

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)

**(1) MAJOR TRANSACTION IN RELATION TO
DEEMED DISPOSALS AND DISPOSALS OF SHARES OF
DISTECH CONTROLS**
**(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO REPURCHASE OF SHARES OF
DISTECH CONTROLS**
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A notice convening the extraordinary general meeting ("EGM") of the Company to be held on Tuesday, 23 April 2013 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 82 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

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

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DEFINITIONS

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

“9109”	9109-2759 Québec Inc., a company incorporated under the laws of Québec, Canada and controlled by Mr. Veilleux. It is a trust established for the benefit of Mr. Veilleux and members of his family whereby Mr. Veilleux holds a majority of the voting shares of 9109 and members of his family also owns shares of 9109
“9109 Call Option”	the option to be granted in favour of the Company under the Shareholders’ Agreement whereby the Company shall have the right, at its discretion, to purchase from 9109, at anytime after the fifth (5th) anniversary of the date of the Shareholders’ Agreement, all of the shares of Distech Controls held by 9109 at a price equal to the Fair Market Value of the shares
“9109 Put Option”	the option to be granted by the Company under the Shareholders’ Agreement in favour of 9109 whereby 9109 will have the option, at its discretion, to sell to the Company, at anytime after the fifth (5th) anniversary of the date of the Shareholders’ Agreement, all of the shares of Distech Controls held by 9109 at a price equal to the Fair Market Value of such shares. Upon receipt of notice from 9109 indicating its intention to exercise the Put Option, the Company shall notify 9109 of its intention to either, at its discretion, (i) retain its equity position in Distech Controls and purchase such shares or (ii) to devote its best commercial effort, together with 9109, to sell all the issued and outstanding shares of Distech Controls to a person with whom a shareholder of Distech Controls is dealing at Arm’s Length
“9109 Repurchase”	the repurchase of 9109 Repurchase Shares by Distech Controls from 9109 pursuant to the 9109 Share Purchase Agreement
“9109 Repurchase II”	the repurchase of 9109 Repurchase II Shares by Distech Controls from 9109 pursuant to the 9109 Share Purchase and Rollover Agreement

DEFINITIONS

“9109 Repurchase II Shares”	950,796 Class A Common Shares held by 9109 immediately prior to completion of the 9109 Share Purchase and Rollover Agreement
“9109 Repurchase Shares”	2,852,389 Class A Common Shares held by 9109 immediately prior to completion of the 9109 Share Purchase Agreement
“9109 Share Purchase Agreement”	a share purchase agreement to be entered into on the Closing Date between Distech Controls and 9109 for the purchase of 9109 Repurchase Shares for cancellation at a consideration of CAD\$7,500,000
“9109 Share Purchase and Rollover Agreement”	a share purchase and rollover agreement to be entered into on the Closing Date between Distech Controls and 9109 for the 9109 Repurchase II and 9109 Subscription
“9109 Subscription”	the allotment of 9109 Subscription Shares by Distech Controls to 9109 pursuant to the 9109 Share Purchase and Rollover Agreement
“9109 Subscription Shares”	950,796 Class A Preferred Shares
“Agreements”	collectively, the Subscription Agreement, Share Exchange Agreement, CDPQ Share Purchase Agreement, Fonds Share Purchase Agreement, 9109 Share Purchase Agreement, 9109 Share Purchase and Rollover Agreement, USA Termination Agreement and Shareholders’ Agreement
“Announcement”	the announcement dated 11 March 2013 in relation to the Agreements
“Arm’s Length”	has the meaning ascribed thereto under the Income Tax Act (Canada). An Arm’s Length transaction is generally a transaction that is not undertaken between related parties (by blood, corporations or otherwise) with exceptions and full scope of definitions as defined under the Income Tax Act (Canada).
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board”	the board of directors of the Company

DEFINITIONS

“Business Day”	a day other than a Saturday, a Sunday or a day when the banks are closed in Montreal, Quebec
“CAD\$”	Canadian dollars, the lawful currency of Canada
“Call Options”	collectively, the 9109 Call Option and Veilleux Call Option
“CDPQ”	Caisse de dépôt et placement du Québec, a company incorporated under the laws of Québec, Canada
“CDPQ Share Purchase Agreement”	a share purchase agreement to be entered into on the Closing Date between the Company, CDPQ and Distech Controls for the transfer of 798,669 Class A Preferred Shares from the Company to CDPQ at a consideration of CAD\$2,100,000
“Class A Common Share(s)”	Class A common share(s) of Distech Controls
“Class A Preferred Share(s)”	Class A preferred share(s) of Distech Controls
“Class B Common Share(s)”	Class B common share(s) of Distech Controls
“Class B Preferred Share(s)”	Class B preferred share(s) of Distech Controls
“Closing Date”	10 April 2013 or such other date agreed by the parties to the Subscription Agreement
“Common Shares”	collectively, Class A Common Shares and Class B Common Shares, and each a “Common Share”
“Company” or “Technovator”	Technovator International Limited, a limited liability company incorporated in Singapore on 25 May 2005 and the issued securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	means disposal of a total of 3,803,185 shares of Distech Controls by the Company under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement

DEFINITIONS

“Distech Controls”	Distech Controls Contrôles Inc. (Distech Controls Controls Inc.), an operating subsidiary of the Company incorporated under the laws of Québec, Canada on 5 January 1995 and owned as to 63.81% by the Company immediately prior to the completion of the Agreements
“Distech Controls ESOP 2008”	the stock option plan adopted by Distech Controls on 28 May 2008 and as amended from time to time, under which share options have been offered by Distech Controls prior to the listing of Share on the Main Board of the Stock Exchange, details of which are set out in the section headed “Pre-IPO Share Option Schemes” in Appendix VI to the Prospectus
“Distech Controls Group”	Distech Controls and its subsidiaries
“EBITDA”	consolidated net earnings before interest, taxes, depreciation and amortization
“EDC”	Export Development Canada, a company incorporated under the laws of Canada
“EDC Subscription Price”	the subscription price payable by EDC in relation to its subscription of Preferred Shares pursuant to the Subscription Agreement
“EGM”	an extraordinary general meeting of Company to be convened to approve the Agreements and the transactions contemplated thereunder
“EnerTech”	EnerTech Capital Partners IV L.P., a limited partnership established under the laws of Delaware, the United States
“Existing Shareholders”	collectively, the Company, Mr. Veilleux and 9109 and each an “Existing Shareholder”
“Fair Market Value”	fair market value of a share, without discount for a minority position, established at the date of the event, by a Chartered Business Valuator who is a partner of one of the Big 4 accounting firms carrying on business in Montréal, Québec, mutually agreeable to the relevant parties

DEFINITIONS

“Fiducie Veilor”	a shareholder of 9109 and a family trust for which, amongst others, Mr. Veilleux and his wife are the beneficiaries and is controlled by Mr. Veilleux
“Fonds”	Fonds de solidarité des travailleurs du Québec (F.T.Q.), a company incorporated under the laws of Québec, Canada
“Fonds I”	Fonds de solidarité FTQ Investissements Croissance I S.E.C., a limited partnership established under the laws of Québec, Canada
“Fonds Share Purchase Agreement”	a share purchase agreement to be entered into on the Closing Date between the Company, Fonds and Distech Controls for the transfer of 3,004,516 Class A Preferred Shares from the Company to Fonds at a consideration of CAD\$7,900,000
“GAAP”	generally accepted accounting principles established from time to time by the Canadian Institute of Chartered Accountants or any successor body thereto
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“Groupe Arcom”	a company which was incorporated under the laws of France that previously held certain equity interest in Distech Controls
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee appointed by the Board, consisting of Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua, being all the independent non-executive Directors, to advise the Independent Shareholders in respect of the terms under the Agreements
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules
“Investors”	collectively, CDPQ, EnerTech, EDC, Fonds, Fonds I, Samsung and W2, and each an “Investor”

DEFINITIONS

“Latest Practicable Date”	3 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions of Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
“Mr. Veilleux”	Étienne Veilleux, a shareholder, director and chief executive officer of Distech Controls
“Non-Competition Agreement”	a non-competition agreement to be entered into on the Closing Date among Distech Controls, the Investors, Mr. Veilleux and 9109
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Preferred Shares”	collectively, Class A Preferred Shares and Class B Preferred Shares, and each a “Preferred Share”
“Prospectus”	the prospectus of the Company dated 17 October 2011
“Put Options”	collectively, the 9109 Put Option and Veilleux Put Option
“Repurchases”	collectively, the 9109 Repurchase and 9109 Repurchase II
“Samsung”	SVIC No. 25 New Technology Business Investment L.L.P., a limited partnership established under the laws of Korea
“Share(s)”	ordinary share(s) in the capital of the Company
“Share Exchange Agreement”	a share exchange agreement to be entered into on the Closing Date between the Company and Distech Controls for the Technovator Share Exchange

DEFINITIONS

“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Shareholders’ Agreement”	a shareholders’ agreement to be entered into on the Closing Date among Distech Controls, the Company, the Investors, Mr. Veilleux, 9109 and Fiducie Veilor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	a subscription agreement dated 11 March 2013 entered into among Distech Controls, the Company, the Investors, Mr. Veilleux and 9109
“Subscriptions”	collectively, the subscriptions by the Investors in accordance with the Subscription Agreement and each a “Subscription”
“subsidiary(ies)”	has the meaning as defined in the Listing Rules
“substantial shareholder(s)”	has the meaning as defined in the Listing Rules
“Technovator Exchange Shares”	3,803,185 Class A Common Shares held by the Company immediately prior to completion of the Share Exchange Agreement
“Technovator Share Exchange”	the exchange of 3,803,185 Class A Common Shares held by the Company immediately prior to the completion of the Share Exchange Agreement into 3,803,185 Class A Preferred Shares
“Total Subscription Price”	the total subscription price payable by all Investors to Distech Controls for the Subscriptions in accordance with the Subscription Agreement
“USA”	a unanimous shareholders’ agreement dated 28 May 2008 entered into among the Company, Distech Controls, Mr. Veilleux and 9109
“USA Termination Agreement”	a termination agreement to be entered into on the Closing Date among the Company, Distech Controls, Mr. Veilleux and 9109 to terminate the USA
“USD”	United States dollars, the lawful currency of the United States

DEFINITIONS

“Veilleux Call Option”	the option to be granted in favour of the Company under the Shareholders’ Agreement whereby the Company shall have the right, at its discretion, to purchase from Mr. Veilleux, anytime after the fifth (5th) anniversary of the date of the Shareholders’ Agreement, all of the shares of Distech Controls held by Mr. Veilleux at a price equal to the Fair Market Value of the shares
“Veilleux Employment Agreement”	an employment agreement to be entered into on the Closing Date between Distech Controls and Mr. Veilleux
“Veilleux Put Option”	the option to be granted by the Company under the Shareholders’ Agreement in favour of Mr. Veilleux whereby Mr. Veilleux will have the option, at its discretion, to sell to the Company, anytime after the fifth (5th) anniversary of the date of the Shareholders’ Agreement, all of the shares of Distech Controls held by Mr. Veilleux at a price equal to the Fair Market Value of such shares. Upon receipt of notice from Mr. Veilleux indicating its intention to exercise the Put Option, the Company shall notify Mr. Veilleux of its intention to either, at its discretion, (i) retain its equity position in Distech Controls and purchase such shares or (ii) to devote its best commercial effort, together with Mr. Veilleux, to sell all the issued and outstanding shares of Distech Controls to a person with whom a shareholder of Distech Controls is dealing at Arm’s Length (as defined in the Income Tax Act (Canada)).
“W2”	Investissements W2 Inc., a company incorporated under the laws of Québec, Canada
“%”	per cent.
“*”	For identification purpose only

ROUNDING

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



TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

Executive Directors

Mr. Zhao Xiaobo

Mr. Seah Han Leong

Non-executive Directors

Mr. Lu Zhicheng

Dr. Li Jisheng

Mr. Liu Tianmin

Mr. Ng Koon Siong

Independent Non-executive Directors

Mr. Fan Ren Da Anthony

Mr. Chia Yew Boon

Ms. Chen Hua

Registered Office

66 Tannery Lane

#04-10/10A

Sindo Industrial Building

Singapore 347805

Principal place of business in Hong Kong

Unit 1602-03, Tower 1

China HK City

33 Canton Road

Tsim Sha Tsui, Kowloon

Hong Kong

5 April 2013

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
DEEMED DISPOSALS AND DISPOSALS OF SHARES OF
DISTECH CONTROLS
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO REPURCHASE OF SHARES OF
DISTECH CONTROLS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement regarding the Agreements.

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

* For identification purpose only

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE AGREEMENTS

(A) Subscription Agreement

Date: 11 March 2013

Parties: (1) Distech Controls
 (2) the Company
 (3) Investors
 (4) Mr. Veilleux
 (5) 9109

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

Subject matter: Subject to the terms and conditions under the Subscription Agreement, each of the Investors agreed on its own behalf, to subscribe such number of Preferred Shares at a price of approximately CAD\$2.63 per Preferred Share as set out below:

Investor	Number of Preferred Shares	Subscription Price
CDPQ	2,243,879 Class A Preferred Shares	CAD\$5,899,988.13
EnerTech	114,096 Class A Preferred Shares and 836,701 Class B Preferred Shares	CAD\$2,499,997.11
EDC	1,901,593 Class A Preferred Shares	CAD\$4,999,991.59
Fonds	1,939,625 Class A Preferred Shares	CAD\$5,099,991.79
Fonds I	507,092 Class A Preferred Shares	CAD\$1,333,332.49
Samsung	1,901,593 Class A Preferred Shares	CAD\$4,999,991.59
W2	253,545 Class A Preferred Shares	CAD\$666,663.62
TOTAL:	8,861,423 Class A Preferred Shares and 836,701 Class B Preferred Shares	CAD\$25,499,956.32

LETTER FROM THE BOARD

Consideration: The consideration per Preferred Share payable under the Subscription Agreement is approximately CAD\$2.63 which was arrived at through arm's length negotiation among the parties to the Subscription Agreement. When determining the consideration, the Board has taken into account the financial information of Distech Controls and market multiples of comparable companies. Such comparable companies include Eaton Corporation, Emerson Electric Co., Honeywell International Inc., Johnson Controls Inc., Orion Energy System, Inc., Regal-Beloit Corporation, ABB Ltd and Carlo Gavazzi Holding AG. All of them are listed in North America and Europe, the principal markets in which Distech Controls operates, and are engaged in similar business as Distech Controls. The Board is therefore of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate considerations for all transactions contemplated under the Subscription Agreement is approximately CAD\$25.5 million, representing an excess of approximately CAD\$23.25 million over the net asset value of Distech Controls attributable to the reduced percentage interest of the Company in Distech Controls (being approximately 14.05%) as a result of the Subscription Agreement of approximately CAD\$2.25 million as of 31 December 2012.

Payment schedule: The considerations are payable in cash on the Closing Date.

Use of proceeds: Distech Controls undertakes to use CAD\$7.5 million of the Total Subscription Price solely for the 9109 Repurchase and CAD\$18,000,000 out of the Total Subscription Price solely for the working capital purposes.

For greater certainty, Distech Controls also undertakes to use the EDC Subscription Price solely for working capital purposes. To the best knowledge of the Directors, this is the investment condition of EDC in most of their investment deals and therefore Distech Controls also accepted their request for provide such an undertaking.

LETTER FROM THE BOARD

Conditions
precedent:

Completion of the Subscription Agreement is conditional upon, among other things:

- (a) as at or prior to the Closing Date, Distech Controls shall have adopted the amended articles and amended by-laws in accordance with the Subscription Agreement;
- (b) as at or prior to the Closing Date, Distech Controls shall have adopted a form of employee shareholders' agreement in form and substance satisfactory to the Investors to be implemented in connection with any proposed amendment to the Distech Controls ESOP 2008 to occur following the Closing Date;
- (c) the Directors and the Shareholders approving the transactions contemplated under the Subscription Agreement;
- (d) the directors and shareholders of 9109 approving the transactions contemplated under the Subscription Agreement;
- (e) (i) as at the Closing Date, the indebtedness of Distech Controls, on a consolidated basis, is not higher than CAD\$10,200,000 and (ii) for the 12-month period ended on 31 December 2012, EBITDA of Distech Controls, on a consolidated basis, is not lower than CAD\$9,500,000;
- (f) Groupe Arcom is no longer a shareholder of Distech Controls;
- (g) confirmation of the consummation of the transactions contemplated under the 9109 Share Purchase Agreement, the CDPQ Share Purchase Agreement, the Fonds Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement on the terms and conditions set out in the Subscription Agreement;
- (h) execution of the Non-Competition Agreement by Distech Controls, Mr. Veilleux and 9109;
- (i) execution of the Shareholders' Agreement by Distech Controls, the Company, Mr. Veilleux and 9109;

LETTER FROM THE BOARD

- (j) execution of the Veilleux Employment Agreement by Distech Controls and Mr. Veilleux;
- (k) each Investor receiving the necessary approvals from its respective relevant decision-making bodies;
- (l) each Investor receiving the positive confirmation from each of the other Investors that they are ready to proceed with the closing of their respective Subscriptions in accordance with the Subscription Agreement (this means the other Investors would not be obliged to complete their respective Subscriptions if any one Investor does not provide the positive confirmation or does not complete its agreed Subscription); and
- (m) confirmation of the consummation of the transactions contemplated in connection with certain pre-closing reorganisations, including, without limitation, confirmation that 587,500 stock options contemplated under the Distech Controls ESOP 2008 shall have been exercised and the Class B Common Shares subscribed to in connection therewith immediately purchased for cancellation by Distech Controls prior to the Closing Date.

The 587,500 stock options referred to in paragraph (m) above are held by 25 employees and two directors of Distech Controls (details of whom were disclosed in the Prospectus. Distech Controls will purchase the Class B Common Shares at approximately CAD\$2.63 per share and thus a total consideration of approximately CAD\$1,544,772.75.

Closing deliveries of
the Investors:

At closing of the Subscription Agreement, each Investor shall deliver, or cause to be delivered, the Subscription Agreement, the Shareholders' Agreement and the Non-Competition Agreement, in each case duly executed by such Investor.

LETTER FROM THE BOARD

Representations and warranties: Distech Controls represents and warrants in favour of each Investor that certain specific representations and warranties set out in the Subscription Agreement in respect of Distech Controls and each of its subsidiaries but excluding E2 Solutions Inc. are true and correct at the date of the Subscription Agreement and acknowledges and agrees that such representations and warranties constitute for each Investor an essential condition to its respective Subscription.

E2 Solutions Inc. is owned as to 50.1% by Distech Controls. Since the operations of E2 Solutions Inc. are not material to that of Distech Controls, Distech Controls would not be required to give representations and warranties in respect of E2 Solutions Inc. in favour of the Investors.

Each Existing Shareholder represents and warrants in favour of each Investor that certain specific representations and warranties set out in the Subscription Agreement in respect of each such Existing Shareholder are true and correct at the date of the Subscription Agreement and acknowledges and agrees that such representations and warranties constitute for each Investor an essential condition to its respective Subscription.

Indemnity by Distech Controls: Distech Controls undertakes to indemnify each Investor for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys' fees) which the Investors or any one of them (the "**Indemnified Investors**" and each an "**Indemnified Investor**") may incur as a result of any breach or inaccuracy of any representation or warranty contained herein or as a result of the failure by Distech Controls to observe, perform or execute any obligation, covenant or undertaking set out herein. Any amount thus claimed shall be paid to the Indemnified Investors or the Indemnified Investor, as the case may be, upon demand and will accrue interest at an annual rate equal to the prime rate of the Royal Bank of Canada, plus 2%. An Investor may exercise any of its respective rights under the Subscription Agreement on an individual basis.

LETTER FROM THE BOARD

The obligation of indemnification in respect of any claims based on a breach or inaccuracy of any representation or warranty of Distech Controls contained in the Subscription Agreement shall not be applicable until the aggregate of all claims for damages by all Indemnified Investors exceeds CAD\$1,000,000 (the “**Threshold Amount**”). Once the Threshold Amount has been exceeded, each Indemnified Investor shall be entitled to require payment on such indemnities from the first dollar of damages, without regard to the Threshold Amount. The maximum liability of Distech Controls towards the Indemnified Investors in respect of any claims based on a breach or inaccuracy of any representation or warranty of Distech Controls contained in the Subscription Agreement shall not exceed an aggregate of CAD\$35,500,000, plus all applicable legal fees and expenses as well as any other litigation costs and expenses (the “**Cap**”), such that the maximum amount of liability of Distech Controls to each Indemnified Investor in respect of any claims based on a breach or inaccuracy of any representation or warranty of Distech Controls contained in the Subscription Agreement shall not exceed in each case the subscription price paid by such Indemnified Investor, plus, in the case of CDPQ, the amount of CAD\$2,100,000 paid to the Company pursuant to the CDPQ Share Purchase Agreement, and, in the case of Fonds, the amount of CAD\$7,900,000 paid to the Company pursuant to the Fonds Share Purchase Agreement. In the event of any claims based on a breach or inaccuracy of any Fundamental Representation (as defined in the Subscription Agreement) or any claims based on a breach or inaccuracy of a representation or warranty based on fraud or a wilful breach by Distech Controls, the Threshold Amount and Cap shall not apply. That means if the aggregate of all claims for damages is below CAD\$1,000,000, there is no obligation on Distech Controls to indemnify any of the Investors, except in the case of a breach in a Fundamental Representation (as defined in the Subscription Agreement), fraud or willful breach.

LETTER FROM THE BOARD

“Fundamental Representation” is defined in the Subscription Agreement as representations and warranties in relation to, among others, due incorporation and valid existence of Distech Controls, due execution of the Agreements, third party consent to the Agreements, corporate structure of Distech Controls, share capital structure of Distech Controls, valid title to assets of Distech Controls and transaction with non-Arm’s Length persons.

The indemnification granted by Distech Controls above is provided in consideration of the Subscriptions and other transactions contemplated under the Subscription Agreement and the acquisition of Class A Preferred Shares by each of CDPQ and Fonds and other transactions contemplated under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement, respectively.

Indemnity by each
Existing
Shareholder:

Each Existing Shareholder jointly (severally) on its own behalf (i.e. undertakes for itself only) and not solidarily (i.e. not jointly and severally), undertakes to indemnify each Investor for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys’ fees) which the Indemnified Investors or any one of them may incur as a result of any breach or inaccuracy of any representation or warranty of such Existing Shareholder contained in the Subscription Agreement or as a result of the failure by such Existing Shareholder to observe, perform or execute any obligation, covenant or undertaking set out in the Subscription Agreement. Any amount thus claimed shall be paid to the Indemnified Investors or the Indemnified Investor, as the case may be, upon demand and will accrue interest at an annual rate equal to the prime rate of the Royal Bank of Canada, plus 2%. An Investor may exercise any of its respective rights under the Subscription Agreement on an individual basis.

The Cap applied to the indemnity by Distech Controls does not apply to the indemnity by each Existing Shareholder.

LETTER FROM THE BOARD

For greater certainty, it is acknowledged that the indemnification granted by the Company above is provided in consideration of the Subscriptions and other transactions contemplated under the Subscription Agreement and the acquisition of Class A Preferred Shares by each of CDPQ and Fonds and other transactions contemplated under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement, respectively.

Other obligations: Distech Controls shall obtain the prior written approval of the Investors in the event that at any time prior to or on the Closing Date Distech Controls amends the Distech Controls ESOP 2008 or vests or exercises any rights thereunder and Distech Controls undertakes not to grant any further options under the Distech Controls ESOP 2008 at any time prior to the Closing Date.

During the 2013 fiscal year, Distech Controls shall adopt a long-term bonus scheme value creation plan in form and on terms and conditions satisfactory to the Investors and in accordance with the Shareholders' Agreement.

(B) Share Exchange Agreement

Date: Closing Date

Parties: (1) the Company
(2) Distech Controls

Subject matter: Subject to the terms and conditions under the Share Exchange Agreement, the Company agrees to transfer and exchange 3,803,185 Class A Common Shares to Distech Controls in consideration of CAD\$10,000,000.

Such Class A Common Shares being exchanged would be cancelled.

LETTER FROM THE BOARD

Consideration: The total consideration of Technovator Share Exchange is CAD\$10,000,000, equivalent to approximately CAD\$2.63 per Class A Common Shares, which was arrived at through arm's length negotiation among the parties to the Share Exchange Agreement with reference to consideration per Preferred Share under the Subscription Agreement.

The Share Exchange Agreement is not subject to any fair market value adjustment because it is based on a price negotiated between parties dealing at Arm's Length.

Payment: The consideration is payable upon the execution of the Share Exchange Agreement by way of the issue to the Company of 3,803,185 Class A Preferred Shares.

Capital account: An aggregate amount of CAD\$953,920.39 shall be added to the issued and paid-up capital account of the Class A Preferred Shares of Distech Controls.

Indemnity: The Company shall indemnify and hold Distech Controls harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses, liabilities, costs or expenses which may be made against Distech Controls or which Distech Controls may suffer or incur as a result of, arising out of or relating to any violation, contravention or breach of any representations, warranties or covenants of the Company under or pursuant to the Share Exchange Agreement.

(C) CDPQ Share Purchase Agreement

Date: Closing Date

Parties:

- (1) the Company
- (2) CDPQ
- (3) Distech Controls

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

Subject matter: Subject to the terms and conditions under the CDPQ Share Purchase Agreement, the Company agrees to sell and CDPQ agrees to purchase 798,669 Class A Preferred Shares at a consideration of CAD\$2,100,000.

LETTER FROM THE BOARD

Consideration: The total consideration payable under the CDPQ Share Purchase Agreement is CAD\$2,100,000, equivalent to approximately CAD\$2.63 per Class A Preferred Share, which was arrived at through arm's length negotiation among the parties to the CDPQ Share Purchase Agreement with reference to consideration per Preferred Share under the Subscription Agreement.

The total consideration payable under the CDPQ Share Purchase Agreement is CAD\$2,100,000, representing an excess of approximately CAD\$1.73 million over the net asset value of Distech Controls attributable to the reduced percentage interest of the Company in Distech Controls (being approximately 2.32%) as result of the disposal under the CDPQ Share Purchase Agreement of approximately CAD\$0.37 million as of 31 December 2012.

The original acquisition cost for 798,669 Class A Preferred Shares by the Company was approximately CAD\$488,287.23 (equivalent to approximately CAD\$0.61 per Class A Preferred Share), being such number of Class A Common Shares multiplying the average price paid by the Company for the purchase of 20,869,710 Class A Common Shares from a number of the then shareholders of Distech Controls and the subscription of 1,055,528 newly issued Class A Common Shares from Distech Controls. Please refer to the section headed "History and Corporate Structure" in the Prospectus for details.

Payment: The consideration is payable upon execution of the CDPQ Share Purchase Agreement.

Representations and Warranties by the Company: The Company has given certain customary representations and warranties to CDPQ.

LETTER FROM THE BOARD

Indemnification by the Company:	The Company shall indemnify CDPQ for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys' fees) which CDPQ may incur as a result of any breach or inaccuracy of any representation or warranty of such the Company contained in the CDPQ Share Purchase Agreement or as a result of the failure by the Company to observe, perform or execute any obligation, covenant or undertaking set out in the CDPQ Share Purchase Agreement. Any amount thus claimed shall be paid to CDPQ upon demand and will accrue interest at an annual rate equal to the prime rate of the Royal Bank of Canada, plus 2%.
Indemnification by CDPQ:	CDPQ shall indemnify and hold the Company harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses, liabilities, costs or expenses which may be made against the Company or which the Company may suffer or incur as a result of, arising out of or relating to any violation, contravention or breach of any representations, warranties or covenants of CDPQ under or pursuant to the CDPQ Share Purchase Agreement.
Double indemnification between the Company and CDPQ:	The aforesaid indemnification of CDPQ by the Company pursuant to the CDPQ Share Purchase Agreement shall be without duplication of any indemnification of CDPQ under the Subscription Agreement.
Representations and warranties by Distech Controls:	In connection with the acquisition of Preferred Shares by CDPQ to the Company, Distech Controls has given the full benefit of its representations and warranties set out in the Subscription Agreement to CDPQ.
Indemnification by Distech Controls:	Distech Controls shall indemnify CDPQ for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys' fees) which CDPQ may incur as a result of any breach or inaccuracy of any representations or warranties or as a result of the failure by Distech Controls to observe, perform or execute any obligation, covenant or undertaking set out in the CDPQ Share Purchase Agreement.

LETTER FROM THE BOARD

Double indemnification between Distech Controls and CDPQ: The aforesaid indemnification of CDPQ by Distech Controls pursuant to the CDPQ Share Purchase Agreement shall be without duplication of any indemnification of CDPQ by Distech Controls in respect of any claims based on a breach or inaccuracy of any representation and warranty.

(D) Fonds Share Purchase Agreement

Date: Closing Date

Parties: (1) the Company
(2) Fonds
(3) Distech Controls

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

Subject matter: Subject to the terms and conditions under the Fonds Share Purchase Agreement, the Company agrees to sell and Fonds agrees to purchase 3,004,516 Class A Preferred Shares at a consideration of CAD\$7,900,000.

Consideration: The total consideration payable under the Fonds Share Purchase Agreement is CAD\$7,900,000, equivalent to approximately CAD\$2.63 per Class A Preferred Share, which was arrived at through arm's length negotiation among the parties to the Fonds Share Purchase Agreement with reference to consideration per Preferred Share under the Subscription Agreement.

The total consideration payable under the Fonds Share Purchase Agreement is CAD\$7,900,000, representing an excess of approximately CAD\$6.50 million over the net asset value of Distech Controls attributable to the reduced percentage interest of the Company in Distech Controls (being approximately 8.74%) as result of the disposal under the Fonds Share Purchase Agreement of approximately CAD\$1.40 million as of 31 December 2012.

LETTER FROM THE BOARD

The original acquisition cost for 3,004,516 Class A Preferred Shares by the Company was approximately CAD\$1,836,889.6 (equivalent to approximately CAD\$0.61 per Class A Preferred Share), being such number of Class A Common Shares multiplying the average price paid by the Company for the purchase of 20,869,710 Class A Common Shares from a number of the then shareholders of Distech Controls and the subscription of 1,055,528 newly issued Class A Common Shares from Distech Controls. Please refer to the section headed "History and Corporate Structure" in the Prospectus for details.

Payment: The consideration is payable upon execution of the Fonds Share Purchase Agreement.

Representations and warranties by the Company: The Company has given certain customary representations and warranties to Fonds.

Indemnification by the Company: The Company shall indemnify Fonds for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys' fees) which Fonds may incur as a result of any breach or inaccuracy of any representation or warranty of such the Company contained in the Fonds Share Purchase Agreement or as a result of the failure by the Company to observe, perform or execute any obligation, covenant or undertaking set out in the Fonds Share Purchase Agreement. Any amount thus claimed shall be paid to Fonds upon demand and will accrue interest at an annual rate equal to the prime rate of the Royal Bank of Canada, plus 2%.

Indemnification by Fonds: Fonds shall indemnify and hold the Company harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses, liabilities, costs or expenses which may be made against the Company or which the Company may suffer or incur as a result of, arising out of or relating to any violation, contravention or breach of any representations, warranties or covenants of Fonds under or pursuant to the Fonds Share Purchase Agreement.

LETTER FROM THE BOARD

Double indemnification between the Company and Fonds:	The aforesaid indemnification of Fonds by the Company pursuant to the Fonds Share Purchase Agreement shall be without duplication of any indemnification of Fonds under the Subscription Agreement.
Representations and warranties by Distech Controls:	In connection with the acquisition of Preferred Shares by Fonds to the Company, Distech Controls has given the full benefit of its representations and warranties set out in the Subscription Agreement to Fonds.
Indemnification by Distech Controls:	Distech Controls shall indemnify Fonds for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys' fees) which Fonds may incur as a result of any breach or inaccuracy of any representations or warranties or as a result of the failure by Distech Controls to observe, perform or execute any obligation, covenant or undertaking set out in the Fonds Share Purchase Agreement.
Double indemnification between Distech Controls and Fonds:	The aforesaid indemnification of Fonds by Distech Controls pursuant to the Fonds Share Purchase Agreement shall be without duplication of any indemnification of Fonds by Distech Controls in respect of any claims based on a breach or inaccuracy of any representation and warranty.

(E) 9109 Share Purchase Agreement

Date:	Closing Date
Parties:	(1) Distech Controls (2) 9109
Subject matter:	Subject to the terms and conditions under the 9109 Share Purchase Agreement, Distech Controls agrees to purchase 2,852,389 Class A Common Shares from 9109 for cancellation, at a consideration of CAD\$7,500,000.
Consideration:	The total consideration payable under the 9109 Share Purchase Agreement is CAD\$7,500,000, equivalent to approximately CAD\$2.63 per Class A Common Share, which was arrived at through arm's length negotiation among the parties to the 9109 Share Purchase Agreement with reference to consideration per Preferred Share under the Subscription Agreement.

LETTER FROM THE BOARD

The total consideration payable under the 9109 Share Purchase Agreement is CAD\$7,500,000, representing an excess of approximately CAD\$6.57 million over the net asset value of Distech Controls attributable to the increased percentage interest of the Company in Distech Controls (being approximately 5.78%) as result of the 9109 Repurchase of approximately CAD\$0.93 million as of 31 December 2012.

The original acquisition cost for 2,852,389 Class A Common Shares by 9109 was approximately CAD\$20,094.

Payment: The consideration is payable in cash upon execution of the 9109 Share Purchase Agreement.

Indemnity: 9109 shall indemnify and hold Distech Controls harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses, liabilities, costs or expenses which may be made against Distech Controls or which Distech Controls may suffer or incur as a result of, arising out of or relating to any violation, contravention or breach of any representations, warranties or covenants of 9109 under or pursuant to the 9109 Share Purchase Agreement.

(F) 9109 Share Purchase and Rollover Agreement

Date: Closing Date

Parties: (1) Distech Controls
(2) 9109

Subject matter: Subject to the terms and conditions under the 9109 Share Purchase and Rollover Agreement, Distech Controls agrees to purchase 950,796 Class A Common Shares from 9109 for cancellation, at a consideration of CAD\$2,500,000.

Consideration: The total consideration payable under the 9109 Share Purchase and Rollover Agreement is CAD\$2,500,000, equivalent to approximately CAD\$2.63 per Class A Common Share, which was arrived at through arm's length negotiation among the parties to the 9109 Share Purchase and Rollover Agreement with reference to consideration per Preferred Share under the Subscription Agreement.

LETTER FROM THE BOARD

The total consideration payable under the 9109 Share Purchase and Rollover Agreement is CAD\$2,500,000, representing an excess of approximately CAD\$2.21 million over the net asset value of Distech Controls attributable to the increased percentage interest of the Company in Distech Controls (being approximately 1.82%) as result of the 9109 Repurchase II of approximately CAD\$0.29 million as of 31 December 2012.

The original acquisition cost of 950,796 Class A Common Shares by 9109 was approximately CAD\$6,698.

Payment: The consideration is payable upon execution of 9109 Share Purchase and Rollover Agreement by way of issue of 9109 Subscription Shares.

Capital account: An aggregate amount of CAD\$352,427 and representing only part of the consideration received by Distech Controls for the issuance of such shares, shall be added to the issued and paid-up capital account of the Class A Preferred Shares of Distech Controls.

Adjustment of fair market value of 9109 Repurchase II shares by taxing authority: In the event that a competent taxing authority determines, for income tax purposes, the fair market value of the 9109 Repurchase II Shares to be an amount which is different from the consideration, such consideration shall be increased or decreased accordingly, as the case may be, subject however to any adjustment thereto required pursuant to any final judgment rendered by any court of competent jurisdiction. In the event of a variation in the assessments made by various taxing authorities, the consideration shall be fixed on the basis of the lesser of such assessments.

Even if any adjustment is made, there will be no impact on profit or loss of the Company and Distech Controls because these transactions will be recorded as an equity transaction in accordance with the accounting policy of the Group.

Adjustment of redemption price: In the event of an adjustment to consideration as described above, the redemption price of the 9109 Subscription Shares shall be increased or decreased accordingly, as the case may be.

LETTER FROM THE BOARD

Indemnity: 9109 shall indemnify and hold Distech Controls harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses, liabilities, costs or expenses which may be made against Distech Controls or which Distech Controls may suffer or incur as a result of, arising out of or relating to any violation, contravention or breach of any representations, warranties or covenants of 9109 under or pursuant to the 9109 Share Purchase and Rollover Agreement.

(G) USA Termination Agreement

To facilitate the signing of the Shareholders' Agreement, the Company, Distech Controls, Mr. Veilleux and 9109 intend to enter into the USA Termination Agreement on the Closing Date to terminate the USA.

(H) Shareholders' Agreement

Date: Closing Date

Parties: (1) Distech Controls
(2) the Company
(3) Investors
(4) Mr. Veilleux
(5) 9109
(6) Fiducie Veilor

Pursuant to the Shareholders' Agreement certain rights regarding shares of Distech Controls are defined as follows:

Pre-emptive subscription right: Any issuance or distribution of any shares or convertible securities of Distech Controls; or any other debt (other than senior debt financing provided to Distech Controls by a Canadian chartered bank) must first be offered to all of the shareholders of Distech Controls, in proportion to the number of voting and participating shares of Distech Controls held by each shareholder of Distech Controls.

LETTER FROM THE BOARD

Right of first
refusal:

When a shareholder of Distech Controls, other than Mr. Veilleux or 9109 (except when Mr. Veilleux ceases to be an employee of Distech Controls and then Mr. Veilleux and 9109 became entitled to exercise the right of first refusal, details of which have been set out in the section “Lock-up undertaking by Mr. Veilleux, 9109 and Fiducie Veilor” below in this circular) (“**Assigning Shareholders**”), wishes to assign all or part of its shares of Distech Controls (the “**Offered Shares**”), such shareholder of Distech Controls, including Mr. Veilleux or 9109, shall offer them in priority to the other shareholders of Distech Controls at a price the Assigning Shareholder desires (if the proposed sale is initiated by the Assigning Shareholder) or at a price offered by third party (if the proposed sale is initiated by third-party offer). Each of such other shareholders of Distech Controls shall then have the exclusive right to purchase up to its/his *pro rata* share of the Offered Shares, namely its/his proportion of the voting and participating shares of Distech Controls.

Tag-along right:

Rather than exercising its right of first refusal under the Shareholders’ Agreement, the holders of Class A Preferred Shares and the Company (the “**Tag Beneficiaries**”) may exercise a tag-along right if (i) the assignment covers 10% or more of the issued and outstanding voting and participating shares of Distech Controls, (ii) the assignment results in a loss or acquisition of control of Distech Controls, or (iii) the Assigning Shareholder is Mr. Veilleux and/or 9109 in the circumstances contemplated in the section “Withdrawal from Business” below in this circular. This right may be exercised by giving notice, within thirty (30) Business Days following receipt of the notice for exercising the right of first refusal.

If one or more of the Tag Beneficiaries exercise their tag-along right, the Assigning Shareholder may not assign its shares of Distech Controls to the third party offeror, unless the third party offeror simultaneously purchases all of the shares of Distech Controls held by the Tag Beneficiaries that have exercised their tag-along right in accordance with the paragraph above on the conditions of the third party offer.

LETTER FROM THE BOARD

Drag-along right: If the shareholders of Distech Controls holding at least 50% or more of the issued and outstanding voting and participating shares of Distech Controls, including 70% or more of the issued and outstanding Class A Preferred Shares (the “**Majority Shareholders**”) wish to accept a third-party offer for all, and not less than all, of the shares of Distech Controls at a price that in no case shall be less than the Class A Preferred Share Redemption Price (as defined in the articles of Distech Controls, details of which have been set out in the section “(I) Amendment to articles and by-laws of Distech Controls — Redemption” below in this circular) and the right of first refusal set out in the Shareholders’ Agreement is not exercised for all of the Offered Shares, then, upon notice sent by the Majority Shareholders to the other shareholders of Distech Controls, they will have the obligation to sell all of the shares of Distech Controls (including the Class A Common Shares, the Class B Common Shares, the Class A Preferred Shares and the Class B Preferred Shares) they hold, under the same terms and conditions as those applicable to the Majority Shareholders, subject to the purchase price being no less than the Class A Preferred Share Redemption Price and to the terms and conditions of sale as set out in the Shareholders’ Agreement. The closing shall take place within 90 days of receipt of the notice mentioned above, failing which the Majority Shareholders may no longer sell the shares of Distech Controls to the third-party buyer without offering them anew according to the mechanisms of the Shareholders’ Agreement.

Accordingly, the Company will be required to sell all its interests in Distech Controls under the aforesaid drag-along right provisions of the Shareholders’ Agreement in the event that:

1. The Majority Shareholders wishes to accept a third-party offer to acquire all shares of Distech Controls;
2. The price of such third-party offer is no less than the Class A Preferred Share Redemption Price (as defined in the articles of Distech Controls);
3. The right of first refusal set out in the Shareholders’ Agreement is not exercised for all of the Offered Shares;

LETTER FROM THE BOARD

4. The Majority Shareholders shall then send a notice to other shareholders of Distech Controls; and
5. The closing for such third-party offer will take place within 90 days of receipt of the notice mentioned in item 4 above.

Put option in favour of the holders of Class A Preferred Shares and Class B Preferred Shares:

When the redemption rights at the holder's option granted on Class A Preferred Shares or Class B Preferred Shares under the terms of the articles of Distech Controls are applicable, each holder of Class A Preferred Shares or Class B Preferred Shares, as applicable (the "**Put Beneficiaries**"), will have the option, at its discretion, to sell to Distech Controls all or part of the shares of Distech Controls held by such Put Beneficiary, and Distech Controls commits and undertakes to purchase from such Put Beneficiary on a pro rata basis if there is more than one Put Beneficiary, the maximum number of Class A Shares it is legally permitted to pay for at a price equal to the Preferred Share Redemption Price or the Class B Preferred Shares Redemption Price, as applicable. Any Class A Preferred Shares or Class B Preferred Shares, as applicable, covered by a redemption request by a Put Beneficiary which Distech Controls is unable to redeem and pay for in full shall remain issued and outstanding and the Put Beneficiary shall remain the holder of such unredeemed Class A Preferred Shares or Class B Preferred Shares, as applicable. The said purchase is subject to compliance with the Listing Rules.

After the Company receives a notice from Put Beneficiaries, indicating their intention to exercise the option and after the Fair Market Value and the estimate exercise price of the relevant shares of Distech Controls are available, the Company will assess the Listing Rules implications and comply with them. Where the Shareholders' approval is required, the Company will obtain the same before it enters into the transaction arising from the option being exercised. If it is voted down by the Shareholders, the Company would not be required under the relevant agreements to proceed with the transaction.

LETTER FROM THE BOARD

Put option in favour of 9109 and call option in favour of Fonds: 9109 will have the option, at its discretion, to sell to Fonds, anytime after the thirty (30)-month anniversary of the date of the Shareholders' Agreement, all or part of the Class A Preferred Shares held by 9109 (the "**Preferred Share Put Option**"), and Fonds commits and undertakes to purchase such shares from 9109, at a price equal to the Fair Market Value of the Class A Preferred Shares, subject to a maximum price of CAD\$4.41 per Class A Preferred Share.

Put option in favour of 9109 and Mr. Veilleux and call option in favour of the Company: *9109 Put Option*
9109 will have the option, at its discretion, to sell to the Company, anytime after the fifth (5th) anniversary of the date of the Shareholders' Agreement, all of the shares of Distech Controls held by 9109 at a price equal to the Fair Market Value of such shares.

Upon receipt of notice from 9109 indicating its intention to exercise the Put Option, the Company shall notify 9109 of its intention to either, at its discretion, (i) retain its equity position in Distech Controls and purchase such shares or (ii) to devote its best commercial effort, together with 9109, to sell all the issued and outstanding shares of Distech Controls to a person with whom a shareholder of Distech Controls is dealing at Arm's Length. Should they receive such an offer which is equal or superior to the Fair Market Value of their shares in Distech Controls, they shall sell all of their shares of Distech Controls to the offeror but subject to the compliance with the Listing Rule.

If the Company chooses option (ii) above and has devoted its best commercial effort, together with 9109, to sell all the issued and outstanding shares of Distech Controls but no person dealing at Arm's Length is interested in buying, Mr. Veilleux, 9109 and the Company will then have to discuss how to resolve this commercially.

9109 Call Option

The Company shall have the right, at its discretion, to purchase from 9109, anytime after the fifth (5th) anniversary of the date of the Shareholders' Agreement, all of the shares of Distech Controls held by 9109 at a price equal to the Fair Market Value of the shares.

LETTER FROM THE BOARD

Veilleux Put Option and Veilleux Call Option

The 9109 Put Option and the 9109 Call Option also apply, with the necessary modifications, to Mr. Veilleux. If the Company purchases shares of Distech Controls from 9109 under the Put Option and the Call Option, the Company shall also purchase shares of Distech Controls from Mr. Veilleux, regardless of the party that initiates that purchase and sale.

The Put Options and the Call Options may not be exercised by the beneficiaries thereof unless either (i) prior to such exercise, all, but not less than all, of the Preferred Shares held by the Investors shall have previously been redeemed in full accordance with the provisions of the Shareholders' Agreement or (ii) concurrently with the exercise of the Put Options or Call Options, as the case may be, Distech Controls redeems all of the Preferred Shares held by the Investors in full in accordance with the provisions of the Shareholders' Agreement or the Company purchases all such Preferred Shares at a price no less than the redemption price for Class A Preferred Shares or the redemption price for Class B Preferred Shares, as applicable and as provided in the articles of Distech Controls and otherwise on the terms and conditions set out in the Shareholders' Agreement.

After the Company receives a notice from 9109/Mr. Veilleux indicating its/his intention to exercise the Put Options or closely before the Company intends to exercise the Call Options, and after the Fair Market Value and the estimate exercise price of the relevant shares of Distech Controls are available, the Company will assess the Listing Rules implications and comply with them. Where the Shareholders' approval is required, the Company will obtain the same before it enters into the transaction arising from the exercise of the Put Options or Call Options. If it is voted down by the Shareholders, the Company will not be required under the relevant agreements to proceed with the transaction.

LETTER FROM THE BOARD

Sale of Distech
Controls:

At any time after the fifth (5th) anniversary of the date of the Shareholders' Agreement, the holders of the Preferred Shares (the "**Sale Beneficiaries**") may, in the event that Distech Controls is unable to complete the redemption of the shares of Distech Controls and pay the redemption price for Class A Preferred Shares or the redemption price for Class B Preferred Shares, as applicable and as provided in the articles of Distech Controls, in full, at their discretion and with the written consent of the shareholders of Distech Controls holding at least 70% of the issued and outstanding Class A Preferred Shares, require a sale of Distech Controls. In such case, the shareholders of Distech Controls and Distech Controls shall cooperate with the Sale Beneficiaries and all of the shareholders of Distech Controls must sell their shares of Distech Controls without discretion.

Accordingly, the Company will be required to sell its interests in Distech Controls under the sale of Distech Controls provision of the Shareholders' Agreement in the event that:

1. at any time after the fifth (5th) anniversary of the date of execution of the Subscription Agreement;
2. Distech Controls is unable to complete the redemption of the Shares and pay the Class A Preferred Share Redemption Price or the Class B Preferred Share Redemption Price, as applicable, in full, at the discretion of holders of Preferred Shares;
3. with the written consent of shareholders of Distech Controls holding at least 70% of the issued Class A Preferred Shares; and
4. holders of Preferred Shares require a sale of Distech Controls.

The terms and arrangements for a sale of Distech Controls are as follows:

- (i) the Sale Beneficiaries may hire, at Distech Controls' expense, an independent financial advisor to identify potential buyers and to advise the Sale Beneficiaries and Distech Controls regarding the negotiation and the structure of the sale of Distech Controls;

LETTER FROM THE BOARD

- (ii) in the event that Distech Controls or its shareholders receive an offer for the purposes of the sale of Distech Controls, they shall promptly transmit a copy of such offer to the Sale Beneficiaries. If the Sale Beneficiaries determine, in good faith and by written consent of the shareholders of Distech Controls holding at least 70% of the issued and outstanding Class A Preferred Shares, that such offer is acceptable (the “**Chosen Offer**”), the Sale Beneficiaries may then require the consummation of a sale of Distech Controls by written notice to this effect, sent to Distech Controls and to the other shareholders of Distech Controls;
- (iii) the notice transmitted under paragraph (ii) above shall stipulate, inter alia, the identity of the offeror, the price under the Chosen Offer, the terms of payment and the other conditions of the Chosen Offer. Notwithstanding the price per share of Distech Controls provided in the Chosen Offer, the allocation of the full purchase price shall be made so that the Class A Preferred Shares would be sold at a price per share equal to at least the Class A Preferred Share Redemption Price and the Class B Preferred Shares be sold at a price per share equal to at least the Class B Preferred Share Redemption Price, provided, however, that the holders of at least 70% or more of the issued and outstanding Class A Preferred Shares may agree to accept a Chosen Offer at a lower price, which will in such case apply to both the Class A Preferred Shares and the Class B Preferred Shares;
- (iv) Distech Controls and all of its shareholders will then be deemed to have accepted the Chosen Offer. Distech Controls and its shareholders agree to allocate any consideration received under the terms of the Chosen Offer, so that the payment to the Sale Beneficiaries of an amount equal to the greater of (i) the redemption value of the Shares held by the Sale Beneficiaries plus the declared and unpaid dividends on these shares, or (ii) the pro rata share of the Sale Beneficiaries (i.e. the proportion of the participating shares held by the Sale Beneficiaries in relation to the total participating Shares) of the selling price, be effected before any payment or any distribution, of any nature whatsoever, to any other shareholder of Distech Controls.

LETTER FROM THE BOARD

Withdrawal from
Business:

Option granted by Mr. Veilleux and 9109

Each of Mr. Veilleux and 9109 (the “**Withdrawn Veilleux Shareholders**”) grants an exclusive and irrevocable option to acquire all of such Withdrawn Veilleux Shareholder’s shares of Distech Controls (the “**Offered Shares**”) (i) first to the other shareholders of Distech Controls, and (ii) subsequently to Distech Controls with respect to any Offered Share which is not acquired by the shareholders of Distech Controls within the time periods and under the terms and conditions set out in the Shareholders’ Agreement.

The option to purchase referred to in the paragraph above may be exercised at a price per share equal to:

- (i) the Fair Market Value of a share of Distech Controls on the date of occurrence of one of the events described in this paragraph (i), if the Withdrawn Veilleux Shareholder (or its ultimate controlling shareholder):
 - (a) has his employment terminated by Distech Controls without a serious reason;
 - (b) voluntarily resigns from Distech Controls after the fifth (5th) anniversary of the Shareholders’ Agreement;
 - (c) becomes affected by a permanent incapacity from performing his normal duties, tasks and responsibilities in the service of Distech Controls during a consecutive period of more than six months or a cumulative period of 12 months over a consecutive period of 36 months);
 - (d) dies;
 - (e) voluntarily resigns from Distech Controls before the fifth (5th) anniversary of the Shareholders’ Agreement for reasons involving a member of his immediate family which prevents him from continuing his employment with Distech Controls;

LETTER FROM THE BOARD

- (f) becomes insolvent as defined under the *Bankruptcy and Insolvency Act* (Canada); or
 - (g) is the subject of a seizure of the shares of Distech Controls or any interest therein that is not successfully contested in good faith within ten (10) days following the date of the seizure; or
- (ii) 75% of the Fair Market Value of a Share on the date of occurrence of one of the events described in this paragraph (ii), if the Withdrawn Veilleux Shareholder (or its ultimate controlling shareholder):
- (a) has his employment terminated by Distech Controls for a serious reason;
 - (b) voluntarily resigns from Distech Controls before the fifth (5th) anniversary of the Shareholders' Agreement for any reason other than those set forth in subparagraph (e) of paragraph (i) above; or
 - (c) does not comply with the provisions of the Shareholders' Agreement (including in the event of a change of control of a shareholder of Distech Controls or its ultimate controlling shareholder). However, if the situation invoked can be remedied, the Withdrawn Veilleux Shareholder may so remedy it within ten (10) Business Days following receipt of a notice from Distech Controls or another shareholder of Distech Controls to such effect; or
- (iii) 50% of the Fair Market Value of a share, less the fees of the chartered business valuers hired to establish the Fair Market Value and all other costs and expenses incurred in relation to the exercise of the option, including any and all closing costs relating thereto, on the date of occurrence of one of the events described in this paragraph (iii) if the Withdrawn Veilleux Shareholder (or its ultimate controlling shareholder) is found guilty of an indictable offence under the *Criminal Code* (Canada) involving fraud, breach of trust or any other similar offence or pleads guilty to such an offence.

LETTER FROM THE BOARD

Option granted by the shareholders of Distech Controls other than Mr. Veilleux and 9019

Each shareholder of Distech Controls (including the Company) other than Mr. Veilleux and 9109 (the “**Other Withdrawn Shareholders**”) grants an exclusive and irrevocable option to acquire all of such Other Withdrawn Shareholder’s shares of Distech Controls (the “**Other Offered Shares**”) to Distech Controls within the time periods and under the terms and conditions set out in the Shareholders’ Agreement.

The option to purchase referred to in the paragraph above may be exercised on the date on which the Other Withdrawn Shareholder becomes insolvent as defined under the *Bankruptcy and Insolvency Act* (Canada) at a price per share equal to the Fair Market Value of a share on the date of such insolvency.

Option granted by the Company

The Company grants an exclusive and irrevocable option to acquire all of its shares of Distech Controls (the “**Technovator Offered Shares**”) but in such case, subject to compliance with the Listing Rules (i) first to the other shareholders of Distech Controls, and (ii) subsequently to Distech Controls with respect to any Technovator Offered Share which is not acquired by the shareholders of Distech Controls within the time periods and under the terms and conditions set out in the Shareholders’ Agreement.

The option to purchase referred to in the paragraph above may be exercised upon a change of control of the Company (i.e. any change in ownership of its shares or any other ownership interest of the Company which would result in any shareholder (other than Tsinghua Tongfang Co., Ltd) owning more than 50% of the total issued and outstanding voting shares in the capital of the Company) at a price per share equal to the Fair Market Value of a share of Distech Controls on the date of the change of control.

LETTER FROM THE BOARD

For the three options mentioned above, grantees of the corresponding options may indicate his/its wish to acquire the Offered Shares, the Other Offered Shares or the Technovator Offered Shares, as the case may be, to the grantors of the corresponding option and the other grantees of the corresponding option no later than four (4) months following the date when all of the grantees of the corresponding option have become aware of the intention to exercise the corresponding option (the “**Shareholder Exercise Deadline**”). The closing of the acquisition of the Offered Shares, the Other Offered Shares or the Technovator Offered Shares, as the case may be, shall occur no later than thirty (30) Business Days following the Shareholder Exercise Deadline.

The exercise of the options to purchase referred to above shall be subject to compliance with the Listing Rules.

If the exercise of option is voted down by the Shareholders, the Company would not be required under the Shareholders’ Agreement to proceed with the transactions contemplated under the exercise of option.

Board of directors of
Distech Controls:

The board of directors of Distech Controls shall be composed of seven (7) directors, and shall initially be composed of the following nominees:

1. three (3) directors nominated by the Company;
2. one (1) director nominated by the Company, provided that such nominee of the Company shall be a member of *L’Ordre des administrateurs agréés du Québec* (The Order of Chartered Administrators of Quebec) with relevant business experience;
3. one (1) director nominated by Mr. Veilleux;
4. one (1) director nominated by CDPQ; and
5. one (1) director nominated by the Fonds.

LETTER FROM THE BOARD

Members of The Order of Chartered Administrators of Quebec are experienced professional directors in different industries and are familiar with the local laws and business environment in Quebec. The Company considers that a director who is a member of this associate would add value to Distech Controls.

Provided that the Company's shares remain listed on Stock Exchange, from the year following the financial year of Distech Controls during which the consolidated EBITDA of Distech Controls represents less than 10% of the consolidated EBITDA of the Company (the "**Non Performance Year**") and only if the forecasted budget of the year following the Non Performance Year also forecasts a consolidated EBITDA of Distech Controls representing less than 10% of the consolidated EBITDA of the Company, (i) the Company will have the right to nominate three (3) directors on the board of directors of Distech Controls as above with the Company's fourth (4th) nominee pursuant to paragraph 2 above becoming an independent director as selected by the majority of the shareholders of Distech Controls, and (ii) the required consent of shareholders of Distech Controls with respect to the controlled management rights set out below shall change to a requirement that in lieu of that of 70% of the issued and outstanding Class A Preferred Shares, the written consent be obtained of either (i) the shareholders of Distech Controls holding at least 70% of the issued and outstanding Class A Preferred Shares and the Company in the event that the Company holds at such time more than 30% of all of the voting rights of Distech Controls, or (ii) the shareholders of Distech Controls holding at least 70% of the issued and outstanding shares of Distech Controls in the event that the Company holds at such time 30% of all of the voting rights of Distech Controls or less.

The consolidated EBITDA of the Company for the years ended 31 December 2010, 2011 and 2012 are approximately USD11,907,000, USD18,701,000 and USD23,671,000 respectively. The consolidated EBITDA of Distech Controls for the years ended 31 December 2010, 2011 and 2012 are approximately USD3,364,000, USD7,923,000 and USD9,624,000, respectively, representing approximately 28.3%, 42.4% and 40.7% of the consolidated EBITDA of the Company for the same year respectively.

LETTER FROM THE BOARD

Controlled
management
rights:

Subject to certain provisions in the Shareholders' Agreement, Distech Controls or its subsidiary (as defined in the Shareholders' Agreement) must obtain the written consent of Distech Controls' shareholders holding at least 70% of the issued and outstanding Class A Preferred Shares for, amongst others, the following matters and other customary events which require approval from holders of preferred shares:

1. granting or amending any loan, investment, guarantees or surety bond which is not in the ordinary course of business;
2. entering into a borrowing agreement, increasing its borrowing, or granting or amending security on its assets to the extent that such action was not set out in Distech Controls' approved budget or to the extent that such action causes Distech Controls' debt to EBITDA ratio to exceed 2:1, and for the purpose of calculating the debt under this clause, debt should exclude preferred shares which may classified as liability under accounting rules;
3. issuing (including any public offering), purchasing or redeeming any shares of Distech Controls except the redemption of any such shares in accordance with the articles of association of Distech Controls or the Shareholders' Agreement, other than the exercise of certain option granted to Distech Controls pursuant to the Shareholders' Agreement;
4. amending or terminating the Distech Controls ESOP 2008 or adopting, amending or terminating any other share or other incentive plan;
5. declaring or paying dividends on any class of the shares of Distech Controls outside the Distech Controls' approved budget;
6. determining, amending or paying any bonus, salary or advance to a shareholder of Distech Controls or to any related person as defined by the Income Tax Act (Canada), other than as previously set out in such shareholder's employment agreement;
7. terminating the employment of the chief executive officer of Distech Controls; or

LETTER FROM THE BOARD

8. entering into or amending any agreement with a related person as defined by the Income Tax Act (Canada) or any decision or contract made outside of the ordinary course of business.

Qualified IPO:

Each of the shareholders of Distech Controls, including the Company but, in such case, subject to compliance by the Company with the Listing Rules, agrees that it will not, without the prior written consent of the lead underwriter involved in a Qualified IPO, during the period commencing on the date of the final prospectus relating to the Qualified IPO and ending on the date specified by such lead underwriter (such period not to exceed one hundred and eighty (180) days), (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Distech Controls held immediately prior to the effectiveness of any registration statement in the case of an offering in the United States and immediately prior to the date on which a final receipt (or equivalent document) is issued in respect of a prospectus by or on behalf of the last Canadian securities authority in Canadian jurisdictions in which such prospectus is filed, for a Canadian offering, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether such transactions in (i) or (ii) are to be settled by delivery of Shares or other securities, in cash or otherwise.

For the purpose of the foregoing paragraph on Qualified IPO, "Qualified IPO" means an underwritten public offering of the shares of Distech Controls by way of a prospectus, registration statement or similar document, provided that (i) the valuation of Distech Controls is not less than CAD\$225 million and (ii) the offering results in gross proceeds to Distech Controls of at least CAD\$50 million.

Lock-up undertaking by Mr. Veilleux, 9109 and Fiducie Veilor

Each of Mr. Veilleux and 9109 agrees to restrict his property rights and undertakes not to assign his shares of Distech Controls nor the voting shares of 9109, or any right or interest relating thereto, until such time as Mr. Veilleux ceases to be an employee of Distech Controls, other than in accordance with the provisions relating to withdrawal from business under the Shareholders' Agreement.

LETTER FROM THE BOARD

Once Mr. Veilleux ceases to be an employee of Distech Controls, each of Mr. Veilleux and 9109 shall be entitled to exercise the right of first refusal set out in the Shareholders' Agreement as an assigning shareholder thereunder in the event that the shares of Distech Controls held by Mr. Veilleux and 9109 have not yet been purchased in full pursuant to the provisions relating to withdrawal from business under the Shareholders' Agreement.

In addition, Mr. Veilleux undertakes to remain the legal and beneficial owner of all of the voting and participating shares of 9109 either (i) alone or (ii) together with either or both of Maria Lorenzo and Fiducie Veilor and in such case provided that Mr. Veilleux continues to hold over 50% of the issued and outstanding voting shares in the share capital of 9109, and 9109 undertakes not to issue or sell shares to any third parties, subject to the Put Options and Call Options.

Fiducie Veilor, as a shareholder of 9109, agrees to be bound by the aforesaid lock-up undertaking given by Mr. Veilleux and 9109.

Under the Shareholders' Agreement, the Company undertakes to other parties to the Shareholders' Agreement to use its best commercial efforts to comply with the Listing Rules relevant to the Shareholders' Agreement and the Shareholders' Agreement shall be approved by the Shareholders before its execution.

The aforesaid undertaking is only a commercial agreement among the parties and is an undertaking given by the Company to provide additional assurance to other parties to the Shareholders Agreement that it will comply with Listing Rules. The Company does not believe that there exists any circumstance where it will not be able to comply with the Listing Rules.

LETTER FROM THE BOARD

(I) Amendment to articles and by-laws of Distech Controls

As a condition precedent to the completion of the subscription Agreement, Distech Controls shall adopt the amended articles and amended by-laws in accordance with the Subscription Agreement on the Closing Date, such that Distech Controls' authorized capital consists of an unlimited number of Class A Common Shares and Class B Common Shares and of Class A Preferred Shares and Class B Preferred Shares, all without par value, which have attached the following rights, privileges restrictions and conditions:

Voting rights: The holders of Class A Common Shares and Class A Preferred Shares shall be entitled to vote at all meetings of shareholders of Distech Controls, on the basis of one vote per share, except meetings at which only holders of another specified class of shares are entitled to vote separately pursuant to the provisions of the Business Corporations Act (Québec).

The holders of Class B Common Shares and Class B Preferred Shares shall not have any voting rights for the purpose of electing directors or for any other purpose, and they shall not be entitled to attend any meetings of shareholders.

Dividend entitlement: The holders of Common Shares and Preferred Shares shall be entitled to receive as when declared by the board of directors of Distech Controls but pari passu with the holders of other class of Common Shares and Preferred Shares, dividends payable in money or property or by the issue of fully paid shares of any class of Distech Controls.

Liquidity event preference: In the event of a Liquidity Event (as defined below), the holders of Class A Preferred Shares and Class B Preferred Shares shall be entitled to receive for each Preferred Share of the corresponding class, in preference and priority to any distribution of the property or assets of Distech Controls to the holders of the Class A Common Shares and the Class B Common Shares or any other shares ranking junior to the corresponding class of Preferred Shares, in each case the greater of:

- (i) the pro rata share of the proceeds of the corresponding class of Preferred Shares calculated on an as-if-converted to Class A Common Share on a one-for-one basis; and

LETTER FROM THE BOARD

- (ii) (A) the amount of the original subscription price for each Preferred Share of the corresponding class (the “**Original Price**”) multiplied by one (1) plus the pro rata of the number of months that have passed since the date of issuance thereof (the “**Preferred Shares Closing Date**”) [Original Price x (1 + X months/60 months)], plus all accrued and unpaid dividends thereon, in the event that the Liquidity Event occurs at any time before the fifth (5th) anniversary of the Preferred Shares Closing Date;

OR

(B) two (2) times the Original Price, plus all accrued and unpaid dividends thereon, in the event that the Liquidity Event occurs at any time on or after the fifth (5th) anniversary of the Preferred Shares Closing Date.

For Class A Preferred Shares and for the purpose of paragraph (ii) above, “original subscription price” shall correspond to the value of the consideration received by Distech Controls (including its own shares) upon the issuance of Class A Preferred Shares.

“**Liquidity Event**” shall be defined as a change in control to include, *inter alia*, (i) a sale of a majority of the assets of Distech Controls, (ii) the sale, merger, amalgamation, arrangement or reorganization of Distech Controls where the voting shareholders prior to such transaction hold less than a majority of the issued voting share capital of the surviving corporation, or (iii) a liquidation, dissolution or winding-up of Distech Controls.

Upon dissolution of
Distech Controls:

The holders of Common Shares shall be entitled to receive the remaining property of Distech Controls upon its dissolution *pari passu* with the holders of other class of Common Shares.

LETTER FROM THE BOARD

Redemption: Each holder of the Class A Preferred Shares and Class B Preferred Shares shall be entitled to require Distech Controls to redeem on or after the day following the fifth (5th) anniversary of their issuance and upon notice to the other holders of the corresponding class of Preferred Shares, all or any part of the corresponding class of Preferred Shares registered in the name of such holder at the Preferred Share Redemption Price (as defined below).

“Preferred Share Redemption Price” of each Preferred Share shall be an amount equal to the greater of:

- (i) an amount equal to the highest price paid for any participating share of Distech Controls in the two (2) fiscal years preceding the holder’s request for redemption in the context of any issuance by Distech Controls or any sale by a holder thereof;
- (ii) (a) In the case of Class A Preferred Shares, the fair market value of the Class A Preferred Shares calculated on an as if converted to Class A Common Share on an one-for-one basis, without discount for a minority position, as established at the date of the request for redemption by a Chartered Business Valuator who is a partner of one of the Big 4 accounting firms carrying on business in Montréal, Québec mutually agreeable to the holder of the Class A Preferred Shares requesting such redemption and Distech Controls, with valuation costs borne by Distech Controls;
- (b) In the case of Class B Preferred Shares, the fair market value of the Class A Preferred Shares, as determined in accordance with paragraph (i) above; and
- (iii) two (2) times the subscription price per such Preferred Share plus all accrued and unpaid dividends thereon.

LETTER FROM THE BOARD

Conversion: Preferred Shares shall be automatically converted into the corresponding class of Common Shares, on a one-for-one basis upon the closing of an underwritten public offering of the shares of Distech Controls by way of prospectus, registration statement or similar document, provided that (i) the valuation of Distech Controls is not less than CAD\$225,000,000 and (ii) the offering results in gross proceeds to Distech Controls of at least CAD\$50,000,000.

Each Preferred Share is convertible, in whole or in part, at the option of the holder thereof, exercisable at any time, into the corresponding class of Common Shares on a one-for-one basis.

Anti-dilution adjustment: The issue price of Preferred Shares is subject to adjustments in the case of customary anti-dilution events for a period of two years from the conversion.

No change to any of the provisions in relation to anti-dilution adjustment shall have any force or effect until it has been approved by a majority of not less than 75% of the votes cast by the holders of the corresponding class of Preferred Shares, voting separately as a class at a meeting of such holders specially called for that purpose, or by a resolution in writing signed by all the holders of the corresponding class of Preferred Shares, in addition to any other approval required by the Business Corporations Act (Québec).

OTHER INFORMATION RELATING TO THE AGREEMENTS

The Agreements are not inter-conditional. Apart from the Subscription Agreement which is conditional upon, among others, (1) the confirmation of the consummation of the transactions contemplated under the 9109 Share Purchase Agreement, the CDPQ Share Purchase Agreement, the Fonds Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement on the terms and conditions set out in the Subscription Agreement, and (2) the execution of the Shareholders' Agreement by Distech Controls, the Company, Mr. Veilleux and 9109, each of the other Agreements can be individually executed without execution of other Agreements. Nonetheless, all the Agreements were simultaneously negotiated by the parties thereto and the commercial reality is that they are considered by such parties as one integrated transaction and in the practical sense, each of the Agreements will not be individually executed without the execution of the other Agreements.

LETTER FROM THE BOARD

The Company currently only holds Class A Common Shares and does not hold any Class A Preferred Shares. The Company intends to enter into the Share Exchange Agreement to exchange certain Class A Common Shares into Class A Preferred Shares which will be sold to Fonds and CDPQ under the Fonds Share Purchase Agreement and CDPQ Share Purchase Agreement. The Share Exchange Agreement is simply an automatic exchange (non taxable) of shares under the relevant section of the Income Tax Act (Canada).

As a condition precedent to the completion of the Subscription Agreement, the Company shall enter into (i) the CDPQ Share Purchase Agreement with CDPQ and Distech Controls and (ii) Fonds Share Purchase Agreement with Fonds and Distech Controls on the Closing Date.

The CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement will be signed separately from the Subscription Agreement due to the fact that the nature of the transactions contemplated under the CDPQ Share Purchase Agreement and Fonds Share Purchase Agreement (both of which involve sale of shares of Distech Controls by the Company) is different from the nature of the transaction contemplated under the Subscription Agreement (which involves subscription of new shares of Distech Controls by the Investors).

Mr. Veilleux is the founder of Distech Controls and his continued participation in Distech Controls Group is critical to the Group. The 9109 Share Purchase Agreement and 9109 Share Purchase and Rollover Agreement were agreed by all parties as part of the transaction in order to align Mr. Veilleux's interests with those of the Company and the Investors and to motivate Mr. Veilleux to have his continuous contribution to the future development of the Distech Controls Group.

From Canadian tax perspective, the 9109 Share Purchase Agreement would be regarded as being done on a taxable basis meaning that the transaction creates immediate Canadian taxes, while the 9109 Share Purchase and Rollover Agreement would be regarded as being done on a rollover basis meaning that the shares will be rolled and exchanged for other shares (non taxable) and the transaction would not create immediate Canadian taxes which would be postponed to the future where another transaction may occur. Accordingly, 9109 Share Purchase Agreement and 9109 Share Purchase and Rollover Agreement will be entered into separately to achieve the above from a Canadian tax perspective.

To facilitate the signing of the Shareholders' Agreement, the Company, Distech Controls, Mr. Veilleux and 9109 intend to enter into the USA Termination Agreement on the Closing Date to terminate the USA.

As a condition precedent to the completion of the Subscription Agreement, Distech Controls, the Company, the Investors, Mr. Veilleux, 9109 and Fiducie Veilor shall enter into the Shareholders' Agreement on the Closing Date, pursuant to which the terms and conditions governing the business of Distech Controls and certain rights regarding the shares of Distech Controls are defined.

LETTER FROM THE BOARD

As a condition precedent to the completion of the subscription Agreement, Distech Controls and Mr. Veilleux shall enter into the Veilleux Employment Agreement, pursuant to which Distech Controls retains Mr. Veilleux's services as its president and chief executive officer. The appointment of Mr. Veilleux is for a fixed term from 6 March 2013 to 4 March 2016, renewable for additional periods of two (2) years at the option of Distech Controls. The remuneration to Mr. Veilleux is comprised of a basic salary and an annual bonus based on Distech Control's financial performance and the objectives met by Mr. Veilleux as determined by the Compensation Committee of Distech Controls (which will be set up by the new board of Distech Controls after completion of the Agreements). The Veilleux Employment Agreement also contains other customary provisions of an employment contract for senior management of a company of comparable size and business.

The main differences between the Veilleux Employment Agreement and previous employment agreement between Distech Controls and Mr. Veilleux are as follows:

1. the term of employment is now shortened from 5 years to 3 years;
2. a Compensation Committee is now introduced to determine the salary and bonuses of Mr. Veilleux;
3. non-discretionary expenses are now more specifically defined to be reasonable and incurred in the execution of his functions;
4. termination of Mr. Veilleux's employment without serious reason or failure to renew for another term would now entitle Mr. Veilleux to a year's emolument as indemnity;
5. Mr. Veilleux may terminate his employment at any time by giving a 6 months' notice prior to his termination of employment while no such termination with notice was included under the previous employment agreement;
6. the territory and activities concerned by the non-competition clause are now more specifically defined.

As a condition precedent to the completion of the subscription Agreement, Distech Controls, Mr. Veilleux, 9109 and the Investors shall enter into the Non-Competition Agreement, pursuant to which:

1. each of Mr. Veilleux and 9109 covenants and agrees with Distech Controls and the Investors that Mr. Veilleux and 9109 shall not, and shall cause their respective associates and affiliates not to, at any time during a three (3) year period following receipt or knowledge by such person of valuable proprietary information relating to the business of Distech Controls (the "**Confidential Information**"), disclose, except as expressly permitted in the Non-Competition Agreement or with the prior written consent of Distech Controls and the Investors or unless required by applicable laws, any Confidential Information to any person or entity, nor use the same for any purposes other than those of Distech Controls, its subsidiaries and the Investors;

LETTER FROM THE BOARD

2. Mr. Veilleux and 9109 shall not, at any time during the period commencing on the date of the Non-Competition Agreement and ending four (4) years following the date on which each of Mr. Veilleux and 9109 ceases to be a direct or indirect shareholder of Distech Controls (the “**Restriction Period**”), directly or indirectly own any interest in, provide financing or financial assistance to, operate, manage, control, participate in, consult with, advise, provide services to, or in any other manner carry on, engage in or assist any business (whether individually or through or in association with any other person or entity) that is the same as, similar to or competitive with the business of Distech Controls, within certain territory. The scope of territory will be updated on an annual basis;
3. during the Restriction Period, Mr. Veilleux and 9109 will not directly or indirectly through any other person or entity (i) induce or attempt to induce any employee of Distech Controls or of its subsidiary to leave such employment, or in any way interfere with the relationship between Distech Controls or its subsidiary and any of their respective employees, (ii) hire any person who was an employee of the Distech Controls or its subsidiary within one (1) year following the termination of the employment of such person with Distech Controls or its subsidiary, as the case may be, or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other person or entity having business relations with Distech Controls or its subsidiary to cease doing business with Distech Controls or its subsidiary, or in any way interfere with the relationship between Distech Controls or its subsidiary and any such customer, supplier, licensee, licensor, franchisee or Person or entity having business relations with Distech Controls or its subsidiary (including, without limitation, making any negative or disparaging statements or communications regarding the Distech Controls or its subsidiary).

Notwithstanding the above restrictions, Mr. Veilleux and 9109 may acquire securities (i) of a class or series that is traded on any stock exchange or over the counter if such securities represent not more than 1% of the issued and outstanding securities of such class or series, (ii) of a mutual fund or other investment entity that invests in a portfolio, the selection and management of which is not within the control of the investor, or (iii) held in a fully managed account where the Shareholders do not direct or influence in any manner the selection of and investment in such securities.

Each of Mr. Veilleux and 9109 will disclose the existence and terms of the Non-Competition Agreement to any prospective partner, investor, acquirer or lender prior to entering into any partnership or other business relationship with such person or entity.

LETTER FROM THE BOARD

EFFECTS OF THE AGREEMENTS

The following table illustrates the shareholding structure of Distech Controls immediately prior to completion of the Agreements:

Holder	Number and class of shares	% of equity interest/ voting rights
The Company	21,925,238 Class A Common Shares	63.81
Mr. Veilleux	6,949,266 Class A Common Shares	20.22
9109	5,485,758 Class A Common Shares	15.97
Total	34,360,362 Class A Common Shares	100%

The following table illustrates the shareholding structure of Distech Controls immediately upon completion of the Agreements:

Holder	Number and class of shares	% of equity interest	% of voting rights
the Company	18,122,053 Class A Common Shares	43.98%	44.89%
Mr. Veilleux	6,949,266 Class A Common Shares	16.86%	17.21%
9109	950,796 Class A Preferred Shares and 1,682,573 Class A Common Shares	6.39%	6.52%
CDPQ	3,042,548 Class A Preferred Shares	7.38%	7.54%
EnerTech	114,096 Class A Preferred Shares and 836,701 Class B Preferred Shares	2.30%	0.28%
EDC	1,901,593 Class A Preferred Shares	4.61%	4.71%
Fonds	4,944,141 Class A Preferred Shares	12.00%	12.25%
Fonds I	507,092 Class A Preferred Shares	1.23%	1.26%
Samsung	1,901,593 Class A Preferred Shares	4.61%	4.71%
W2	253,545 Class A Preferred Shares	0.62%	0.63%
Total	26,753,892 Class A Common Shares, 13,615,404 Class A Preferred Shares and 836,701 Class B Preferred Shares	100.00%	100.00%

The completion of the Agreements is subject to the Independent Shareholders' approval at the EGM. Upon completion of the Agreements, the Company's equity interest in Distech Controls will decrease from 63.81% to 43.98%. Distech Controls will continue to be a subsidiary of the Company following the completion of the Agreements and its financial results will continue to be consolidated into the accounts of the Group.

LETTER FROM THE BOARD

The financial effects on assets and liabilities of the Group upon completion of the Agreements are expected to be:

- (a) an increase of current assets of approximately USD27.2 million, which represents the total cash consideration received by the Group of CAD\$28.0 million (equivalent to approximately USD27.2 million); and
- (b) an increase of total liabilities of approximately USD36.9 million. Such increase of total liabilities is caused by the fact that the Class A Preferred Shares and the Class B Preferred Shares are recorded as financial liabilities from the accounting perspective.

It is expected that the Group will not record any profit or loss from the Subscriptions, Technovator Share Exchange, the Disposals, 9109 Repurchase, 9109 Repurchase II and 9109 Subscription, because these transactions will be recorded as an equity transaction in accordance with the accounting policy of the Group. Accordingly, there will be no impact on the earnings of the Company from the transactions.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

The Agreements were entered for the purpose of:

- enabling the Company to enhance Distech Controls' shareholding structures by bringing in new strategic investors;
- providing an opportunity to introduce sound industry players to Distech Controls in order to strengthen its business;
- providing additional working capital for the Group and providing the Company and Distech Controls with a good opportunity to realize approximately CAD\$10 million from the Disposals while the Company retains its control over Distech Controls and its financial results will continue to be consolidated into the accounts of the Group.

The disposals under the Fonds Share Purchase Agreement and CDPQ Share Purchase Agreement also enhance the future development strategy of the Group.

We believe this strategic transaction will further strengthen the financial position of the Group for the development of its business and will more effectively increase the Group's market competitiveness and enhance the value of the Group.

The Directors are of the view that the terms and conditions of the Agreements are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The proceeds from the Subscriptions will be utilized as follow:

- (i) CAD\$7.5 million of the Total Subscription Price solely for the 9109 Repurchase; and
- (ii) CAD\$18.0 million out of the Total Subscription Price solely for the working capital purposes.

For greater certainty, Distech Controls also undertakes to use the EDC Subscription Price solely for the working capital purposes.

The proceeds from the Disposals and 9109 Subscription will be utilized to implement the Group's development strategies.

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.

For the two years ended 31 December 2011 and 2012, the unaudited net profits attributable to the reduced percentage interest of the Company in Distech Controls (being 19.83%), which is the subject of the transactions were as follows:

For the year ended 31 December 2011

Net profits (before tax): approximately USD918,706

Net profits (after tax): approximately USD697,858

For the year ended 31 December 2012

Net profits (before tax): approximately USD1,200,742

Net profits (after tax): approximately USD884,628

The unaudited total assets, total liabilities and total net assets of Distech Controls attributable to the reduced percentage interest of the Company in Distech Controls (being 19.83%) were approximately USD7,454,125, USD4,295,108 and USD3,159,017, respectively, as of 31 December 2012.

LETTER FROM THE BOARD

The following table sets out the results of Distech Controls Group for the two years ended 31 December 2011 and 2012 as extracted from its 2012 unaudited consolidated financial statements:

	2011	2012
	<i>CAD\$'000</i>	<i>CAD\$'000</i>
Revenue	39,025	45,766
Cost of goods sold	(18,310)	(23,120)
Gross margin	20,715	23,646
Operating expenses:		
– Selling expenses	(6,308)	(7,294)
– Administrative expenses	(6,961)	(7,629)
– Research and development expenses	(691)	(555)
– Amortisation	(1,552)	(1,518)
Financial expenses	(476)	(373)
Earnings before non-controlling interest and income taxes	4,727	6,277
Non-controlling interest	21	(35)
Income taxes	(1,157)	(1,643)
Net earnings	3,591	4,599

Distech Controls Group recorded nearly a 17.3% increase in turnover in 2012 as compared to 2011. Gross profit margin decreased from approximately 53.1% in 2011 to approximately 51.7% in 2012. 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 of net profit margin was mainly due to the successful execution of effective cost control policies and market competitive pricing policies. Net earnings also recorded a significant increase from approximately CAD\$3.6 million in 2011 to approximately CAD\$4.6 million in 2012. The EBITDA of Distech Controls Group for 2012 amounted to approximately CAD\$9.6 million.

INFORMATION ABOUT CDPQ

CDPQ is an institutional fund manager that manages funds primarily for public and private pension and insurance plans. As at 31 December 2011, it held CAD\$159.0 billion in net assets. CDPQ invests in major financial markets, private equity and real estate.

LETTER FROM THE BOARD

INFORMATION ABOUT EDC

EDC is an export credit agency in Canada, offering commercial solutions to help Canadian exporters and investors expand their international business. EDC's knowledge and partnerships are used by more than 7,700 Canadian companies and their global customers in up to 200 markets worldwide each year.

INFORMATION ABOUT FONDS

Fonds is a development capital investment fund with net assets of CAD\$8.8 billion as at 30 November 2012. It is a partner, either directly or through its network members, of 2,239 companies and has 594,287 owner-shareholders.

INFORMATION ABOUT FONDS I

Fonds I is a limited partnership created under the laws of the Province of Quebec in 2012. Its initial partner is Fonds and its general partner is Gestion FSIT Inc. created under the Business Corporations Act (Quebec). Fonds I has been created in order to co-invest with W2 in businesses located in the Province of Quebec acting in information technologies, communications, digital technologies and environmental technologies.

INFORMATION ABOUT SAMSUNG

Samsung is the venture capital arm of the Samsung Group, a South Korean multinational conglomerate company headquartered in Samsung Town, Seoul. Samsung has offices in Seoul, Silicon Valley, London, Israel and Tokyo.

INFORMATION ABOUT W2

W2 is a Canadian investment firm targeting technology and media related profitable companies with a proven track record and strong potential for growth.

INFORMATION ABOUT ENERTECH

EnerTech is a private investment firm focused on innovation in the energy and power industries. It has managed approximately CAD\$450 million and has delivered 31 exits. EnerTech is currently investing out of its fourth fund and has offices in Philadelphia, Toronto, Montreal and Calgary.

INFORMATION ABOUT MR. VEILLEUX, 9109 AND FIDUCIE VEILOR

Mr. Veilleux is a substantial shareholder, director and chief executive officer of Distech Controls. As at the date of this circular, Mr. Veilleux directly and, through 9109, indirectly holds an aggregate of 12,435,024 Class A Common Shares of Distech Controls.

LETTER FROM THE BOARD

9109 is a company incorporated under the laws of Québec, Canada and controlled by Mr. Veilleux. It is a trust established for the benefit of Mr. Veilleux and members of his family whereby Mr. Veilleux holds approximately 90.91% of the voting shares of 9109 as at the date of this circular.

Fiducie Veilor is a family trust for which, amongst others, Mr. Veilleux and his wife are the beneficiaries. Fiducie Veilor is a shareholder of 9109 and is controlled by Mr. Veilleux. As at the date of this circular, Fiducie Veilor holds approximately 9.09% of the voting shares of 9109.

INFORMATION ABOUT THE GROUP

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

LISTING RULES IMPLICATIONS

(1) Major transaction in relation to deemed disposal and disposals of shares of Distech Controls

As the Subscriptions under the Subscription Agreement and the 9109 Subscription under the 9109 Share Purchase and Rollover Agreement involve the allotment of shares of a subsidiary of the Company, they constitute deemed disposals by the Company pursuant to Rule 14.29 of the Listing Rules.

Taking into account that the Subscriptions under the Subscription Agreement, the 9109 Subscription under the 9109 Share Purchase and Rollover Agreement and the disposals by the Company under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement involve the disposal of securities in the same company, the Directors consider that it is appropriate to aggregate the transactions under the Subscription Agreement, the 9109 Share Purchase and Rollover Agreement, the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement for the purpose of determining the relevant percentage ratios under Chapter 14 of the Listing Rules.

As certain applicable percentage ratio of the Subscriptions, the 9109 Subscription and the disposals by the Company under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement, in aggregate, is more than 25% but is less than 75%, the Subscriptions, the 9109 Subscription and the disposals by the Company under the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement, in aggregate, constitute a major transaction of the Company and shall be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

(2) Disclosable and connected transaction in relation to repurchase of shares of Distech Controls

Taking into account that the 9109 Repurchase and the 9109 Repurchase II involve the acquisition of securities in the same company, the Directors consider that it is appropriate to aggregate these transactions for the purpose of determining the relevant percentage ratios under Chapters 14 and 14A of the Listing Rules.

Immediately prior to the completion of the Agreements, Mr. Veilleux is a substantial shareholder, director and chief executive officer of Distech Controls, and 9109 is a company controlled by Mr. Veilleux. Under the Listing Rules, 9109 is a connected person of the Company. Accordingly, the 9109 Repurchase and 9109 Repurchase II constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratio of the 9109 Repurchase and the 9109 Repurchase II, in aggregate, exceeds 5%, and the consideration of the 9109 Repurchase and 9109 Repurchase II, in aggregate, is more than HK\$10 million, the 9109 Repurchase and 9109 Repurchase II constitute a disclosable and connected transaction subject to the reporting and announcement requirements set out in Rule 14.34 of the Listing Rules and the reporting, announcement and independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on page 82 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Agreements and the transactions contemplated thereunder.

None of the Directors has a material interest in the Agreements and has abstained from voting on the board resolutions for approving the Agreements.

Any connected persons or Shareholders with a material interest in the Agreements or the transactions as contemplated thereunder or their respective associates shall abstain from voting at the EGM. 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.

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.

LETTER FROM THE BOARD

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 Agreements 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 57 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 58 to 72 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreements.

RECOMMENDATION

The Directors, including the independent non-executive Directors, after taking into account the advice from Optima Capital, consider that the transactions under the Agreements are fair and reasonable and in the 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)

5 April 2013

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
DEEMED DISPOSALS AND DISPOSALS OF SHARES OF
DISTECH CONTROLS
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO REPURCHASE OF SHARES OF
DISTECH CONTROLS**

We refer to the Announcement and the circular dated 5 April 2013 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise. We, being the independent non-executive Directors, have been appointed as the Independent Board Committee to advise you as a Shareholder in connection with the Agreements, details of which are set out in the Letter from the Board contained in the Circular.

Having considered the Agreements, and the advice and opinion of, and the factors and reasons considered by Optima Capital in relation thereto as set out on pages 58 to 72 of the Circular, we are of the opinion that (i) the Agreements, while not in the ordinary and usual course of business of the Company, are on normal commercial terms and that the terms of the Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and that (ii) the transactions under the Agreements are 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 Agreements and the transactions contemplated thereunder.

Your faithfully

Independent Board Committee

Mr. Fan Ren Da Anthony

Mr. Chia Yew Boon

Ms. Chen Hua

Independent non-executive Directors

* 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

5 April 2013

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

Dear Sirs / Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DEEMED DISPOSALS AND DISPOSALS OF SHARES OF DISTECH CONTROLS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Agreements, for which the Independent Shareholders' approval is being sought. Details of the Agreements are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 5 April 2013 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

As disclosed in the announcement of the Company dated 11 March 2013, Distech Controls entered into the Subscription Agreement pursuant to which Distech Controls, a non-wholly-owned subsidiary of the Company, has conditionally agreed to issue new Preferred Shares to the Investors. In conjunction with the Subscriptions, the Company shall also enter into the Share Exchange Agreement, the CDPQ Share Purchase Agreement and the Fonds Share Purchase Agreement, pursuant to which certain existing Class A Common Shares held by the Company shall be exchanged into Class A Preferred Shares and sold to CDPQ and Fonds. In addition, Distech Controls and 9109 shall also enter into the 9109 Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement pursuant to which certain existing Class A Common Shares held by 9109 shall be repurchased by Distech Controls partly for cancellation and partly in exchange for new Class A Preferred Shares. The consummation of the transactions contemplated under the CDPQ Share Purchase Agreement, the Fonds Share Purchase Agreement, the 9109 Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement are conditions precedent to completion of the Subscription Agreement. As at the Latest Practicable Date,

LETTER FROM OPTIMA CAPITAL

Mr. Veilleux, together with 9109 which is a company controlled by him, held approximately 36.19% of the equity interest in Distech Controls. Mr. Veilleux is also a director and the chief executive officer of Distech Controls. Accordingly, Mr. Veilleux and 9109 are connected persons of the Company under the Listing Rules and the transactions contemplated under the Subscription Agreement, the 9109 Share Purchase Agreement, the 9109 Share Purchase and Rollover Agreement and the Shareholders' Agreement therefore constitute connected transactions for the Company under Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval of the Agreements at the EGM.

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 Agreements. Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable in so far as the Independent Shareholders are concerned, and whether the transactions contemplated thereunder are 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 Agreements 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. Terms of the Transaction

The proposal being contemplated under the Agreements encompasses the following components:

- (i) the Subscriptions - the Investors are introduced as new shareholders of Distech Controls by way of subscription of a total of 9,698,124 new Preferred Shares in cash at a price of approximately CAD\$2.63 per Preferred Share, the terms of which are set out in the Subscription Agreement;

LETTER FROM OPTIMA CAPITAL

- (ii) the Disposals – a total of 3,803,185 existing Class A Common Shares held by the Company shall be exchanged into 3,803,185 Class A Preferred Shares and sold to certain of the Investors for cash at a consideration of approximately CAD\$2.63 per Preferred Share, the terms of which are set out in the Share Exchange Agreement, the CDPD Share Purchase Agreement and the Fonds Share Purchase Agreement; and
- (iii) 9109 Repurchase, 9109 Repurchase II and 9109 Subscription – a total of 3,803,185 existing Class A Common Shares held by 9109 shall be repurchased by Distech Controls partly for cancellation at a price of approximately CAD\$2.63 per Class A Common Share and partly in exchange for 950,796 new Class A Preferred Shares also at a price of approximately CAD\$2.63 per Preferred Share, the terms of which are set out in the 9109 Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement.

The consummation of the transactions under the Share Exchange Agreement, the CDPD Share Purchase Agreement, the Fonds Share Purchase Agreement, the 9109 Share Purchase Agreement and the 9109 Share Purchase and Rollover Agreement are to facilitate and are conditions precedent to completion of the Subscriptions. Each of the components above together forms an integral part of the entire proposal (the “Transaction”). In essence, the Transaction involves the issue of new Preferred Shares by Distech Controls, the sale of new Preferred Shares by the Company, the sale of existing Class A Common Shares by 9109, and the exchange of certain existing Class A Common Shares held by 9109 into Class A Preferred Shares, the combined result of which is reducing the Group’s equity interest in Distech Controls from approximately 63.81% at present to 43.98% after the Transaction. As such, we have analysed the Transaction as one proposal below.

Pursuant to the Agreements, the Company and Distech Controls (as the case may be) have agreed to indemnify the Investors for all damages, losses, liabilities, claims, costs, fees and expenses (including interest and reasonable attorneys’ fees) which the Investors may incur as a result of any breach or inaccuracy of any representation or warranty contained in the Agreements or as a result of the failure by the Company or Distech Controls (as the case may be) to observe, perform or execute any obligation, covenant or undertaking set out therein. The maximum aggregate amount of indemnification by Distech Controls shall not exceed CAD\$35.5 million plus all applicable legal fees and litigation cost. The indemnification by the Company shall not be in addition to the amount otherwise liable under the aforesaid indemnification by Distech Controls. We consider the indemnities provided by the Company and Distech Controls in the Agreements are customary to agreements of these types. We also consider that the maximum amount of indemnities which is capped at the aggregate amount of proceeds receivable by the Company and Distech Controls under the Transaction to be fair and reasonable.

2. Reasons for the Transaction

The Group is principally engaged in the business of provision of building energy management and solution services. The Distech Controls Group is the principal operating arm of the Group in North America and Europe and is principally engaged in the design, manufacturing, sales and marketing of energy management systems and integrated building automation systems.

One of the Group's growth strategies is to continue to enhance market penetration through product development, strategic alliance, acquisition and merger of other companies or business. As disclosed in the letter from the Board in the Circular and based on our review of publicly available information, the Investors comprise reputable institutions with strong financial and industry background. For example, Fonds is one of the largest labour retirement funds in Quebec and Fonds I is focused on investments in information technologies, communications, digital technologies and environmental technologies; Samsung is a multinational conglomerate and a strong industry player; and EnerTech is a sizeable investment fund focused on innovation in the energy and power industries. The Company views the Investors as business partners and believes the introduction of the Investors as shareholders of Distech Controls would benefit the business development of Distech Controls. The Company is of the view, with which we concur, that the Agreements would enhance the shareholding structure of Distech Controls, bring in strong strategic investors to enhance Distech Controls' business, strength its financial position and provide additional working capital for the Distech Controls Group to implement its growth strategies. In addition, the Disposals would generate cash proceeds of CAD\$10 million to the Company.

As disclosed in the letter from the Board, the net proceeds from the Transaction shall be used for working capital purposes of the Distech Controls Group and the Group. The Directors expect that the proceeds will mainly be used on market expansion and research and development of the Distech Controls Group to enhance its market share and competitiveness.

After our discussions with the Company, we understand that Mr. Veilleux is the founder of Distech Controls and is heavily involved in and key to the business and operations of the Distech Controls Group. The Company consider that Mr. Veilleux's continued participation in Distech Controls is critical to the execution of the strategic plan of Distech Controls. The 9109 Repurchase, the 9109 Repurchase II and the 9109 Subscription were agreed by all parties as part of the Transaction in order to align Mr. Veilleux's interest with the Company and the Investors and to motivate Mr. Veilleux to have his continuous contribution to the future development of the Distech Controls Group. The execution of the Veilleux Employment Agreement is thus one of the conditions precedent to completion of the Subscription Agreement.

LETTER FROM OPTIMA CAPITAL

3. Financial information of the Distech Controls Group

The following table sets out the results of the Distech Controls Group for the three years ended 31 December 2010, 2011 and 2012 as extracted from its financial statements:

	2012	2011	2010
	<i>CAD\$'000</i>	<i>CAD\$'000</i>	<i>CAD\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	45,766	39,025	29,571
Cost of goods sold	<u>(22,120)</u>	<u>(18,310)</u>	<u>(15,195)</u>
Gross margin	23,646	20,715	14,376
Operating expenses:			
– Selling expenses	(7,294)	(6,308)	(5,579)
– Administrative expenses	(7,629)	(6,961)	(6,259)
– Research and development expenses	(555)	(691)	(171)
– Amortisation	(1,518)	(1,552)	(1,174)
– Business combination acquisition-related costs	–	–	(312)
Financial expenses	<u>(373)</u>	<u>(476)</u>	<u>(643)</u>
Earnings before non-controlling interest and income taxes	6,277	4,727	238
Non-controlling interest	(35)	21	–
Income taxes	<u>(1,643)</u>	<u>(1,157)</u>	<u>80</u>
Net earnings	<u><u>4,599</u></u>	<u><u>3,591</u></u>	<u><u>318</u></u>

As shown in above table, the Distech Controls Group recorded continuous growth in revenue and improvement in profitability during the recent years. Revenue in 2011 increased by about 32% over that in 2010 and gross profit margin 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, while 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 recorded a significant increase from about CAD\$0.3 million in 2010 to CAD\$3.6 million in 2011.

The Distech Controls Group recorded a 17.3% increase in turnover in 2012 as compared to 2011 whilst the gross profit margin decreased slightly from approximately 53.1% in 2011 to 51.7% in 2012. Net earnings also recorded an increase from approximately CAD\$3.6 million in 2011 to CAD\$4.6 million in 2012. The improvement was mainly due to the successful implementation of market competitive pricing policy and effective cost control measures.

4. Terms of the Preferred Shares

The principal terms of the Preferred Shares are summarised below:

Conversion

The Preferred Shares shall automatically be converted into Class A Common Shares, on a one-for-one basis upon the closing of an underwritten public offering of the shares of Distech Controls by way of prospectus, registration statement or similar document, provided that (i) the valuation of Distech Controls is not less than CAD\$225,000,000; and (ii) the offering results in gross proceeds to Distech Controls of at least CAD\$50,000,000.

Each Preferred Share is convertible, in whole or in part, at the option of the holder thereof, exercisable at any time, into Class A Common Share on a one-for-one basis.

Voting rights

Holders of the Class A Preferred Shares shall be entitled to vote at all meetings of the shareholders of Distech Controls on the basis of one vote per share (except meetings at which only holders of another specified class of shares are entitled to vote pursuant to the provisions of the Business Corporations Act (Québec)). Holders of Class B Preferred Shares on the other hand will not have voting rights and shall not be entitled to any meeting of shareholders of Distech Controls.

Dividend entitlement

Holders of the Preferred Shares shall be entitled to receive dividends calculated on an as-if-converted to Common Shares basis.

Redemption

Holders of the Preferred Shares shall be entitled to require Distech Controls to redeem on or after the day following the fifth anniversary of their issuance all or any part of the Preferred Shares at the redemption price (the "Redemption Price") equal to the greater of:

- (i) an amount equal to the highest price paid for any participating share of Distech Controls in the two fiscal years preceding the holder's request for redemption in the context of any issuance by Distech Controls or any sale by a holder thereof;

LETTER FROM OPTIMA CAPITAL

- (ii) the fair market value of the Preferred Shares, without discount for a minority position, as established at the date of the request for redemption by a chartered business valuator who is a partner of one of the Big 4 accounting firms carrying on business in Montréal, Québec mutually agreeable to the holder of the Preferred Shares requesting such redemption and Distech Controls, with valuation costs borne by Distech Controls; and
- (iii) two times the subscription price per Preferred Share plus all accrued and unpaid dividends thereon.

Liquidity event preference

In the event of a liquidity event, holders of Preferred Shares shall be entitled to receive for each Preferred Share, in preference and priority to any distribution of the property or assets of Distech Controls to the holders of the Class A Common Shares and the Class B Common Shares or any other shares ranking junior to the Preferred Shares, in each case the greater of:

- (i) the pro rata share of the proceeds of the Preferred Shares on an as-if-converted to Class A Common Share basis on a one-for-one basis; and
- (ii) (A) the amount of the original subscription price for each Preferred Share (the "Original Price") multiplied by one plus the pro rata of the number of months that have passed since the date of issuance thereof (the "Preferred Shares Closing Date") (i.e. $\text{Original Price} \times (1 + \frac{X \text{ months}}{60 \text{ months}})$), plus all accrued and unpaid dividends thereon, in the event that the liquidity event occurs at any time before the fifth anniversary of the Preferred Shares Closing Date; or (B) two times the Original Price, plus all accrued and unpaid dividends thereon, in the event that the liquidity event occurs at any time on or after the fifth anniversary of the Preferred Shares Closing Date.

A liquidity event shall be defined as a change in control to include, inter alia, (i) a sale of a majority of the assets of Distech Controls; (ii) the sale, merger, amalgamation, arrangement or reorganisation of Distech Controls where the shareholders prior to such transaction hold less than a majority of the issued share capital of the surviving corporation; or (iii) a liquidation, dissolution or winding-up of Distech Controls.

LETTER FROM OPTIMA CAPITAL

The Preferred Shares to be issued to 9109 under the 9109 Share Repurchase and Rollover Agreement are within the same class of and bear identical terms to the Preferred Shares to be issued to the Investors who are third parties independent of the Company and its connected persons including 9109 and Mr. Veilleux.

The terms of the Preferred Shares are determined after arm's length negotiations among the Investors, Mr. Veilleux and Distech Controls. We understand from the Company that the automatic conversion of the Preferred Shares was agreed among the parties to reflect their commitment towards developing the business of the Distech Controls Group. When certain milestones are achieved, the Preferred Shares will be converted into Common Shares and Distech Controls' obligation to redeem the Preferred Shares shall cease. The redemption price was agreed to be set at the higher of (i) the transacted price for the shares of Distech Controls in the two fiscal years preceding the request for redemption; (ii) fair market value to be determined by independent professional accounting firm; and (iii) two times the subscription price per Preferred Share plus accrued and unpaid dividends. We consider the reference to recent transacted price in (i) above and fair market value determined by independent professional accounting firm in (ii) to be fair basis. We understand from the Company that in considering the redemption price benchmark in (iii) above, the Company has taken into consideration the positive goodwill that may be brought to Distech Controls by the Investors for its future business development in light of their reputation and strong financial and industry background. Having considered the fact that (i) Distech Controls recorded satisfactory growth in its financial performance in the past few years (as discussed in the paragraph headed "Financial information of the Distech Controls Group" above); (ii) Distech Controls has not declared dividends since the Company became its shareholder in 2008; (iii) the return on equity of Distech Controls, which is calculated by dividing net profits attributable to the shareholders by total equity, reached about 22.8% in 2011 and 27.1% in 2012; (iv) the subscription price payable by the Investors under the Subscription Agreement compares favourably with market valuation of companies engaging in similar business as discussed in more detail in the paragraph headed "Consideration for the Transaction" below), we consider the terms of the Preferred Shares (including the Redemption Price) which provide a reasonable return to attract the Investors are fair and reasonable taken as a whole.

5. Consideration for the Transaction

The issue price of the Preferred Shares under the Subscriptions, the repurchase price of the 9109 Repurchase and the 9109 Repurchase II, the consideration for the Disposals and the issue price of the 9109 Subscription Shares are all identical which is approximately CAD\$2.63 per share. Such price has been arrived at after arm's length negotiations among the parties, taking into account market multiples of comparable companies and financial information of the Distech Controls Group.

LETTER FROM OPTIMA CAPITAL

In assessing the reasonableness of the aforesaid price, we have applied the industry multiples method and compared the aforesaid price against the stock market valuation for listed companies which are engaged in similar business as Distech Controls. We consider this method provides objective reference for our assessment since (i) real and public data and prices of publicly traded stocks in the same or a similar industry are used in the analysis; (ii) subjective forecast data is not relied on; and (iii) a sufficient number of comparable public companies can be identified for Distech Controls. We considered companies which are (i) listed in and have their major markets in the North America and Europe, which are also 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 twelve months (the “Comparable Companies”) to be appropriate for this purpose. We do not consider companies listed on the Stock Exchange to be appropriate for this purpose as Distech Controls is neither a company listed on the Stock Exchange nor has its major markets in Hong Kong. We have identified a total of eight 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 Distech Controls based on the price of approximately CAD\$2.63 per share of Distech Controls under the Agreements. However, we consider these Comparable Companies still provide a meaningful reference for us to assess the consideration given their similarity in business and markets with the Distech Controls Group. We have also taken into consideration the liquidity of these Comparable Companies given their listing status which may result in a higher market valuation as compared to Distech Controls which is unlisted.

LETTER FROM OPTIMA CAPITAL

As the business of the Distech Controls Group is not heavily asset-based and its operations have been generating positive earnings and earnings before interest, tax, depreciation and amortisation (“EBITDA”), we do not consider it appropriate to assess the price against the net asset value of the Distech Controls Group and have instead compared the pricing multiples implied by the price of approximately CAD\$2.63 per share of Distech Controls under the Agreements against those of the Comparable Companies based on earnings and EBITDA. The results of our analysis are set forth in the table below:

Company	Country	Market capitalisation <i>(in million)</i> <i>(Note 1)</i>	Market capitalisation <i>(in million)</i> CAD\$ <i>(Note 2)</i>	Price-to- earnings multiple <i>(Note 3)</i>	Price-to- EBITDA multiple <i>(Note 3)</i>
Eaton Corporation	United States	USD29,863	30,759	24.5	14.0
Emerson Electric Co.	United States	USD41,512	42,757	20.2	7.9
Honeywell International Inc.	United States	USD57,891	59,628	19.8	11.4
Johnson Controls Inc.	United States	USD23,246	22,943	20.6	9.2
Orion Energy System, Inc.	United States	USD52	54	n.a.	n.a.
				<i>(Note 4)</i>	<i>(Note 4)</i>
Regal-Beloit Corporation	United States	USD3,648	3,757	18.7	8.3
ABB Ltd	Switzerland	CHF50,091	54,098	19.8	9.9
Carlo Gavazzi Holding AG	Switzerland	CHF158	171	10.3	7.2
		Mean		19.1	9.7
		Median		19.8	9.2
Distech Controls	Montreal, Canada				
– pre-money			90.4 <i>(Note 5)</i>	19.7	9.4
– post-money			108.3 <i>(Note 5)</i>	23.6	11.3

Notes:

1. Being the market capitalisation of the respective Comparable Companies as at 11 March 2013, the date of the Subscription Agreement, obtained from Bloomberg.
2. The following exchange rates have been adopted for illustration purpose: USD1 = CAD\$1.03 and CHF1 = CAD\$1.08.
3. Calculated based on the market capitalisation as at 11 March 2013 and the published net profits and EBITDA of the respective Comparable Companies for the last 12-month period obtained from Bloomberg.
4. Orion Energy System, Inc. was loss making in the last 12-month period.
5. The implied pre-money market value of Distech Controls is based on the price of CAD\$2.63 per share under the Agreements and the total number of shares of Distech Controls before the Transaction, while the post-money market value is based on the price of CAD\$2.63 per share under the Agreements and the total number of shares to be in issue after the Transaction.

LETTER FROM OPTIMA CAPITAL

As shown in the table above, the Comparable Companies are valued at a price-to-earnings multiple ranging from 10.3 to 24.5 times, with mean and median of 19.1 and 19.8 times respectively. The price-to-EBITDA multiples of the Comparable Companies ranged from 7.2 to 14.0 times, with mean and median of 9.7 and 9.2 times respectively. The pre-money valuation of Distech Controls based on the price of approximately CAD\$2.63 per share represents a price-to-earnings multiple of 19.7 times and a price-to-EBITDA multiple of 9.4 times. Such multiples lie within the range of those of the Comparable Companies and are comparable to these mean and median. The price-to-earnings multiple of 23.6 times and price-to-EBITDA multiple of 11.3 times implied by the post-money valuation of Distech Controls lie towards the higher end of the range and are higher than the mean and median of the respective multiple of the Comparable Companies. Based on the analysis above and taking into account the fact that issue price of the Preferred Shares is higher than the net asset value of the Distech Controls Group attributable to the shareholders of approximately CAD\$0.48 per share as at 31 December 2012, we consider the price of approximately CAD\$2.63 per share under the Agreements to be fair and reasonable.

6. Financial effects of the Transaction

Earnings

It is expected that the Group will not record any profit or loss from the Transaction immediately upon completion as the Transaction will be recorded as an equity transaction in accordance with the accounting policy of the Group and the Hong Kong Financial Reporting Standards.

As a result of the Transaction, the equity interest in Distech Controls held by the Group will decrease from 63.81% to 43.98%. The Company has consulted its auditors, and was confirmed that Distech Controls will continue to be accounted for as a subsidiary of the Company following completion of the Agreements and its financial statements will continue to be consolidated into the accounts of the Group in accordance with the relevant accounting standards and the Company's accounting policy. For illustration purpose, assuming completion of the Transaction on 1 January 2012, the profits of Distech Controls which would have been shared by the Group would have been reduced from CAD\$2.94 million to CAD\$2.02 million based on the unaudited net earnings of the Distech Controls Group for the year ended 31 December 2012 of CAD\$4.60 million. The decrease is not expected to have a significant adverse effect on the Group taking into account the net profits of the Group of approximately US\$15.2 million for the year ended 31 December 2012.

LETTER FROM OPTIMA CAPITAL

Net asset value

The Preferred Shares shall be classified as combined instruments consisting of both liability and derivative components in accordance with the accounting policy of the Group and the Hong Kong Financial Reporting Standards. We adopted a conservative approach in our analysis and assuming that the entire value of the Preferred Shares is classified as liability of the Distech Controls Group after completion of the Transaction, the total assets of the Distech Controls Group would have increased by approximately CAD\$18.0 million (representing the proceeds from the issue of the Preferred Shares net of the amount to be used to repurchase the Class A Common Shares) while its total liabilities would have increased by CAD\$38.0 million as the Preferred Shares will be accounted for as liabilities of the Distech Controls Group. These liabilities will be transferred as equity of Distech Controls upon conversion of the Preferred Shares into Common Shares.

For illustration purpose, based on the unaudited consolidated total equity of the Distech Controls Group of approximately CAD\$16.4 million as at 31 December 2012 and assuming completion of the Transaction as at that date, the total equity of the Distech Controls Group would have decreased by CAD\$20.0 million to a net liability position of approximately CAD\$3.6 million. The total equity of the Distech Controls Group shared by the Group would have been reduced from approximately CAD\$10.5 million before the Transaction to a share of liability of approximately CAD\$2.4 million after the Transaction. Taking this into account and the proceeds receivable from the Disposals of CAD\$10.0 million, the net assets of the Group would have decreased by approximately CAD\$2.9 million. Such decrease is not material when compared to the total equity attributable to equity shareholders of the Group of approximately US\$77.9 million as at 31 December 2012.

Also for illustration purpose, upon full exercise of the conversion rights attaching to the Preferred Shares, the total equity of the Distech Controls Group would have increased by CAD\$38.0 million to approximately CAD\$34.4 million and the portion shared by the Group would have been approximately CAD\$15.1 million and the net assets of the Group would have increased by approximately CAD\$14.6 million.

Cashflow and gearing

The Company will record net cash inflow of CAD\$10 million from the Transaction, while Distech Controls will receive net cash of CAD\$18 million from the Transaction. The Transaction would have positive cashflow effect on both the Company and the Group as a whole.

As disclosed in the annual results announcement of the Company for the year ended 31 December 2012, the Group had total borrowings of approximately USD15.0 million, cash and cash equivalent of approximately USD40.5 million and the Group recorded a net cash position of USD25.5 million as at 31 December 2012. Assuming completion of the Transaction on 31 December 2012, the total

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borrowings of the Group would have increased by CAD\$38.0 million (equivalent to approximately USD36.9 million) and cash and cash equivalent would have increased by CAD\$28.0 million (equivalent to approximately USD27.2 million) and the Group will remain at a net cash position.

Taking into account the substantial amount of cash inflow to be generated to Distech Controls and the Company and the potential benefits to the business development of Distech Controls that may be bought about by the Investors, we consider the Transaction is in the interest of Distech Controls and the Company notwithstanding the dilution caused by the Transaction to the earnings and net assets of the Distech Controls Group.

7. Shareholders' Agreement

Distech Controls, the Company, the Investors, Mr. Veilluex and 9109 will also enter into the Shareholders' Agreement in order to regulate themselves in respect of the affairs of and the dealing with the Distech Controls Group upon completion of the Subscriptions. The principal terms of the Shareholders' Agreement are set out below:

Composition of board of directors

The Shareholders' Agreement shall provide that the board of directors of Distech Controls shall comprise seven directors, of whom four shall be nominated by the Company (one of them shall be a member of L'Ordre des administrateurs agréés du Québec (The Order of Chartered Administrators of Quebec) with relevant business experience); and one shall be nominated by each of Mr. Veilleux, CDPQ and the Fonds. We consider such term of the Shareholders' Agreement enables the Group to have a majority representation on the board of Distech Controls and is in the interest of the Group.

Options in favour of and undertaking of Mr. Veilleux and 9109

Under the terms of the Shareholders' Agreement, 9109 shall have the option to sell all or part of its Preferred Shares to Fonds any time after the 30-month anniversary of the date of the Shareholders' Agreement. 9109 shall also have the option to sell to the Company any time after the fifth anniversary of the date of the Shareholders' Agreement all or part of its Preferred Shares at a price to be determined as the fair market value by a Big 4 accounting firm. Upon receipt of notice from 9109 indicating its intention to exercise this put option, the Company shall notify 9109 of its intention to either, at its discretion, to purchase such shares from 9109 or to devote its best commercial effort together with 9109 to sell the shares to a third party. We consider these options provide flexibility to the Group should it wishes to increase its interest in Distech Controls in future. Given that the exercise price shall be the fair market value to be determined by an independent professional firm, we consider it a fair and reasonable arrangement.

Pursuant to the Shareholders' Agreement, Mr. Veilleux and 9109 undertake not to assign their shares in Distech Controls or the voting rights of 9109, or any right or interest relating thereto, until such time as Mr. Veilleux ceases to be an

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employee of Distech Controls. In addition, Mr. Veilleux also undertakes to remain the legal and beneficial owner of all of the voting and participating shares of 9109. These restrictions serve to ensure Mr. Veilleux's continued participation in Distech Controls which is in the Company's view critical to the execution of the strategic plan of Distech Controls.

Sale of Distech Controls

At any time after the fifth anniversary of the Shareholders' Agreement and with written consent of holders of not less than 70% of the Class A Preferred Shares, holders of the Preferred Shares shall have the right to require a sale of Distech Controls provided in the event that Distech Controls is unable to complete the redemption of the Preferred Shares. We consider this mechanism, which provides fair protection to holders of the Preferred Shares in the scenario that Distech Controls is not able to complete the corresponding redemption, is fair and reasonable.

Withdrawal from business

Each of the Company, Mr. Veilleux and 9109 grants an exclusive and irrevocable option to acquire all of the shares of Distech Controls held by each of them (the "Withdrawn Shares") (i) first to the other shareholders of Distech Controls; and (ii) subsequently to Distech Controls with respect to any such Withdrawn Shares which are not acquired by the shareholders of Distech Controls within the time periods and under the terms and conditions set out in the Shareholders' Agreement.

Each of the shareholders of Distech Controls (other than the Company, Mr. Veilleux and 9109) also grants an exclusive and irrevocable option to acquire all of the shares of Distech Controls held by each of them to Distech Controls with respect to any such Share within the time periods and under the terms and conditions set out in the Shareholders' Agreement.

We consider these terms are similar in nature to right of first refusal and are fair and reasonable.

Controlled management rights

Distech Controls and its subsidiary have to obtain written consent of the holders holding not less than 70% of the Class A Preferred Shares for matters in respect of, among other things, (i) any material loan arrangement; (ii) issue, purchase or redemption of shares of Distech Controls; (iii) declaring or paying dividend; (iv) determining, amending or paying any bonus, salary or advance to its shareholders; and (v) terminating the employment of its chief executive officer. We consider the controlled management rights which require a higher than majority consent from shareholders of Distech Controls for certain significant business decisions are customary for contracts of this type and provide fair protection to the holders of Preferred Shares.

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Other provisions

The Shareholders' Agreement shall also contain other provisions which are customary to agreement of this type such as pre-emptive rights, right of first refusal, tag-along and drag-along rights, and provisions specifying the approval requirements for certain types of corporate exercise.

On the whole, we consider the terms of the Shareholders' Agreement to be fair and reasonable and in the interests of the Company and the Shareholders.

OPINION

Having taken into account the benefits that the Transaction may bring to the Group and the financial effects of the Transaction to the Group as discussed above, we are of the view that the terms of the Agreements are normal and commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Transaction 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 for the resolution to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

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

1. INDEBTEDNESS STATEMENTS

As at 31 January 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular:

(i) Debt Securities

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

(ii) Borrowings and Finance lease*(a) Borrowings*

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

	<i>USD'000</i>
Bank overdraft	89
Loans	
– Secured	10,932
– Unsecured	4,958
Other Borrowings	
– Unsecured	463
Total	16,442

(b) Obligations under finance lease

The Group had obligation under finance lease amount to USD 177,000.

(iii) Mortgages and charges

The Group had no mortgages or charges other than the secured banking facilitate being pledged by the investment in subsidiaries held by Distech Controls and the following assets:

	<i>USD'000</i>
Property, plant and equipment	1,010
Land & building under construction	3,645
Inventories	2,370
Trade debtors and other receivables	4,886

(iv) **Contingent liabilities**

The Group did not have any contingent liabilities or guarantees.

2. FINANCIAL AND TRADING PROSPECTUS OF THE GROUP

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

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

3. WORKING CAPITAL

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Long positions in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Seah Han Leong	Interest in a controlled corporation ⁽¹⁾	36,000,000	6.90%
	Interest in a controlled corporation ⁽²⁾	8,000,000	1.53%
Mr. Lu Zhicheng	Beneficial owner	16,120,000 ⁽³⁾	3.09%
	Beneficial owner	4,800,000 ⁽⁴⁾	0.92% ⁽⁵⁾
Mr. Zhao Xiaobo	Beneficial owner	4,800,000 ⁽⁴⁾	0.92% ⁽⁵⁾
	Beneficial owner	12,120,000 ⁽³⁾	2.32%
Mr. Leung Lok Wai	Beneficial owner	4,800,000 ⁽⁴⁾	0.92% ⁽⁵⁾
	Beneficial owner	3,000,000 ⁽⁴⁾	0.58% ⁽⁵⁾

Notes:

- (1) Mr. Seah Han Leong owns 50% of the issued share capital of Diamond Standard Ltd and hence is deemed to be interested in all the Shares held by Diamond Standard Ltd.
- (2) Mr. Seah Han Leong is the sole shareholder of M2M Holdings Ltd and hence is deemed to be interested in all the Shares held by M2M Holdings Ltd.
- (3) 12,120,000 of these Shares were issued by the Company on 20 July 2012 upon exercise of the share options by all the grantees pursuant to Technovator Employee Share Option Scheme 2009.
- (4) Shares subject to options under the Share Option Scheme.
- (5) The percentage of interest in the issued share capital of the Company is calculated based on the number of issued Shares without taking into account Shares which may be allotted and issued to all grantees upon their after full exercise of the options under the Share Option Scheme.

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

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

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

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

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

Notes:

- (1) Tsinghua Tongfang Co., Ltd (同方股份有限公司) is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.
- (2) Zana China Fund L.P. is the sole shareholder of Dragon Point Limited and hence is deemed to be interested in all the Shares held by Dragon Point Limited.

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

3. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

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

(b) Directors' interest in competing business

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

(c) Directors' interest in assets

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 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' interest in contracts

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

4. MATERIAL CONTRACTS

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

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

- (3) price determination agreement dated 24 October 2011 entered into to by the Joint Bookrunners (on behalf of the Underwriters (as defined in the Prospectus)) and the Company to fix the Offer Price (as defined in the Prospectus);
- (4) share purchase agreement dated 26 September 2012 entered into between Distech Controls and Groupe Arcom in relation to repurchase of Class A Common Shares from Groupe Arcom by Distech Controls at a consideration of CAD\$5,762,505.55, details of which are set forth in the announcement dated 26 September 2012 and the circular dated 31 October 2012 issued by the Company; and
- (5) the Subscription Agreement.

5. MATERIAL ADVERSE CHANGE

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

6. QUALIFICATION AND CONSENT OF EXPERT

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

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.

7. INTERESTS OF EXPERT

As at the Latest Practicable Date, Optima Capital:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Company were made up.

8. LITIGATION

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

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Memorandum and the Articles of Association;
- (b) the material contracts referred in the paragraph headed "Material contracts" in this appendix;
- (c) the Subscription Agreement;
- (d) the accountants' report of the Company for the financial year ended 31 December 2010, the text of which is set out in Appendix I to the Prospectus;
- (e) the published annual report of the Company for the financial year ended 31 December 2011;
- (f) the circular dated 31 October 2012 issued by the Company;
- (g) a letter of recommendation from the Independent Board Committee, the text of which is set out on page 57 of this circular;
- (h) a letter of advice from Optima Capital, the text of which is set out on pages 58 to 72 of this circular; and
- (i) the written consent from Optima Capital referred in paragraph 6 of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Technovator International Limited (the “**Company**”) will be held on Tuesday, 23 April 2013 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 Agreements (as defined in the circular of the Company dated 5 April 2013) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.”

By order of the Board
Technovator International Limited
Lu Zhicheng
Chairman

Hong Kong, 5 April 2013

Principal place of business in Hong Kong:

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

Registered Office:

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

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

* For identification purpose only