the Group

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

Listing Rules Implications

Immediately prior to the completion of the Repurchase, Arcom holds 11.15% of the equity interest in Distech Controls, one of the subsidiaries of the Company. Under the Listing Rules, as a substantial shareholder of Distech Controls, Arcom is a connected person of the Company. Accordingly, the transaction under the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since a certain applicable percentage ratio of the transaction under the Share Purchase Agreement exceeds 5%, and the consideration of the Share Purchase Agreement is more than HK\$10 million, the transaction contemplated under the Share Purchase Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

None of the Directors has a material interest in the Share Purchase Agreement and none of them has abstained from voting on the board resolutions for approving the Share Purchase Agreement.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on page 27 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the transaction under the Share Purchase Agreement.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting at the EGM.

LETTER FROM THE BOARD

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 Share Purchase Agreement and to advise the Independent Shareholders on the same. Optima Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 11 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 Optima Capital as set out on pages 12 to 20 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement.

RECOMMENDATION

The Directors, including the independent non-executive Directors, after taking into account the advice from Optima Capital, consider that the transaction under the Share Purchase Agreement is 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)

31 October 2012

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

SHARE PURCHASE AGREEMENT

We refer to the Announcement and the circular dated 31 October 2012 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 Share Purchase Agreement, details of which are set out in the Letter from the Board contained in the Circular.

Having considered the Share Purchase Agreement, and the advice and opinion of Optima Capital in relation thereto as set out on pages 12 to 20 of the Circular, we are of the opinion that (i) the Share Purchase Agreement, while not in the ordinary and usual course of business of the Company, is on normal commercial terms and that the terms of the Share Purchase Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and that (ii) the transaction under the Share Purchase Agreement 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 Share Purchase Agreement.

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 OPTIMA CAPITAL

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



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

31 October 2012

*To: the Independent Board Committee and
the Independent Shareholders of
Technovator International Limited*

Dear Sirs/Madam,

CONNECTED TRANSACTION RELATING TO THE SHARE PURCHASE AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Share Purchase Agreement, for which the Independent Shareholders' approval is being sought. Details of the Share Purchase Agreement are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 31 October 2012 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

As at the Latest Practicable Date, the Vendor held 11.15% of the equity interest in the Purchaser, a non wholly-owned subsidiary of the Company. The Vendor, being a substantial shareholder of a subsidiary of the Company, is thus a connected person of the Company under the Listing Rules and the transaction contemplated under the Share Purchase Agreement therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval of the Share Purchase Agreement at the EGM. The Vendor and its associates will be required to abstain from voting on the ordinary resolution to be proposed at the EGM in respect of the Share Purchase Agreement.

LETTER FROM OPTIMA CAPITAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, has been established to make recommendation to the Independent Shareholders regarding the Share Purchase Agreement. Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Purchase Agreement are fair and reasonable in so far as the Independent Shareholders are concerned, and whether the Repurchase is in the interests of the Company and the Shareholders as a whole.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background

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

As part of the Group's expansion plan in the European market, the Purchaser acquired a 100% equity interest in each of Distech Controls S.A.S. and Acelia S.A.S. from the Vendor on 25 February 2010. Distech Controls S.A.S. is engaged principally in the design, manufacturing, sales and marketing of building automation solutions and energy management systems; while Acelia S.A.S. is principally engaged in the sales and marketing of building automation solutions and energy management systems provided by Distech Controls S.A.S. The consideration for the aforesaid acquisition was partly satisfied by cash and partly by the Purchaser issuing the Repurchase Shares to the Vendor. Concurrently with the issue of the Repurchase Shares to the Vendor on 25 February 2010, the Purchaser, the Vendor and other shareholders of the Purchaser entered into the USA, pursuant to which, among other things, call and put options were created whereby following the 4th anniversary of the date of the USA, (i) the Purchaser may require the Vendor to sell for cancellation all the Repurchase Shares at an aggregate price equal to the greater of EUR4.0 million (which amount shall increase by 6% on each anniversary date

LETTER FROM OPTIMA CAPITAL

thereof) and the amount equals to 7 times the Purchaser's EBITDA attributable to the Repurchase Shares as calculated in accordance with the terms of the USA during the 12-month period prior to the exercise of the option (the "EBITDA Amount"); or (ii) the Vendor may require all the other shareholders of the Purchaser to purchase, on a pro-rata basis, all the Repurchase Shares at an aggregate price equal to the EBITDA Amount.

2. Reasons for the Repurchase

The Distech Controls Group is the principal operating arm of the Group in North America and Europe.

The Share Purchase Agreement was entered into for the purpose of allowing the Vendor to exit its investment in the Purchaser. Although the Vendor has the right under the USA to require the other shareholders of the Purchaser to acquire the Repurchase Shares after the 4th anniversary of the date of the USA, the Company considers it commercially justifiable to enter into the Share Purchase Agreement to allow an earlier exit by the Vendor, having considered the following factors: (i) the financial performance of the Distech Controls Group in the past financial years are satisfactory and the Directors are positive about the prospects and growth of the business of the Distech Controls Group; (ii) the consideration for the Repurchase Shares under the Share Purchase Agreement represents an approximately 5% discount to the EBITDA Amount calculated under the USA; and (iii) the price payable for the Repurchase Shares may escalate when the Purchaser elects to exercise its right to repurchase the Repurchase Shares after the 4th anniversary of the USA if the financial performance of the Distech Controls Group continues to improve. In light of the profitable and improving financial results of the Distech Controls Group as discussed in more detail below, we concur with the Directors' view that it is in the interest of the Company and the Shareholders as a whole to agree to the Repurchase and increase its equity interest in Distech Controls.

3. Terms of the Share Purchase Agreement

Pursuant to the Share Purchase Agreement, the Purchaser agreed to purchase the Repurchase Shares, being 4,310,407 Class A common shares of the Purchaser and representing approximately an 11.15% equity interest in the Purchaser, from the Vendor at a total consideration of CAD\$5,762,505.55. The Repurchase Shares shall be cancelled by the Purchaser upon completion of the Repurchase. The consideration has been paid by the Purchaser upon the signing of the Share Purchase Agreement.

LETTER FROM OPTIMA CAPITAL

4. Financial performance of the Purchaser

The following table sets out the audited consolidated results of the Distech Controls Group for the two years ended 31 December 2010 and 2011 as extracted from its 2011 audited financial statements:

	2011 <i>CAD\$'000</i>	2010 <i>CAD\$'000</i>
Revenue	39,025	29,571
Cost of goods sold	(18,310)	(15,195)
Gross margin	20,715	14,376
Operating expenses:		
– Selling expenses	(6,308)	(5,579)
– Administrative expenses	(6,961)	(6,259)
– Research and development expenses	(691)	(171)
– Amortisation	(1,552)	(1,174)
– Business combination acquisition-related costs	–	(312)
Financial expenses	(476)	(643)
Earnings before non-controlling interest and income taxes	4,727	238
Non-controlling interest	21	–
Income taxes	(1,157)	80
Net earnings	3,591	318

The Distech Controls Group recorded nearly a 32% increase in turnover in 2011 as compared to 2010. Gross profit margin also improved from approximately 48.6% in 2010 to 53.1% in 2011. The increase in turnover was mainly attributable to the effort on expanding sales network and focusing on customers with significant number of branches or chain stores. The improvement in gross profit margin was mainly due to the successful reduction in manufacturing cost by shifting the manufacturing process to the PRC. Net earnings also recorded a significant increase from approximately CAD\$0.3 million in 2010 to CAD\$3.6 million in 2011. The EBITDA of the Distech Controls Group for 2011 amounted to approximately CAD\$8.2 million.

Based on the unaudited consolidated management accounts of the Distech Controls Group, the net earnings for the eight months ended 31 August 2012 amounted to approximately CAD\$2.9 million.

5. Consideration for the Repurchase Shares

The consideration for the Repurchase Shares has been determined by the Vendor and the Purchaser with reference to the principle agreed in the USA of using a multiple to the historical EBITDA to value the Purchaser, and represents an approximately 5% discount to the EBITDA Amount using the formula provided in the USA based on the EBITDA of the Distech Controls Group for the year ended 31 December 2011.

In assessing the reasonableness of the consideration for the Repurchase Shares, we have sought to compare the consideration against the market valuation for listed companies which are engaged in similar business as the Purchaser. We considered companies which are (i) listed in the North America and Europe which are the principal markets in which the Distech Controls Group operates; and (ii) engaged in the design, manufacturing, sales and marketing of building automation solutions and energy management solutions which business contributed at least one-third of the total turnover in the last financial year (the "Comparable Companies") to be appropriate for this purpose. We do not consider companies listed on the Stock Exchange or other stock exchanges in the PRC to be appropriate for this purpose as the Purchaser is neither a company listed on these exchanges nor has its major markets in Hong Kong or the PRC. We have identified 8 Comparable Companies which is an exhaustive list based on the aforesaid criteria. We note that the market capitalisations of some of the Comparable Companies are much larger than the implied market value of the Purchaser based on the consideration for the Repurchase Shares. However, we consider these Comparable Companies still provide a meaningful reference for us to assess the consideration given the similarity in business and markets with the Distech Controls Group and therefore we have not taken into account the market capitalisation of the Comparables Companies in our analysis.

As the business of the Distech Controls Group is not heavily asset-based and its operations have been generating positive earnings and EBITDA, we do not consider it appropriate to assess the consideration against the net asset value of the Distech Controls Group and have instead compared the pricing multiples implied by the consideration for the Repurchase Shares against those of the Comparable Companies based on earnings and EBITDA. The results of our analysis are set forth in the table below:

LETTER FROM OPTIMA CAPITAL

Company	Country	Market capitalisation		Price-to-earnings multiple (Note 3)	Price-to-EBITDA multiple (Note 3)	
		(in million) (Note 1)	(in million CAD\$) (Note 2)			
Eaton Corporation	United States	USD15,445.93	15,214.24	11.44	7.06	
Emerson Electric Co.	United States	USD34,838.84	34,316.26	14.05	6.84	
Honeywell International Inc.	United States	USD46,314.52	45,619.80	22.41	13.12	
Johnson Controls Inc.	United States	USD18,752.83	18,471.54	11.55	6.90	
Orion Energy System, Inc.	United States	USD40.02	39.42	83.38	8.41	
Regal-Beloit Corporation	United States	USD2,885.59	2,842.31	18.95	8.15	
ABB Ltd	Switzerland	CHF41,132.96	43,148.48	14.71	8.16	
Carlo Gavazzi Holding AG	Switzerland	CHF140.87	147.77	8.41	5.94	
		<i>For all Comparable Companies:</i>				
				Mean	23.11	8.07
				Median	14.38	7.61
		<i>Excluding Comparable Companies with the highest and lowest multiple:</i>				
				Mean	15.52	7.59
				Median	14.38	7.61
the Purchaser	Montreal Canada	CAD\$51.68 (Note 4)		14.4	6.3	

Notes:

1. Being the market capitalisation of the respective Comparable Companies as at 26 September 2012, the date of the Share Purchase Agreement, obtained from Bloomberg.
2. The following exchange rates have been adopted for illustration purpose: USD1 = CAD\$0.985 and CHF1 = CAD\$1.049.
3. Calculated based on the market capitalisation as at 26 September 2012 and the published net profits and EBITDA of the respective Comparable Companies for the latest financial year obtained from Bloomberg.
4. Being the implied market value of the Purchaser based on the consideration for the Repurchase Shares and the percentage of equity interest in the Purchaser represented by the Repurchase Shares.

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As shown in the table above, the Comparable Companies are valued at a price-to-earnings multiple ranging from 8.41 to 83.38 times, with mean and median of 23.11 and 14.38 times respectively. The price-to-EBITDA multiples of the Comparable Companies ranged from 5.94 to 13.12 times, with mean and median of 8.07 and 7.61 times respectively. If outliers are excluded, the mean of the price-to-earnings multiple and price-to-EBITDA multiple of the Comparable Companies would be 15.52 times and 7.59 times. The price-to-earnings multiple of 14.4 times and price-to-EBITDA multiple of 6.3 times implied by the consideration for the Repurchase Shares lie within the range of those of the Comparable Companies and are comparable to or lower than these mean and median. The relatively lower multiples implied by the consideration for the Repurchase Shares could possibly be explained by the smaller scale and unlisted status of the Purchaser as compared to the Comparable Companies. Based on the analysis above, although the consideration is lower than the net asset value of the Distech Controls Group attributable to the Repurchase Shares of approximately CAD\$2.22 million as at 31 August 2012, we consider the consideration for the Repurchase Shares to be fair and reasonable.

6. Financial effects of the Repurchase

Earnings

The Repurchase will be recorded as an equity transaction in accordance with the accounting policy of the Group and the Hong Kong Financial Reporting Standards, and therefore the Group will not record any profit or loss upon completion of the Repurchase.

As a result of the Repurchase and cancellation of the Repurchase Shares, the equity interest in the Purchaser held by the Group will increase from 56.70% to 63.81%. The Purchaser will continue to be a subsidiary of the Company and the results of the Purchaser to be shared by the minority shareholders of the Purchaser will be reduced from 43.30% to 36.19%. For illustration purpose, assuming completion of the Repurchase on 1 January 2011, the profits of the Purchaser which would have been shared by the Group would have been increased from CAD\$2.04 million to CAD\$2.29 million based on the audited net earnings of the Distech Controls Group for the year ended 31 December 2011 of CAD\$3.59 million.

The consideration for the Repurchase Shares is financed by a two-year bank loan obtained by the Purchaser with interest payable at the rate of 3% per annum over prime rate. Based on the entire principal amount of the loan of approximately CAD\$5.72 million and the prevailing prime rate of 3%, the annual interest charge for the loan is approximately CAD\$0.34 million of which the Group will share 63.81% (i.e. approximately CAD\$0.22 million). As the loan is repayable by installments over the tenure of the loan, the principal amount outstanding will reduce gradually and the annual interest payable, which is calculated based on the outstanding principal amount of the loan, will be less than the above amount assuming the prime rate remains at 3% per annum.

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Net asset value

As a result of the Repurchase and cancellation of the Repurchase Shares, the total assets and the total equity of the Distech Controls Group will be reduced by the consideration for the Repurchase Shares of CAD\$5.76 million, which accounting treatment is in accordance with the accounting policy of the Group and the Hong Kong Financial Reporting Standards. For illustration purpose, based on the unaudited consolidated total equity of the Distech Controls Group of approximately CAD\$19.9 million as at 31 August 2012 and assuming completion of the Repurchase as at that date, the total equity of the Distech Controls Group would have been reduced to CAD\$14.1 million. The total equity of Distech Controls Group shared by the Group would have been reduced from CAD\$11.3 million (CAD\$19.9 million x 56.7%) before the Repurchase to CAD\$9.0 million (CAD\$14.1 million x 63.81%) after the Repurchase. As a result, net assets of the Group would be reduced by approximately CAD\$2.3 million (equivalent to approximately USD2.34 million), representing the decrease in net assets attributable to the 63.81% equity interest in Distech Controls owned by the Group after the Repurchase. Such decrease is not material when compared to the total equity attributable to equity shareholders of the Group of approximately USD69.1 million as at 30 June 2012.

Cashflow and gearing

The consideration for the Repurchase has been financed by a 2-year bank loan obtained by the Purchaser in the aggregate principal amount of approximately CAD\$5.72 million. The bank loan bears interest at the rate of 3% over prime rate per annum and is repayable by installments during the tenure of the loan. Accordingly, the Repurchase would not have any immediate cashflow effect on the Group.

As at 30 June 2012, the Group had cash and cash equivalents of approximately USD20.8 million and net current assets of approximately USD44.8 million. Net cash generated from operating activities amounted to approximately USD10.6 million for the year ended 31 December 2011. Taking into account the current cash position and operating cashflow of the Group, the repayment of the loan is not expected to have significant impact on the cashflow position of the Group.

As disclosed in the interim report of the Company, the Group had total borrowings of approximately USD8.09 million and total equity of approximately USD75.7 million as at 30 June 2012 respectively, which is equivalent to a debt-to-equity ratio of approximately 10.69%. Assuming completion of the Repurchase on 30 June 2012, the total borrowings of the Group would increase by approximately CAD\$5.72 million (equivalent to approximately USD5.81 million) and total equity would decrease by CAD\$2.3 million (equivalent to approximately USD2.34 million). The debt-to-equity ratio would increase to approximately 18.9%.

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Based on the above analysis, we consider the Repurchase would not have significant adverse effects on the earnings, financial position and cashflow of the Group.

OPINION

Having taken into account the reasons for and the benefits of the Repurchase which may accrue to the Group and the financial effects of the Repurchase to the Group as discussed above, we are of the view that the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Repurchase is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

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

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 Leung	Interest in a controlled corporation ⁽¹⁾	36,000,000	6.90%
	Interest in a controlled corporation ⁽²⁾	8,000,000	1.53%
	Beneficial owner	16,120,000	3.09%
	Beneficial owner ⁽³⁾	4,800,000	0.92%
Mr. Zhao Xiaobo	Beneficial owner	12,120,000	2.32%
	Beneficial owner ⁽³⁾	4,800,000	0.92%
Mr. Lu Zhicheng	Beneficial owner ⁽³⁾	4,800,000	0.92%
Mr. Chow Dah-Jen	Interest in a controlled corporation ⁽⁴⁾	36,000,000	6.90%
Mr. Leung Lok Wai	Beneficial owner ⁽³⁾	3,000,000	0.58%

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 of the Company 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) These shares represent underlying shares of the Company subject to exercise of options granted to Mr. Seah Han Leong, Mr. Zhao Xiabo, Mr. Lu Zhicheng or Mr. Leung Lok Wai (as applicable) under the share option scheme adopted by the Company on 18 May 2012.
- (4) Mr. Chow Dah-Jen owns 50% of the issued share capital of Diamond Standard Ltd and hence is deemed to be interested in all the shares of the Company held by Diamond Standard Ltd.

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 Interest in a controlled corporation ⁽¹⁾	92,000,000 80,000,000	17.64% 15.34%
Resuccess Investments Limited	Beneficial owner	80,000,000	15.34%
Dragon Point Limited	Beneficial owner	108,436,320	20.79%
Zana China Fund L.P.	Interest in a controlled corporation ⁽²⁾	108,436,320	20.79%

Note:

- (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 interests 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 2011, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(d) Directors interests in contracts

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2011, the date to which the latest audited financial statements of the Company were made up.

5. QUALIFICATION AND CONSENT OF EXPERT

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

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

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

6. INTERESTS OF EXPERT

As at the Latest Practicable Date, Optima Capital:

- (a) did not have any shareholding in 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 2011, being the date to which the latest published audited accounts of the Company were made up.

7. 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.

8. 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 and Ms. Tan Siew Hua.
- (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.

9. 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 31 October 2012 up to and including the EGM date:

- (a) the Share Purchase Agreement;
- (b) a letter of recommendation from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (c) a letter of advice from Optima Capital, the text of which is set out on pages 12 to 20 of this circular; and
- (d) the written consent from Optima Capital referred in paragraph 5 of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Technovator International Limited (the “**Company**”) will be held on Friday, 16 November 2012 at 10:00 a.m. at 23/F, Tower A, Tsinghua Tongfang Hi-Tech Plaza, No. 1 Wangzhuang Road, Haidian District, Beijing, the People’s Republic of China, 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 Share Purchase Agreement (as defined in the circular of the Company dated 31 October 2012) entered into by Groupe Arcom and Distech Controls Inc. dated 26 September 2012 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.”

By order of the Board
Technovator International Limited
Lu Zhicheng
Chairman

Hong Kong, 31 October 2012

Principal place of business in Hong Kong:

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

Registered Office:

66 Tannery Lane
#04-10/10A
Sindo Industrial Building
Singapore 347805

As at the date of this notice of the Meeting, the executive directors of the Company are Mr. Zhao Xiaobo and Mr. Seah Han Leong; the non-executive directors of the Company are Mr. Lu Zhicheng, Dr. Li Jisheng, Mr. Liu Tianmin, Mr. Ng Koon Siong and Mr. Chow Dah-Jen; 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