Technovator

Technovator International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

A Leading Integrated Energy Saving Services Provider

INTERIM REPORT **2016**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Xiaobo (趙曉波)
Mr. Seah Han Leong (謝漢良)

Non-executive Directors

Mr. Huang Yu (黃俞) *(Chairman)*
Mr. Liu Tianmin (劉天民)
Mr. Wang Yinghu (王映滸)

Independent Non-executive Directors

Mr. Fan Ren Da Anthony (范仁達)
Mr. Chia Yew Boon (謝有文)
Ms. Chen Hua (陳華)

BOARD COMMITTEES

Audit Committee

Ms. Chen Hua *(Chairman)*
Mr. Chia Yew Boon
Mr. Fan Ren Da Anthony

Nomination Committee

Mr. Chia Yew Boon *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Huang Yu

Remuneration Committee

Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Chia Yew Boon
Mr. Seah Han Leong

Risk Management Committee (established on 29 March 2016)

Mr. Fan Ren Da Anthony (Chairman)
Mr. Huang Yu
Ms. Chen Hua
Mr. Chia Yew Boon
Mr. Liu Tianmin
Mr. Seah Han Leong
Mr. Wang Yinghu
Mr. Zhao Xiaobo

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Mr. Teo Meng Keong

AUTHORISED REPRESENTATIVES

Mr. Zhao Xiaobo
Mr. Seah Han Leong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 806–810
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe

AUDITORS

KPMG
KPMG LLP

SINGAPORE PRINCIPAL SHARE REGISTRAR

Tricor Barbinder Share Registration Services
8 Cross Street #11-00
PWC Building
Singapore 048424

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.technovator.com.sg

PRINCIPAL BANKERS

Standard Chartered Bank
DBS Bank
The Hong Kong and Shanghai Banking
Corporation Limited
Agriculture Bank of China
Bank of China
Industrial and Commercial Bank of China
China CITIC Bank
China Construction Bank
China Merchant Bank
Bank of Beijing

INVESTOR RELATIONS CONTACT

Beijing office
Ms. Hannah Zhang
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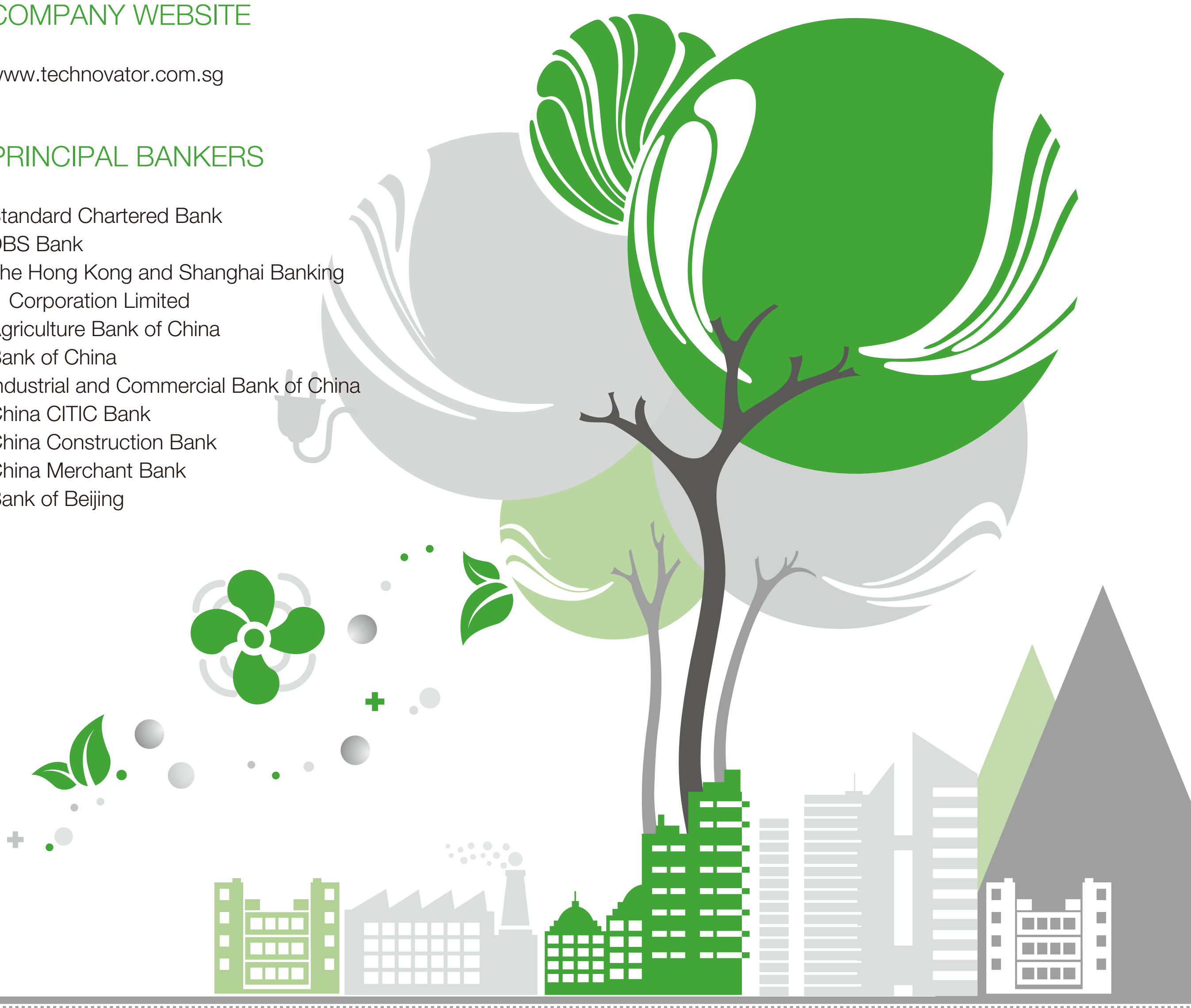
Hong Kong office
Ms. Janet Lai
Tel: +852 2736 8180
Email: janet_lai@thtf.com.cn



MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 2015, the Group accomplished a major adjustment to its overall structure, dividing its major businesses into three segments, namely smart transportation, smart building and complex and smart energy. In the first half of 2016, while continuing to bolster the development of its businesses, the Group also focused on reorganization, integration and improvement of the internal structure and optimized the market, sales, research and development, production and functional services system of respective business segments, targeting to carry the urban integrated energy saving business forward at a steady pace through more professional and efficient management from a new starting point.

From January to June 2016, in light of the slowdown in the growth of the domestic macro-economy in Mainland China, the Group has timely adjusted its business strategies and focus, realizing revenue of RMB537.2 million, representing an increase of 1.1% as compared to the corresponding period of 2015. As the Group's overall businesses have been in the midst of transformation, it realized a net profit of RMB60.8 million from continuing operations for the same period, representing a decrease of 1.9% as compared to the corresponding period of 2015.

BUSINESS REVIEW

Smart Transportation: A fast-growing segment emphasizing on intelligence and energy saving

In the first half of 2016, the rail transit business segment maintained a fast-growing momentum. With regard to the rail transit energy saving business, in the very beginning of 2016, the Group entered into an Energy Management Contract (EMC) project regarding energy-saving transformation for the ventilation and air-conditioning system of Beijing Subway Line No. 8 and 9, pursuant to which the Group has made a great breakthrough of the strategic approach of connecting lines and networks, demonstrated by the fact that the Group's rail transit energy saving business has been successfully extended to all stations along both Line No. 8 and 9 from the pilot project of a single subway station on Beijing Subway Line 8. Currently our project for Line No. 8 has been completed successfully and delivered to the owner while projects in respect of several subway lines in different cities were at the stage of negotiation. In respect of the rail transit intelligence, by leveraging its sophisticated and established Integrated Supervision and Control System (ISCS), Building Automation System (BAS), Platform Screen Door System (PSD) technology as well as the implementation capability of complicated and large-scale projects, the Group smoothly promoted the implementation of projects in Suzhou, Shijiazhuang and Shenzhen and managed to sign contracts in respect of a number of rail transit routes in cities including Changchun, Qingdao, Chengdu, Nanjing and overseas. In addition, the Group effectively improved the segment profit margin by taking advantages of the promotion of its proprietary software supervision and control platform and hardware equipment such as PSD.

In recent years, the construction of urban rail transit in Mainland China has been springing up. From 2016 to 2018, it is expected that China will focus on preliminary works of urban rail transit projects for 103 routes and that the newly-built urban rail transit will cover more than 2,000 km. The Group is fully optimistic about the prospects and potentials of rail transit industry as well as the development opportunities brought about by the "One Belt, One Road" strategic initiative. With the support of "Intelligence" and "Energy Saving", the Group anticipates that it can proactively procure engagements for intelligence projects for newly-added rail transit lines while revitalizing the huge existing market for energy saving and expeditiously promoting the development of the segment business. Meanwhile, the Group also actively integrates each advantage and resource in the Group and awaits chance and demand to speed up the industry integration with capital strength to facilitate the better development of rail transit industry and the Group's smart transportation segment.

Smart Building and Complex: Transformation and upgrading of businesses to expand diversified services

Based on its own intelligence and energy saving technologies, the smart building and complex segment explored the transformation and upgrading of businesses amid the overall slowdown in the growth of the building industry with an aim to fully broaden the industry market divisions and realize a better combination of technologies and application. In the first half of 2016, the building intelligence business has put the emphasis on the development of complicated and large-scale projects including data center, hospital, high-end hotel and commercial complex, and has endeavored to promote the industrialized application of proprietary Techcon building supervision software and hardware. In respect of the building energy saving, the first-stage project of building energy saving transformation in Chongqing of the Group has completed successfully. The energy saving transformation achievements made by the Group have once again received high recognition, among which Yangzidao Hotel and Far Eastern Department Stores (遠東百貨商場) were awarded the title of model project at the national level. At the same time, the professional Techcon EEC energy-saving system continued to serve various buildings including hospitals, libraries and gymnasiums in Hubei, Sichuan and Shandong, etc, with an expected energy-saving rate over 20%.

The Group follows the development trend of the industry and caters to the increasingly complicated and diversified demand from building energy saving market while striving to adjust its own business and service model to seek new growth point for the segment. During the period, the Group has also established building energy consumption supervision platform in various places including Zhuzhou, Wuhan and Ningbo, resulting in the continuous integration and upgrading of the big data collection, management and analysis for building energy consumption. Following the promotion of business models like energy saving EMC, Internet + Energy Entrust, the Group started to explore the construction of centralized power station in places like Chongqing in order to realize the optimized integration and re-conservation of energy in the territories to explore new sustainable growth for the segment.

Smart Energy: Offering "source, network and user" – integrated services through business integration and restructuring

Efficient generation, distribution and supply of urban energy are essential for any green city to achieve low cost, low consumption and low emission goals. As an industry leader, the Group's smart energy segment completely covered the core technologies in urban energy network and engineering implementation capability, such as heating supply source and heating network monitoring, energy saving in heat supply and industrial energy saving. During the first half of 2016, in respect of heating network intelligence business, there were on-going projects in cities such as Datong, Baoding, Lanzhou and Xinxiang and various large-scale projects were signed successfully in Taiyuan, Baoding, Lanzhou and Wuwei. Local centralized heating supply areas were expanded and the quality of heating was improved through automation and intelligentization; in respect of heating network energy saving, several EMC projects have completed operation for the last heating season during the contract period with revenue contribution from energy-saving sector for the Group.

In the meantime, the Group continued to make great efforts in this segment to carry out the reorganization of resources and optimization of adjustment, explore the comprehensive integration of industrial energy saving business with urban heating business, and initial results were achieved. During the period, the Taiyuan Taigu Centralized Heating Supply Project was the first closed cycle systems engineering with multiple pumping stations which have characteristics of long-distance transmission, large height difference and large temperature difference. The project fully integrated the core technologies in heating supply field, realized difficult transmission of heat source under safety and economic conditions, and demonstrated the achievements following the optimization and integration of the Group's Smart Energy Business. Currently, based on its solid technical foundation and strong capability on heating source and heating network integrated solutions, the segment continues to tap into "source, network and user"– integrated energy management services, while exploring sustainable operation model such as heating network hosting and franchise. A number of projects were under negotiations. It is believed that they will create new sources of growth for the future development of the smart energy business segment.

OUTLOOK

Energy saving is one of the PRC's key projects under its "13th Five-year Plan". According to National Research Institute of Foresight Industry (國家前瞻產業研究院), it is expected that the aggregate output value of energy saving in respect of building, industry and transportation fields will amount to more than RMB600 billion by 2020. The accumulated investment on energy management contract (EMC) will amount to more than RMB700 billion, as such it will become a new green pillar industry of the PRC. As a leading provider of integrated energy saving services, Technovator will actively respond to the development of times and changes of energy saving service needs in all aspects and constantly adjust business strategies and models, and promote core technologies upgrading in all areas, and enhance the core software systems development and industry-oriented application, and accelerate proprietary products promotion and improve implementation capability on large-scale complex projects, in order to offer a comprehensive diversified energy saving service experience for customers, and also contribute to the development of the standardization and normalization of energy conservation industry and facilitate the growth of national green cities and energy saving and environmental-friendly industry.

Meanwhile, with the support from the capital market and the strong brand influence of Technovator and Tsinghua University, the Group hopes to continuously seeking industrial expansion and expediting the industry integration. The Group will realize leaping development through effective acquisition and merger or other cooperation methods, raising overall profit margin of the Group so as to create greater value for shareholders.

Looking forward, the Group is committed to providing smart energy management products, solutions and services throughout their full life cycles with comfort, intelligence and energy saving features. We firmly make progress on the development of integrated urban energy saving. The road ahead of the Group may at times be rough and difficult but we believe it will lead to a bright and dynamic future!

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

The Group recorded net revenue of approximately RMB537.2 million for the first half of 2016, representing a year-on-year increase of 1.1%. On the one hand, benefited from China's increasingly growing demands for urban rail transit construction and urban centralized heating and energy saving, the smart transportation and smart energy businesses recorded a remarkable increase in revenue; on the other hand, the smart building and complex business suffered a substantial decrease in revenue due to the slowdown of the construction-related industries.

Revenue by business segments

The table below sets out our revenue by business segments for the periods indicated.

	First half of 2016		First half of 2015 (restated)		
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue	Comparison
Smart transportation	**185,226**	**34%**	80,334	15%	>100%
Smart building and complex	**246,898**	**46%**	367,486	69%	(32.8%)
Smart energy	**105,055**	**20%**	83,717	16%	25.5%
Total	**537,179**	**100%**	531,537	100%	1.1%

Smart transportation

Revenue from the smart transportation business segment substantially increased by 1.3 times, from approximately RMB80.3 million for the first half of 2015 to approximately RMB185.2 million for the first half of 2016, as a percentage of revenue increased from 15% to 34%. In recent years, China's demand for rail transit intelligence market has enjoyed a continuous and stable growth, enabling the increase of the Group's market share and competitiveness, which led to a rapid growth of smart transportation business. During the Period, the Group promoted the implementation of various urban subway intelligence projects including Shenzhen rail NOCC, Shijiazhuang Subway Line No. 1, Suzhou Subway Line No. 4 and successfully signed the contract or won the bid for subway intelligence projects of various lines in different cities including Changchun, Qingdao, Chengdu and some overseas cities. Meanwhile, the Group succeeded in signing the contract and promoted the EMC project for the energy saving and transformation of the ventilation and air-conditioning system of Beijing Subway Line No. 8 and 9, through which the rail transit energy saving business made a great breakthrough of the strategic approach of connecting lines and networks.

Smart building and complex

Revenue from the smart building and complex business segment decreased significantly by 32.8%, from approximately RMB367.5 million for the first half of 2015 to approximately RMB246.9 million for the first half of 2016. The significant decrease in revenue was due to the fact that the overall economic development of the country has been undergoing a profound adjustment, resulting in the depression of construction-related industries, slowdown of overall growth rate and decrease of profit margin. Facing this industry phenomenon, the Group is proactively transforming and optimizing its business portfolio. During the Period, the Group's building intelligence business has been focusing on the expansion into the fields of the data centers, high-end hotels, hospitals and smart complex. With contracts in respect of the North Data Center of Agriculture Bank of China, Baidu Cloud Computing (Yangquan) Center and intelligence projects in respect of hotels and commercial complex in various cities successfully signed, a solid foundation has been made for further revitalization of customer resources and discovering the subsequent energy saving demand in depth.

Smart Energy

Revenue from the smart energy business segment increased by 25.5%, from approximately RMB83.7 million for the first half of 2015 to approximately RMB105.1 million for the first half of 2016. During the Period, the Group continued to promote the implementation of the heating network intelligence projects in various places including Datong, Baoding, Lanzhou, Rongcheng and Xinxiang. At the same time, the Group succeeded in signing the contract in respect of various heating network intelligence projects including centralized heating in Taiyuan Taigu, Huaneng Dongshan gas cogeneration centralized heating in Taiyuan, centralized heating in respect of Datang Baoding thermal power plant expansion project, Tongliao heat power centralized heating, west-east heat engineering in Lanzhou, centralized heating in downtown Wuwei.

Cost of sales

Cost of sales increased by approximately 5.0%, from approximately RMB389.3 million for the first half of 2015 to approximately RMB408.6 million for the first half of 2016.

The increase was due to the increase in project revenue resulting in a corresponding increase in costs. The increase in cost of sales was higher than the increase in revenue due to the decrease in gross profit margin (as further discussed in the section headed "Gross profit" below).

Gross profit

Gross profit decreased by approximately 9.6%, from approximately RMB142.2 million for the first half of 2015 to approximately RMB128.5 million for the first half of 2016. Gross profit margin decreased by 2.8 percentage points, from approximately 26.8% for the first half of 2015 to approximately 23.9% for the first half of 2016. In particular, the gross profit margin of the smart transportation business segment increased while the gross profit margin of the smart energy business segment decreased, and there was a substantial decrease of 6.7 percentage points to 21.6% in the gross profit margin of intelligent building segment which was primarily due to the decrease of income from building project technical services of the Group as well as the decrease of gross profit margin of intelligent building projects as a result of the sluggish condition of the building industry in the PRC.

Other revenue

Other revenue decreased by approximately RMB7.1 million, from approximately RMB22.7 million for the first half of 2015 to approximately RMB15.6 million for the first half of 2016. It was mainly due to a decrease of the subsidy from and the interest income of EMC projects of approximately RMB2.3 million as a result of the pending commencement of new EMC projects based on the initiative of the National 13th Five-Year Plan in building energy-saving sector with city-level energy-saving planning as an early key development.

Other net gain

Other net gain for the first half of 2016 was approximately RMB34.2 million as compared to approximately RMB2.3 million for the first half of 2015 which was primarily due to the exchange gains realised from the translation of cash in foreign currency of the Group.

Selling and distribution costs

Selling and distribution costs remained stable as compared to prior year at approximately RMB27.4 million for the first half of 2016. Selling and distribution costs as a percentage of revenue decreased slightly from approximately 5.2% for the first half of 2015 to approximately 5.1% for the first half of 2016.

Administrative and other operating expenses

Administrative and other operating expenses increased by 22.3%, from approximately RMB53.2 million for the first half of 2015 to approximately RMB65.1 million for the first half of 2016, which was mainly due to the increase in amortisation of intangible assets. Thus, administrative and other operating expenses as a percentage of revenue increased by 2.1 percentage points, from 10.0% for the first half of 2015 to 12.1% for the first half of 2016.

Finance costs

Finance costs increased by 19.5%, from approximately RMB16.6 million for the first half of 2015 to approximately RMB19.8 million for the first half of 2016. The increase was mainly due to the corresponding increase of finance costs of RMB12.3 million arising from the increase in consideration payable as a result of the completion of related business acquisition from parent company in the second half of 2015.

Income tax

Income tax decreased by 33.7%, from approximately RMB8.0 million for the first half of 2015 to approximately RMB5.3 million for the first half of 2016, which was primarily due to the income tax exemption in relation to the exchange gains realized by the Group.

Profit for the period

Profit for the period from continuing operations decreased by approximately 1.9%, from approximately RMB62.0 million for the first half of 2015 to approximately RMB60.8 million for the first half of 2016. Net profit ratio slightly decreased by 0.4 percentage points, from 11.7% to approximately 11.3%.

The basic earnings per share from continuing operations of the Group decreased by 14.6 percentage points to RMB0.0780 as compared to the first half of 2015 (RMB0.0913) while diluted earnings per share decreased by 8.7 percentage points to RMB0.0767 as compared to the first half of 2015 (RMB0.0840).

Working capital and financial resources

The following table sets the Group's current assets and liabilities as at the dates indicated:

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (Restated) (RMB'000)	As at 30 June 2015 (Restated) (RMB'000)
Inventories	**387,034**	283,762	264,327
Trade and other receivables	**1,288,806**	1,212,817	1,178,453
Trade and other payables	**1,470,900**	1,459,534	1,033,172
Average inventories turnover days	**148**	50	104
Average trade receivables turnover days*	**319**	175	255
Average trade payables turnover days*	**308**	175	259

* The calculation of turnover days excluded other receivables, other payables and related party amounts

The Group's inventories increased from approximately RMB283.8 million as at 31 December 2015 to approximately RMB387.0 million as at 30 June 2016; the inventory turnover days increased from approximately 104 days for the first half of 2015 to approximately 148 days for the first half of 2016, which was primarily due to the increase in inventory caused by the rapid growth in smart transportation business and smart energy business.

The Group's trade and other receivables increased from approximately RMB1,212.8 million as at 31 December 2015 to approximately RMB1,288.8 million as at 30 June 2016; the average trade receivables turnover days increased from approximately 255 days for the first half of 2015 to 319 days for the first half of 2016, which was due to the continuous expansion of the Group's business resulting in the corresponding increase in trade receivables; on the other hand, it was also due to the increase in the age of receivables caused by the slower progress of engineering projects in light of the slowdown in the growth of construction-related industries.

The Group's trade and other payables increased from approximately RMB1,459.5 million as at 31 December 2015 to approximately RMB1,470.9 million as at 30 June 2016 (the other payables include the remaining consideration payable for the acquisition of the related businesses from the parent company of RMB490.3 million); the Group's average trade payables turnover days increased from approximately 259 days for the first half of 2015 to approximately 308 days for the first half of 2016,which was due to the continuous expansion of the Group's business resulting in the corresponding increase in trade payables; on the other hand, this was also due to the fact that pursuant to the contract agreement between the Group and the supplier, the payment progress of engineering payables by the Group to the supplier is consistent with the progress of engineering receivables from customers to the Group. In view of the slower progress of engineering projects, the Group correspondingly adjusted its payment progress.

Liquidity and financial resources

In the first half of 2016, the Group has financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2016, the Group had approximately RMB791.5 million in cash and cash equivalents, accounting for 39.4% of the Group's net assets (31 December 2015: net cash of approximately RMB1,261.9 million). The proceeds is planned to use as the Group's normal working capital, and/or payment of the remaining balance of the related business acquired from the parent company, and/or future acquisition, and/or repayment of loans according to the financing cost in the market and the Group's demand at its discretion. The Group's cash and cash equivalents consist primarily of cash in the banks and on hand and deposits that are readily convertible into known amounts of cash.

As of 30 June 2016, the Group's indebtedness consisted of short-term bank loan of approximately RMB181.0 million with an average annual interest rate of 4.68% and long-term borrowing of approximately RMB71.8 million with an average annual interest rate of approximately 4.35%. The decrease in the Group's indebtedness in the first half of 2016 was mainly due to the repayment of a short-term bank loan amounted to approximately RMB123.7 million and the repayment of a long-term borrowing amounted to approximately RMB100.0 million by the Group in the first half of 2016.

As at 30 June 2016, the Group's debts were primarily bank loans and borrowings denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash denominated in RMB, U.S. dollars, HKD and SGD and deposits that are readily convertible into known amounts of cash.

As at 30 June 2016, the net cash of the Group was approximately RMB538.8 million (31 December 2015: net cash of approximately RMB816.5 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 6.7% (2015: approximately 11.2%).

Pledge of assets

As at 30 June 2016, the Group had no pledge of assets.

Contractual obligation and capital commitments

Capital commitments outstanding at 30 June 2016 and 31 December 2015 not provided for in the financial statements were as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	**286,496**	304,461

Contingent liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

The Group does not have any special purpose entities that provide financing, liquidity, market risk or credit support to it or engage in leasing, hedging or research and development services with it. The Group has not entered into any derivative contracts that are indexed to the shareholders of the Group (the "Shareholders") and classified as Shareholders' equity, or that are not reflected in its financial statements. Moreover, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that services as credit, liquidity or market risk support to such entity.

Employment, training and development

As at 30 June 2016, the Group had a total of 646 employees, representing a decrease of 16.1% compared to 770 employees as at 30 June 2015. Total staff costs for the first half of 2016 slightly increased to approximately RMB64.0 million from approximately RMB53.8 million for the first half of 2015.

As a matter of policy, employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis.

The Group provides training to its employees on a regular basis to keep them abreast of their knowledge in the Group's products, technology developments and market conditions of its industry. The Group also provides additional training for each new product launch so to facilitate its frontline sales staff's sales and orientation efforts. In addition, the Group's senior management also participates in conferences and exhibitions to deepen their knowledge in the industry.

Material acquisitions and disposals

For the six months ended 30 June 2016, the Group did not make any material acquisition or disposal of subsidiaries or associates.

Significant investment

For the six months ended 30 June 2016, the Group had no significant investment.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2016, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix 14 to the Main Board Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules throughout the six months ended 30 June 2016 as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2016.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Directors confirm that disclosure of financial information in this interim report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited consolidated interim financial statements for the six months ended 30 June 2016. The interim financial report is unaudited.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ISSUE OF SECURITIES

During the six months ended 30 June 2016, the Company did not conduct any fund raising activities through issue of equity securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2016, the Group did not make any other material acquisition or disposal of subsidiaries or associates.

DIVIDENDS

The board of Directors has not recommended the payment of any interim dividend for the six months ended 30 June 2016.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2016, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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/ Chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[3]
Mr. Seah Han Leong	Interest in a controlled corporation[1]	8,000,000	1.00%
	Beneficial owner	11,920,000	1.50%
	Beneficial owner	4,000,000[2]	0.50%
Mr. Zhao Xiaobo	Beneficial owner	6,328,000	0.79%
	Beneficial owner	3,400,000[2]	0.43%
Mr. Leung Lok Wai	Beneficial owner	2,100,000[2]	0.26%
	Beneficial owner	900,000	0.11%
Mr. Liu Tianmin	Beneficial owner	500,000[2]	0.06%
Mr. Fan Ren Da Anthony	Beneficial owner	500,000[2]	0.06%
Mr. Chia Yew Boon	Beneficial owner	500,000[2]	0.06%
Ms. Chen Hua	Beneficial owner	500,000[2]	0.06%

Notes:

(1) 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.

(2) Shares subject to options under the Share Option Scheme.

(3) 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 30 June 2016, 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.

During the six months ended 30 June 2016, 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 30 June 2016, the persons or corporations (other than the Directors 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	11.54%
	Interest in a controlled corporation[1]	176,148,142	22.10%
Resuccess Investments Limited	Beneficial owner	176,148,142	22.10%

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.

Save as disclosed above, as at 30 June 2016, 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.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Prior to the listing of the Company, the Group has adopted the Technovator Employee Share Option Scheme 2009 to enable our employees to build up a stake in the Group.

The Technovator Employee Share Option Scheme 2009 was approved by resolutions of the shareholders of the Company passed at an extraordinary general meeting of the Company on 11 August 2009 and amended by the resolution of the committee administering the scheme on 15 August 2011.

As at 30 June 2016, there were no outstanding options under the Technovator Employee Share Option Scheme 2009.

No options granted under the Technovator Employee Share Option Scheme 2009 were exercised, lapsed or cancelled during the six months ended 30 June 2016.

Share Option Scheme

As the terms of the Technovator Employee Share Option Scheme 2009 do not comply with the provisions in Chapter 17 of the Listing Rules, no further options may be granted under the Technovator Employee Share Option Scheme 2009 after the listing of the Company. As such, the shareholders of the Company have approved and the Company has adopted a new share option scheme ("Share Option Scheme") on 18 May 2012 ("Adoption Date") to grant options to eligible persons.

Pursuant to an ordinary resolution adopted in general meeting by the shareholders of the Company on 14 July 2014, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 14 July 2014, being the date of the extraordinary general meeting at which the said ordinary resolution was adopted, i.e. 52,152,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(b) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by the shareholders of the Company, 18 May 2012, after which no further options will be granted or offered.

Details of such share options granted under the Share Option Scheme as at 30 June 2016 are as follows:

Name	Date of Grant[1]	Exercise price per Share	Exercise period[2],[3],[4]	Number of shares issuable under the share options			
				Outstanding as at 1 January 2016	Exercised during the six months ended 30 June 2016[5]	Lapsed during the six months ended 30 June 2016	Outstanding as at 30 June 2016
Director, chief executive or substantial shareholder							
Zhao Xiao bo	23 July 2012	HK$1.15	23 July 2014–22 July 2017	2,400,000	–	–	2,400,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,000,000	–	–	1,000,000
Seah Han Leong	23 July 2012	HK$1.15	23 July 2014–22 July 2017	4,800,000	1,800,000	–	3,000,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,000,000	–	–	1,000,000
Liu Tianmin	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Fan Ren Da Anthony	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chia Yew Boon	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chen Hua	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Leung Lok Wai	23 July 2012	HK$1.15	23 July 2014–22 July 2017	1,500,000	–	–	1,500,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	600,000	–	–	600,000
Other Employees							
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	11,750,000	–	550,000	11,200,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	14,800,000	50,000	1,150,000	13,600,000
	15 August 2014	HK$3.83	15 August 2016–14 August 2019	4,300,000	–	–	4,300,000
	17 October 2014	HK$3.444	17 October 2015–16 October 2019	5,900,000	–	–	5,900,000
Suppliers of goods or services							
In aggregate	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,800,000	–	–	1,800,000
Others							
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	2,900,000	–	–	2,900,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	32,900,000	–	2,000,000	30,900,000
	15 August 2014	HK$3.83	15 August 2014–14 August 2019	1,000,000	–	–	1,000,000
	17 October 2014	HK$3.444	17 October 2015–16 October 2019	1,100,000	–	–	1,100,000
Total				89,750,000	1,850,000	3,700,000	84,200,000

Notes:

(1) The closing price per Share immediately before 23 July 2012, 5 September 2013, 15 August 2014 and 17 October 2014 (the dates on which the share options were granted) was HK$1.15, HK$3.06, HK$3.83 and HK$3.34, respectively.

(2) Share options granted under the Share Option Scheme on 23 July 2012 and 5 September 2013 (each a "Date of Grant A") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant A and conditional upon, the achievement of certain performance targets as set out in the offer letter, shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Options are to vest being hereinafter referred to as a "Vesting Date A"):

(i) For the Directors, chief executive or substantial shareholder, other employees and others:

Vesting Date A	Percentage of options to vest
Any time after the second anniversary of the Date of Grant A	50% of the total number of options granted
Any time after the third anniversary of the Date of Grant A	50% of the total number of options granted

(ii) For suppliers of goods or services:

Vesting Date A	Percentage of options to vest
Any time after the second anniversary of the Date of Grant A	100% of the total number of options granted

(3) Share options granted under the Share Option Scheme on 15 August 2014 (each a "Date of Grant B") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant B and conditional upon, the achievement of certain performance targets as set out in the offer letter, shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Options are to vest being hereinafter referred to as a "Vesting Date B"):

(i) For the Directors:

Vesting Date B	Percentage of options to vest
On the Date of Grant B	100% of the total number of options granted

(ii) For other employees:

Vesting Date B	Percentage of options to vest
On the date of the second anniversary of the Date of Grant B	100% of the total number of options granted

(4) Share options granted under the Share Option Scheme on 17 October 2014 (each a "Date of Grant C") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant C and conditional upon, the achievement of certain performance targets as set out in the offer letter, shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the Options are to vest being hereinafter referred to as a "Vesting Date C"):

Vesting Date C	Percentage of options to vest
On the date of the first anniversary of the Date of Grant C	50% of the total number of options granted
On the date of the second anniversary of the Date of Grant C	50% of the total number of options granted

(5) The weighted average closing price of the Shares immediately before the date(s) on which the options were exercised is HK$5.46.

Save as disclosed above, no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2016.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended 31 December 2015 are set out below:

- On 15 July 2016, Mr. Fan Xin resigned as a non-executive Director, the chairman of the Board, a member of the Nomination Committee and a member of the Risk Management Committee; and Mr. Huang Yu was appointed as a non-executive Director, the chairman of the Board, a member of the Nomination Committee and a member of the Risk Management Committee. Please refer to the announcement of the Company dated 15 July 2016 for further details of the change of Director and the biography of Mr. Huang.

- In June 2016, Mr. Chia Yew Boon was appointed as an independent non-executive director of EC World Asset Management Pte Ltd., a company incorporated in Singapore.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any other information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENT REVIEW REPORT

Review report to the board of directors of
Technovator International Limited
(Incorporated in Singapore with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 44 which comprises the consolidated statement of financial position of Technovator International Limited as of 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2016

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2016 RMB'000**	2015 RMB'000 (Restated)
Continuing operations			
Revenue	4,5	**537,179**	531,537
Cost of sales		**(408,640)**	(389,288)
Gross profit		**128,539**	142,249
Other revenue		**15,587**	22,651
Other net gain		**34,191**	2,280
Selling and distribution costs		**(27,355)**	(27,432)
Administrative and other operating expenses		**(65,087)**	(53,217)
Profit from operations		**85,875**	86,531
Finance costs	6(a)	**(19,814)**	(16,577)
Profit before taxation		**66,061**	69,954
Income tax	7	**(5,297)**	(7,986)
Profit for the period from continuing operations		**60,764**	61,968
Discontinued operation			
Profit for the period from discontinued operation	8	**–**	8,974
Profit for the period		**60,764**	70,942

The accompanying notes form part of this interim financial report.

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000 (Restated)
Profit attributable to:			
Equity shareholders of the Company			
– Profit for the period from continuing operations		**62,172**	62,041
– Profit for the period from discontinued operation		**–**	6,187
		62,172	68,228
Non-controlling interests			
– Profit for the period from continuing operations		**(1,408)**	(73)
– Profit for the period from discontinued operation		**–**	2,787
		(1,408)	2,714
Profit for the period		**60,764**	70,942
Earnings per share	9		
For continuing and discontinued operations			
– Basic (RMB)		**0.0780**	0.1004
– Diluted (RMB)		**0.0767**	0.0904
For continuing operations			
– Basic (RMB)		**0.0780**	0.0913
– Diluted (RMB)		**0.0767**	0.0840

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit for the period	**60,764**	70,942
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**14,898**	(7,723)
Total comprehensive income for the period	**75,662**	63,219
Attributable to:		
Equity shareholders of the Company	**77,070**	61,716
Non-controlling interests	**(1,408)**	1,503
Total comprehensive income for the period	**75,662**	63,219

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	10	**250,747**	266,944
Lease payment		**3,013**	3,068
Intangible assets		**260,267**	256,442
Other financial assets	11	**300,278**	241,881
Deferred tax assets		**11,127**	9,782
		825,432	778,117
Current assets			
Trading securities		**5,098**	6,211
Inventories		**387,034**	283,762
Trade and other receivables	12	**1,288,806**	1,212,817
Gross amounts due from customers for contract work		**478,446**	422,613
Cash and cash equivalents	13	**791,542**	1,261,853
		2,950,926	3,187,256
Current liabilities			
Trade and other payables	14	**1,470,900**	1,459,534
Gross amounts due to customers for contract work		**1,726**	1,457
Loans and borrowings		**181,020**	276,702
Obligations under finance leases		**171**	167
Income tax payable		**97**	17,115
		1,653,914	1,754,975
Net current assets		**1,297,012**	1,432,281
Total assets less current liabilities		**2,122,444**	2,210,398

The accompanying notes form part of this interim financial report.

At 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Loans and borrowings		**71,764**	168,699
Obligations under finance leases		**257**	335
Deferred tax liabilities		**10,090**	6,995
Deferred income		**33,234**	27,573
		115,345	203,602
NET ASSETS		**2,007,099**	2,006,796
CAPITAL AND RESERVES			
Share capital	15	**1,249,265**	1,246,989
Reserves		**751,149**	751,721
Total equity attributable to equity shareholders of the Company		**2,000,414**	1,998,710
Non-controlling interests		**6,685**	8,086
TOTAL EQUITY		**2,007,099**	2,006,796

Approved and authorised for issue by the board of directors on 15 August 2016.

Zhao Xiaobo
Seah Han Leong
) Directors

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 15(a)	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Capital reserve arising from equity component of redeemable preference shares RMB'000	Other reserves RMB'000 Note 15(b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015 (as previously reported)	629,544	49,931	(25,728)	20,069	4,095	(324,501)	437,550	790,960	29,916	820,876
Adjusted for the business combination under common control (note 19)	–	–	–	–	–	359,682	–	359,682	–	359,682
Balance at 1 January 2015 (as restated)	629,544	49,931	(25,728)	20,069	4,095	35,181	437,550	1,150,642	29,916	1,180,558
Changes in equity for the six months ended 30 June 2015 (as restated):										
Profit for the year	–	–	–	–	–	–	68,228	68,228	2,714	70,942
Other comprehensive income	–	–	(6,512)	–	–	–	–	(6,512)	(1,211)	(7,723)
Total comprehensive income for the year	–	–	(6,512)	–	–	–	68,228	61,716	1,503	63,219
Issuance of shares	592,097	–	–	–	–	–	–	592,097	–	592,097
Equity settled share-based transactions	–	–	–	5,727	–	–	–	5,727	–	5,727
Share issued upon exercise of share options	1,055	–	–	(191)	–	–	–	864	–	864
Other movements	–	–	–	–	–	(23,723)	(7,097)	(30,820)	–	(30,820)
Balance at 30 June 2015 (as restated)	1,222,696	49,931	(32,240)	25,605	4,095	11,458	498,681	1,780,226	31,419	1,811,645

The accompanying notes form part of this interim financial report.

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 15(a)	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000 Note 15(b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	1,246,989	69,354	24,330	23,391	(537,048)	1,171,694	1,998,710	8,086	2,006,796
Profit for the year	–	–	–	–	–	62,172	62,172	(1,408)	60,764
Other comprehensive income	–	–	14,898	–	–	–	14,898	–	14,898
Total comprehensive income for the period	–	–	14,898	–	–	62,172	77,070	(1,408)	75,662
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	7	7
Dividends to equity shareholders of the Company (note 15(c))	–	–	–	–	–	(79,712)	(79,712)	–	(79,712)
Equity settled share-based transactions	–	–	–	2,469	–	–	2,469	–	2,469
Share issued upon exercise of share options	2,276	–	–	(399)	–	–	1,877	–	1,877
Balance at 30 June 2016	1,249,265	69,354	39,228	25,461	(537,048)	1,154,154	2,000,414	6,685	2,007,099

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2016 RMB'000**	2015 RMB'000 (Restated)
Operating activities			
Cash used in operations		**(188,324)**	(59,021)
Income tax paid		**(19,518)**	(28,244)
Net cash used in operating activities		**(207,842)**	(87,265)
Net cash used in investing activities		**(26,932)**	(45,779)
Financing activities			
Proceeds from issuance of shares		**1,877**	592,961
Dividend paid to equity shareholders of the Company		**(79,712)**	–
Repayment of loans and borrowings		**(223,682)**	(180,510)
Other cash flows arising from financing activities		**23,487**	113,416
Net cash (used in)/generated from financing activities		**(278,030)**	525,867
Net (decrease)/increase in cash and cash equivalents		**(512,804)**	392,823
Cash and cash equivalents at 1 January		**1,257,474**	441,598
Effect of foreign exchange rates changes		**42,485**	(9,229)
Cash and cash equivalents at 30 June	13	**787,155**	825,192

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 15 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 3.

During 2015, Tongfang Technovator Int (Beijing) Co., Ltd. ("Technovator Beijing", a wholly-owned subsidiary of the Company) and Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving", an indirect wholly-owned subsidiary of the Company) acquired certain businesses in relation to providing intelligence integrated solutions which center around supervision and control systems in the fields of intelligent rail transit, intelligent building and intelligent urban heating network (the "Target Businesses", in each case, together with the assets and liabilities associated with such businesses) from Tsinghua Tongfang Co., Ltd. ("THTF"). As the Company and the Target Businesses are under common control of THTF, consequently, the acquisition of the Target Businesses are accounted for using merger accounting in accordance with the accounting policy set out in the 2015 annual financial statements, and the comparative amounts for the six-month period ended 30 June 2015 in this interim financial report have been restated. The details are disclosed in note 19.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2016.

2 CHANGES IN PRESENTATION CURRENCY

Following the disposal of Distech Controls Inc. during 2015 (the details are disclosed in note 8), majority of the Group's business are carried out in the PRC. Therefore, the Company determined to change its presentation currency from US$ to RMB, which is the functional currency of the Group entities in the PRC. The comparative amounts for the six-month period ended 30 June 2015 in this interim financial report have been re-translated into RMB from US$. All financial information presented in RMB has been rounded to the nearest thousand except for earnings per share.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

4 REVENUE

The Group are principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Revenue represents the sales value of goods sold to customers, income from provision of services and revenue from construction contracts. The amounts of each significant category of revenue recognised during for the six months ended 30 June 2015 and 2016 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Sales of goods	**205,168**	212,150
Provision of services	**22,837**	22,620
Contract revenue	**309,174**	296,767
	537,179	531,537

5 SEGMENT REPORTING

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Smart transportation business ("STB"): It comprises a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System (ISCS), Building Automation System (BAS) for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service.

Smart building and complex business ("SBB"): It provides integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, aimed at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of buildings.

5 SEGMENT REPORTING (CONTINUED)

Smart energy business ("SEB"): It comprised a series of leading technologies such as regional energy planning, integrated utilization of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilization as well as optimization and transformation of energy system. The Group possess self-owned core leading technologies (in the field of urban heating network) such as heating network & heating source monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology.

During the year ended 31 December 2015, the Group acquired certain business from THTF, which relates to providing intelligence integrated solutions center around supervision and control systems in the fields of intelligent rail transit, intelligent building and intelligent urban heating network. As a result, the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment has changed in a manner that the financial information of the STB, SBB and SEB segments are separately reported to and reviewed by the chief operating decision maker.

As a result of the above change, the corresponding figures of segment reporting for the period ended 30 June 2015 were restated to reflect the financial information of those new segments.

(a) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortisation. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment sales), interest income, and impairment losses. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

5 SEGMENT REPORTING (CONTINUED)

(a) Information about reportable segments (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below:

	STB		SBB		SEB		Discontinued operation*		Total	
	2016 RMB'000	2015 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000 (Restated)
Revenue from external customers	185,226	80,334	246,898	367,486	105,055	83,717	-	211,223	537,179	742,760
Inter-segment revenue	-	–	-	220	-	–	-	3,336	-	3,556
Reportable segment revenue	185,226	80,334	246,898	367,706	105,055	83,717	-	214,559	537,179	746,316
Reportable segment profit	33,736	14,630	30,579	82,455	43,174	37,148	-	26,302	107,489	160,535
Interest income	1,520	3,531	5,589	11,629	3,968	2,255	-	561	11,077	17,976
Impairment losses	(3,209)	(1,014)	(4,820)	(4,638)	(1,821)	(1,056)	-	–	(9,850)	(6,708)

* See note 8.

5 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Reportable Segment Revenue		
Reportable segment revenue	**537,179**	746,316
Elimination of inter-segment revenue	**–**	(3,556)
Elimination of discontinued operation (note 8)	**–**	(211,223)
Consolidated revenue	**537,179**	531,537
Profit		
Reportable segment profit	**107,489**	160,535
Elimination of discontinued operation (note 8)	**–**	(15,853)
Reportable segment profit derived from the Group's external customers	**107,489**	144,682
Depreciation and amortisation	**(37,395)**	(47,725)
Finance costs	**(19,814)**	(20,557)
Unallocated head office and corporate revenue/(expenses)	**15,781**	(6,446)
Consolidated profit before taxation	**66,061**	69,954

(c) Geographic information

As the Group does not have material operations outside the PRC from continuing operations, no geographic segment information is presented.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Interest on loans and borrowings	**19,814**	16,577

(b) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Amortisation	**21,839**	16,558
Depreciation	**15,556**	21,363
Interest income	**(11,077)**	(17,415)

7 INCOME TAX

Income tax in the consolidated income statements represents:

	Six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000 (Restated)
Current tax	**3,547**	6,729
Deferred tax	**1,750**	1,257
	5,297	7,986

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2015 and 2016. No provision for Singapore income tax was made because the Company sustained tax losses for the period.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

The subsidiary of the Group established in the Cayman Islands is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2015 and 2016.

(iii) Technovator Beijing is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until October 2017.

Tongfang Energy Saving is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2016.

(iv) Tongfang Technovator Software (Beijing) Co., Ltd. ("Software Beijing") is recognised as a software and integrated circuit enterprise and is entitled to a preferential tax rate of tax free for two years from the first year of profit making and 12.5% for the third to fifth years until December 2018.

8 DISCONTINUED OPERATION

On 1 September 2015, the Group completed the disposal of all of its equity interests in Distech Controls Inc. ("Distech Controls") for a total consideration of CAD 133 million (equivalent to RMB642 million). At 31 December 2015 and 30 June 2016, the Company has received the consideration in cash of CAD 117 million (equivalent to RMB569 million), and the escrow amount of CAD 16 million (equivalent to RMB73 million) is recorded in other receivables. Upon the completion of the transaction, Distech Controls ceased to be a subsidiary of the Company.

Due to the disposal of Distech Controls during the year ended 31 December 2015, which represents a discontinuance of operation of a separate major geographical area of operations, the comparative figures have been re-presented to reclassify the operation of Distech Controls as discontinued operation for the period ended 30 June 2015.

8 DISCONTINUED OPERATION (CONTINUED)

(a) Results of discontinued operation:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue	–	211,223
Net expenses	–	(191,390)
Finance costs	–	(3,980)
Results from discontinued operating activities	–	15,853
Income tax	–	(6,879)
Profit for the period from discontinued operation, net of tax	–	8,974
Basic earnings per share (RMB)	**NIL**	0.0091
Diluted earnings per share (RMB)	**NIL**	0.0064

The calculation of basic earnings per share from discontinued operation are RMB0.0091 for the six months ended 30 June 2015, based on the profit for the period from discontinued operation attributable to the equity shareholders of the Company of RMB6,187,000 and the weighted average number of ordinary shares for basic earnings per share as disclosed in note 9.

The calculation of diluted earnings per share from discontinued operation are RMB0.0064 for the six months ended 30 June 2015, based on the profit for the period from discontinued operation of RMB4,729,000 and the weighted average number of ordinary shares for diluted earnings per share as disclosed in note 9.

(b) Cash flows generated from discontinued operation:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net cash generated from operating activities	–	31,620
Net cash used in investing activities	–	(16,212)
Net cash used in financing activities	–	(9,219)
Net cash inflow for the period	–	6,189

9 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

From continuing and discontinued operations

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB62,172,000 (six months ended 30 June 2015: RMB68,228,000 (as restated)) and the weighted average of 796,878,782 ordinary shares (2015: 679,532,366 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB62,172,000 (six months ended 30 June 2015: RMB66,770,000 (as restated)) and the weighted average number of ordinary shares of 810,291,002 (2015: 738,451,464 shares).

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations is based on profit for the period attributable to the ordinary equity shareholders of the Company from continuing operations of RMB62,172,000 (six months ended 30 June 2015: RMB62,041,000 (as restated)), and the denominators used are the same as those detailed above for basic and diluted earnings per share, respectively.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired certain items of property, plant and equipment with costs of RMB872,000 (six months ended 30 June 2015: RMB21,809,000 (as restated)).

11 OTHER FINANCIAL ASSETS

As at 30 June 2016, other financial assets included long-term receivables of Karamay construction contract of RMB101,611,000 (31 December 2015: RMB101,611,000) with an investment return charged at 140% of the then prevailing lending interest rate in respect of loans for the same term as quoted by the People's Bank of China.

The remaining balance of other financial assets represents long-term trade receivables of certain construction contracts which are repayable by instalments over a 3 to 8 years period.

(Expressed in RMB unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are external trade debtors and bills receivable (net of allowance of doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	**646,455**	469,754
Less than 1 month past due	**6,140**	114,156
More than 1 month but less than 3 months past due	**76,638**	12,052
More than 3 months but less than 12 months past due	**137,101**	190,260
More than 12 months past due	**136,624**	159,507
Trade debtors, net of allowance for doubtful debts	**1,002,958**	945,729
Other receivables	**126,022**	115,025
Loans and receivables	**1,128,980**	1,060,754
Deposits and prepayments	**159,826**	152,063
	1,288,806	1,212,817

Trade debtors and bills receivable are due within 0–180 days from the date of billing.

13 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Deposits with banks and other financial institutions	**4,387**	4,379
Cash at bank and in hand	**787,155**	1,257,474
Cash and cash equivalents in the statement of financial position	**791,542**	1,261,853
Restricted deposit	**(4,387)**	(4,379)
Cash and cash equivalents in the consolidated cash flow statements	**787,155**	1,257,474

14 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
By date of invoice:		
Within 3 months	**502,972**	560,376
More than 3 months but within 6 months	**31,600**	81,934
More than 6 months but within 12 months	**138,774**	61,334
More than 12 months	**110,618**	72,568
Trade creditors and bills payable	**783,964**	776,212
Other payables and accruals		
– amounts due to related parties (note)	**493,076**	479,324
– amounts due to third parties	**32,040**	40,034
Financial liabilities measured at amortised cost	**1,309,080**	1,295,570
Receipts in advance	**161,820**	163,964
	1,470,900	1,459,534

All of the above balances are expected to be settled within one year.

Note: At 30 June 2016, the other payables due to related parties include a balance of RMB490,320,000 (31 December 2015: RMB478,017,000) payable to THTF, representing the remaining balance of the consideration for the acquisition of the Target Businesses (see note 19). The amount shall be settled before 31 October 2016 and is interest bearing at the loan interest rate stipulated by People's Bank of China for the corresponding period.

(Expressed in RMB unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2016		At 31 December 2015	
	Number of shares	**Amounts RMB'000**	Number of shares	Amounts RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**795,272,189**	**1,246,989**	644,228,189	629,544
Issuance of new shares[(i)]	**–**	**–**	128,994,000	592,097
Shares issued upon exercise of share options[(ii)]	**1,850,000**	**2,276**	22,050,000	25,348
At 30 June/31 December	**797,122,189**	**1,249,265**	795,272,189	1,246,989

(i) On 12 May 2015, the Company issued a total of 128,994,000 shares at the price of HK$5.95 per share.

(ii) During the six-month period ended 30 June 2016, a total of 1,850,000 shares were issued by the Company upon the exercise of shares options by certain grantees at a total consideration of RMB1,877,000 which was credited to share capital and RMB399,000 has been transferred from the share based compensation reserve to the share capital.

(b) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

(c) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the six months ended 30 June 2016 and 2015:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the six months ended 30 June 2016, of RMB0.10 per share (six months ended 30 June 2015: NIL)	**79,712**	–

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loans, categorised into the three level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

As at 30 June 2016 and 31 December 2015, the financial instruments of the Group carried at fair value are trading securities, which fall into Level 1 of the fair value hierarchy described above.

		Fair value measurements as at 30 June 2016 categorised into		
	Fair value at 30 June 2016 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurements				
Assets:				
Trading securities	**5,098**	**5,098**	**–**	**–**

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value at 31 December 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities	6,211	6,211	–	–

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 30 June 2016.

(Expressed in RMB unless otherwise indicated)

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2016 not provided for in the financial statements were as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	**286,496**	304,461

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the period, transactions with the following parties are considered as related party transactions:

Name of parties

Tsinghua Tongfang Co., Ltd ("THTF") * (同方股份有限公司)

Tsinghua Tongfang Artificial Environment Co., Ltd.* ("Tongfang Artificial")（同方人工環境有限公司)

Liaoning Tongfang Security Technology Co., Ltd.* (遼寧同方安全技術有限公司)

Beijing Tongfang Property Management Co., Ltd.* (北京同方物業管理有限公司)

Beijing Tongfang Lighting Electrical Environment Co., Ltd.* (北京同方光電環境有限公司)

Beijing Tongfang Cleaning Technology Co., Ltd.* (北京同方潔淨技術有限公司)

Advanced System Development Co., Ltd.* (同方鼎欣科技股份有限公司)

Tongfang Health Technology Co., Ltd.* (同方健康科技（北京）有限公司)

Tongfang R.I.A. Co., Ltd.* (同方鋭安科技有限公司)

NUCTECH Co., Ltd.* (同方威視技術股份有限公司)

Heshan Tongfang Lighting Co., Ltd.* (鶴山同方照明科技有限公司)

Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd. ("Tongfang Kawasaki") * (同方川崎節能設備有限公司)

* The official name of these entities is in Chinese. The English translation of the name is for reference only.

THTF is the controlling shareholder of the Company, incorporated in the PRC and produces financial statements available for public use. Other related parties listed above are subsidiaries of THTF, except for Tongfang Kawasaki, which is an associate of THTF.

18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

Particulars of significant related party transactions during the six months ended 30 June 2015 and 2016 are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Sales to THTF and its subsidiaries	**24,204**	72,432
Purchases from THTF and its subsidiaries	**3,608**	9,969
Purchases from Tongfang Kawasaki	**–**	7,254
Payment for miscellaneous products and services from THTF and its subsidiaries	**1,071**	2,761
Interest expenses to THTF and Tongfang Artificial	**15,369**	4,458
Repayment of loans to Tongfang Artificial	**100,000**	–
Corporate overhead allocations from THTF	**–**	15,676
Payments transferred by THTF to the Group	**228,163**	–
Payments transferred by the Group to THTF	**258,127**	–

Other than the above related party transactions, certain trademarks are used by the Group in the PRC licensed by THTF at nil consideration.

The directors consider that the above related party transactions during the period ended 30 June 2015 and 2016 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(c) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in Note 18(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

19 BUSINESS COMBINATION UNDER COMMON CONTROL

On 31 October 2015, the Group completed the acquisition of the Target Businesses in relation to providing intelligence integrated solutions which center around supervision and control systems in the fields of intelligent rail transit, intelligent building and intelligent urban heating network for a total consideration of RMB661,796,000, as adjusted and determined in accordance with the agreements.

The acquisition of the Target Businesses has been accounted for under merger accounting for business combination under common control and the comparative amounts for the six-month period ended 30 June 2015 are restated accordingly.

The reconciliation of the effect arising from the business combinations under common control on the consolidated income statements of the Group is as follows:

	The Group (as previously reported) RMB'000	**Target Businesses (including elimination)** RMB'000	**The Group (as restated)** RMB'000
Results of operations for the six months ended 30 June 2015:			
Profit for the period	63,849	7,093	70,942
Profit attributable to:			
– Equity shareholders of the Company	61,135	7,093	68,228
– Non-controlling interests	2,714	–	2,714