Technovator

Technovator International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

Annual Report 2014

Energy Saving Products & Solutions Provider

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. Lu Zhicheng (陸致成) *(Chairman)*
Mr. Fan Xin (范新) (appointed on 31 March 2014)
Mr. Ng Koon Siong (黃坤商)
Mr. Liu Tianmin (劉天民)
Mr. Li Jisheng (李吉生) (resigned on 31 March 2014)

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. Lu Zhicheng

Remuneration Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Chia Yew Boon
Mr. Ng Koon Siong

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Ms. Tan Siew Hua

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 American 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
China CITIC Bank
China Construction Bank
China Merchant Bank
Bank of Beijing

INVESTOR RELATIONS CONTACT

Beijing office
Ms. Hannah Zhang
Tel: +86 10 8239 9391
Email: zhanghan@thtf.com.cn

Ms. Natonie Chan
Tel: +86 10 8239 9663
Email: natonie_chan@thtf.com.cn

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

CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

On behalf of the board of directors and the management, I am pleased to present to the shareholders the report on the development and operating results of Technovator International Limited (the "Company" or "Technovator") and its subsidiaries (the "Group") for the year ended 31 December 2014.

Technovator achieved remarkable growth in 2014, our core building energy saving business showing steady growth and make good progress in expanding its business scope, through the unremitting hard work of all our staff and the continuous support of our shareholders.

Fruitful results in energy saving business

With the unprecedented opportunities of global energy saving and environmental protection industry and the encouraging policies by the PRC government, Technovator achieved fruitful results in its core business in 2014, supported by its core technology competencies, continuous development in research and development ("R & D"), business model breakthrough and strong capital position.

During the year, our business fared much better. Keys to the result were our significant progress on the strategy of "city-level energy efficiency retrofit", coupled with our innovative "Government-Enterprises-Financial Institution Triad" business model. Consequently, substantive progresses were achieved in numerous provinces and cities such as Chongqing, Wuhan, Hunan, Karamay and Chifeng. Meanwhile, the Group strived to diversify its clientele and undertook a number of large-scale demonstration projects in mainland China and all over the globe, such as ASE Centre Plaza in Chongqing, Shanghai Gymnasium, Tour Carpe Diem in Paris, France, offering comprehensive energy saving services to over 100 landmark buildings worldwide.

In 2014, Technovator commenced to spare no effort to explore and develop city-level comprehensive energy efficiency retrofit covering various business fields, leveraging on its core technologies with proprietary building energy efficient products. During the year, the Group's business scope has been expanded horizontally to waste heat recovery and industrial energy saving sectors, through acquisition of Tongfang Energy Saving Engineering Technology Co., Ltd., which under umbrella of Tsinghua Tongfang Co., Ltd. This represents a pivotal breakthrough for the Group to pay its way for facilitating energy efficient infrastructure in the cities. In addition, the business of the

Group had successfully extended to energy saving for heat supply network and rail transport. The Group will continuously adhere to the strategy of bilateral integration for independent research and development and industry chain so as to make a huge stride towards the goal of a full coverage of the urban energy saving business field.

Looking ahead in 2015, the Group will bracing itself to proudly enter into more cities and regions, cooperate with a more diversified customer base and move towards a broader business field with advancement in energy saving driven by technology.

Achieving honors and awards while embracing challenges

During the year, Technovator further expanded its market share, widened its product scope and applications areas, and given a major boost on its brand influence. The building automation products of the Group continued to rank first among the Top 10 national building monitoring brands in the Chinese market in 2014. Techcon EEC, the professional energy-saving monitoring system, achieved a reputation of "the Key Promotion Product of the Year recommended by Building Energy Saving Star" given by China Association of Building Energy Efficiency. At the end of the year, Technovator was pleased to receive the highest qualification in the building intelligence sector – the grade A qualification of "the Integration of Design and Construction in Building Intelligence Engineering". Subsequently, the Group will no longer be subject to the scale of its building intelligence projects.

At this historically eventful moment of the energy saving and environmental protection industry in the world, Technovator, as the leading comprehensive energy saving services provider inherited from THTF, deeply considers the development opportunities as rarity and the tasks ahead are challenging. Apart from developing business and generating profits, the Group bears its social responsibilities in mind and has been devoting itself to the breakthroughs of the research and development in the field of the building energy saving technology as well as industrial integration and standardization development of the industries. In 2014, the Group continued to put great efforts on research and development with major breakthroughs in the innovation of product lines and the terminal monitoring system. It continued to compile various national and industrial standards so as to make contribution to the development of the industry. We hope that we can keep on generating more profits for the customers, achieve better performance for the industry, bring substantial returns for the shareholders and create higher values for the society through the hard work of all our staff.

Lastly, on behalf of the Board of Technovator, I would like to express my heartfelt gratitude to all of staff of the Group for their unremitting contribution, to all our customers and business partners for their tremendous support, and to all shareholders and investors for their support and trust. We will respond to upcoming opportunities and challenges with enhanced professionalism, precise services and perfect management in the future. We are confident in the future development of the Group.

Lu Zhicheng
Chairman
18 March 2015

FIVE YEAR FINANCIAL SUMMARY

	2010	2011 (Restated)	2012 (Restated)	2013 (Restated)	**2014**
('000 USD)					
Consolidated income statement					
Revenue	74,085	97,513	132,237	166,581	**221,443**
Cost of sales	(48,888)	(61,118)	(86,513)	(110,344)	**(144,406)**
Gross profit	25,197	36,395	45,724	56,237	**77,037**
Other revenue	1,433	1,293	1,186	3,701	**4,246**
Other net gain/(loss)	13	(60)	36	(1,108)	**34**
Selling and distribution costs	(6,720)	(8,584)	(9,519)	(12,501)	**(14,513)**
Administrative and other operating expenses	(8,798)	(11,026)	(13,838)	(16,701)	**(20,441)**
Research and development expenses	(1,945)	(2,956)	(3,149)	(4,650)	**(5,506)**
Financial expenses	(541)	(542)	(894)	(2,933)	**(5,086)**
Profit before taxation	8,639	14,520	19,546	22,045	**35,771**
Income tax	(1,459)	(2,764)	(4,120)	(5,258)	**(9,189)**
Profit for the year	7,180	11,756	15,426	16,787	**26,582**
Equity shareholders of the Company	7,049	10,385	13,609	15,577	**24,530**
Non-controlling interests	131	1,371	1,817	1,210	**2,052**
Profit for the year	7,180	11,756	15,426	16,787	**26,582**
Basic earnings per share (US$)	0.0194	0.0248	0.0230	0.0255	**0.0393**
Diluted earnings per share (US$)	0.0187	0.0240	0.0229	0.0230	**0.0352**
('000 USD)					
Non-current assets	32,890	38,366	72,095	123,084	**142,804**
Current assets	49,915	83,046	123,394	177,317	**219,389**
Current liabilities	31,722	32,757	69,334	121,401	**151,760**
Net current assets	18,193	50,289	54,060	55,916	**67,629**
Total assets less current liabilities	51,083	88,655	126,155	179,000	**210,433**
Non-current liabilities	2,724	10,055	33,545	72,361	**76,302**
Total equity attributable to equity shareholders of the Company	43,936	72,885	86,008	101,851	**129,379**
Non-controlling interests	4,423	5,715	6,602	4,788	**4,752**
Total equity	48,359	78,600	92,610	106,639	**134,131**
Net assets per share	0.13	0.14	0.15	0.17	**0.21**
Financial ratio					
Cost to income ratio	66.0%	62.7%	65.4%	66.2%	**65.2%**
Pre-tax profit margin	11.7%	14.9%	14.8%	13.2%	**16.2%**
Return on Equity	14.8%	15.0%	16.7%	15.7%	**19.8%**
Current ratio	1.6	2.5	1.8	1.5	**1.4**

Note: The calculation of net assets per share is based on the net assets and the number of ordinary shares as at the end of each year.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 2014, Technovator integrated its internal and external resources, robustly expanded its core businesses and continuously extended its scope of services.

With the signs of weak economic revival, buffeted by the increasingly serious energy and environmental problems, government-led impetus, at a global level, to the emerging energy saving and environmental protection industry had been strengthening during the results period. In light of the continuous industrialization and urbanization in China, the Chinese government has attached great importance to environmental protection at an unprecedented level. A series of supportive policies and regulations were put in place to regulate and reduce energy consumption, which led and facilitated the development of the energy saving industry, albeit continued structural slowdown in China's economic growth.

As a leading provider of integrated and comprehensive energy saving services, the Group seized the unprecedented and strategic opportunities for its business development. During the results period, the Group's core building energy saving service business flourished in the Chinese market, by leveraging on its technology competencies as its cornerstone and growth driver and making unremitting efforts to R&D and business models breakthrough. The Group had directly acquired 100% equity interest in Tongfang Energy Saving Engineering Technology Co., Ltd. during the year, which facilitated the development of its business layout in the energy saving field and brought enormous potential for development for the Group in respect of the industrial energy saving sector. Meanwhile, we began to vigorously develop the city-level multi-field and comprehensive energy saving services with a focus on forming a sound business layout and enhancing our capabilities to provide integrated services while maintaining our technological edge and leading market position.

For the year 2014, the Group had revenue of US$221 million and net profit of US$27 million, with increases of 33% and 58% respectively as compared to 2013.

BUSINESS REVIEW

Building energy saving service – rapid acceleration of city-level progress

In 2014, the Chinese government kept promoting the development of the building energy saving industry strongly, required the construction of green buildings and the retrofit of existing buildings to speed up, set up energy consumption limits on public buildings and implemented a rating and identification system for green buildings. It is expected that in 2020, over 65% of the existing buildings could fulfil the energy saving standards, while over 50% of the newly built urban buildings could fulfil the standards for green buildings.

In 2014, the Group made remarkable progress in implementing its strategy of promoting city-level building energy saving benefited from the historic opportunities in the building energy saving industry in China. As at the end of 2014, the Group had completed an energy saving retrofit project covering more than 2 million sq.m in Chongqing with Energy Management Contract ("EMC") business model. With an estimated energy saving rate of over 20%, it made way for Chongqing to be the first energy saving key city to overfulfil the mission of energy efficiency retrofits for public buildings, of which several display projects such as ASE Centre Plaza and Far Eastern Department Stores in Chongqing were well-recognized by relevant central ministries and commissions. Meanwhile, the Group's city-based E-Cloud Service Centre was successfully launched in Wuhan. Currently, over 30 public buildings had been included in the first batch of the energy efficiency monitoring system, and several key energy saving retrofit projects such as Wuhan Library and Wuhan Agricultural Bureau were completed. At the end of 2014, the Group secured the tender for the construction project of large-scale public building energy consumption monitoring platform in Hunan Province, with more than 200 public buildings over the province involved in the first batch. Currently, the data access works for single buildings had commenced. It is expected that the subsequent energy saving retrofit projects will offer a substantial domestic market for the Group.

With the rapid pace of progress in city-level energy saving services, the Group enriched and extended the EMC model, developed and initiated the model of “Government-Enterprises-Financial Institution Triad”. Three parties to jointly facilitate the city-level energy saving retrofit – guided by government policy, implementation led by leading enterprises (full participation of small and medium-sized enterprises) while funded by bank. Such business model had currently achieved initial success in Chongqing, a pilot city, and had begun to duplicate the trial success in several cities including Wuhan, Hunan, Karamay and Chifeng. It is hoped that a stable development model will be formed in the future in order to safeguard the rapid development of the Group’s core building energy saving business in Mainland China.

Industrial energy saving sector – proactive exploration for breakthroughs

In August 2014, the Group indirectly acquired 100% equity interest in Tongfang Energy Saving Engineering Technology Co., Ltd. (“Tongfang Energy Saving”) by way of issuing shares. Such acquisition is an important exploration and breakthrough for the Group to pave the way for facilitating energy saving for urban infrastructures. In addition to the existing building energy saving business, the Group expanded horizontally to multi industry layout such as waste heat recovery and industrial energy saving in order to be well-positioned for providing comprehensive energy management services based on the consolidation of “energy sources, transmission network and end users”. This represents a major milestone for the Group to move toward a comprehensive portfolio of city-level energy saving services.

Leveraging on its state-of-the-art technology in conjunction with range of ancillary products and services in respect of regional energy planning and industrial waste heat recovery, Tongfang Energy Saving offers energy investment comprehensive solutions primarily under EMC model. It was included on the list of energy saving service companies of NDRC in 2011 and the recommendation list of energy saving service companies of MIIT in 2013. During the results period, the completed projects of Tongfang Energy Saving shared the stable energy saving efficiency. Furthermore, it entered into and intended to enter into approximately 10 more projects, with the expectation of generating a sustainable steady income for the Group in the future. Looking forward, Tongfang Energy Saving will continue to conduct its own research and development and upgrade, increase the project investment amounts upon the capital source of the Group, as well as carry out effective integration within the sector in order to achieve continuous growth.

City-level energy saving retrofit – multi-field expansion and extension

Riding on its core technologies and products of building energy saving, despite industrial energy saving business, the Group kept exploiting the multi-field business coverage of the city-level comprehensive energy saving services, and extended its business scope to urban heating network and rail transport sector. The first phase of energy saving retrofit project for centralized heat supply engineering in Taiyuan City has currently entered into a period of stable return, and the second phase of the project has commenced. During the results period, the trial run for the rail transport energy saving techniques of the Group completed in the South Gate of Olympic Forest Park Station of Beijing Subway, with an energy saving rate over 50%. Currently, there are more than 300 stations in total in Beijing Subway, which represent a substantial and potential market for the Group in the future.

To improve satisfaction of its users’ needs from each of the city-level comprehensive energy saving sector, during the results period, the Group implemented a brand new Techcon building monitoring and management system based on BACnet with an energy management concept of “open, green, and sustainable”. The powerful open platform largely expanded the system integration and generality of the existing products, and it was widely applied in about 20 provinces and cities including Chengdu, Guangzhou, Wuhan and Changsha. This further enhanced the core competitiveness of the Group and increased the market share of the products.

OUTLOOK

With the continuous growth in demand for energy saving and emission reduction across the globe, as well as the strong facilitation of the energy saving and environmental protection industry by various nations, The Chinese government made a great effort to implement energy efficiency enhancement plan and adhere to its prioritized energy saving strategy, which will bring an unprecedented historic opportunity for the energy saving industry in China. In the future, the energy saving market in China will emphasize on building, industrial and transportation sectors. Technovator will continue to seize new opportunities, fully capitalize on the strengths of its technologies, brands and resources, embrace challenges and maintain a solid and rapid growth.

Exploitation of business scope, realization of a full coverage of city-level energy saving retrofit

As a leading integrated comprehensive energy saving services provider, in addition to the existing business covering various fields such as building energy saving, rail transport energy saving, industrial energy saving and energy saving for heat supply network, we remain committed to exploit and enhance our business layouts in the city-level energy saving field. In the future, the Group will strive to materialize the horizontal business expansion through seeking out potential acquisition opportunities, with an objective to achieving effective integration of resources in all aspects of the city-level energy saving fields. Meanwhile, the Group will innovate and develop a diversified business model, proactively explore the business model of "products and solutions + EPC/EMC + operation", enhance its capabilities in delivering integrated services. We will use our best endeavors to realize a diversified service portfolio in respect of the city-level energy saving fields as soon as possible and create a new blueprint for smart cities.

Integration of resources, focus on developing the Chinese market

As always, profit contribution from Chinese market, a primary market of the Group, plays a prominent part in the development of the Group. With the current huge demand for low carbon and environmental protection and sustainable development in the cities and towns of China, coupled with the strong support given by the government's policies, the Group is of the view that it is a rare opportunity for the development in the energy saving market in China. In the future, the Group will focus on the integration and allocation of the internal effective resources, and emphasize on accelerating the Chinese market exploitation. Based on the facilitation of city-level building energy saving business and the "Government-Enterprises-Financial Institution Triad" Model, we will keep on developing key cities and engage in demonstration projects so that more market shares would be gained. The Group will also continue to expand its customer base, probe deep into customers' needs, explore the energy saving refining services, extend the continuity of the projects and realize a long term, stable and win-win relationship with customers.

Continuous research and development, innovative technologies and application platform

Improving the technological competencies of its core products and the capabilities in delivering integrated services have always been the cornerstones of the development of the Group. In the future, the Group will continue to increase in R&D investment and innovation, further consolidate and upgrade its leading position and technological edge among the building energy saving and related fields so as to realize the fastest application of the most advanced energy management technologies in the market. The Group will enhance the research and development in respect of the collection and management of cloud data, core algorithm of central air-conditioning control and the application software of regional power station sector, and will extend and apply the core technologies to every sector relating to energy saving. Meanwhile, we will keep on exploring new energy saving technologies, research and develop more diversified and humanized energy saving operation systems, application platforms and end devices. The Group will make use of the most powerful technology that it owns as the development cornerstone in order to provide huge driving force for realizing fast development and continue to create enhanced values for shareholders.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

Our total revenue increased by approximately US$54.8 million from approximately US$166.6 million for the year ended 31 December 2013 to approximately US$221.4 million for the year ended 31 December 2014.

Revenue by business segments

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

	For the year ended 31 December				
	2013		**2014**		**2014 vs 2013**
	Revenue (US$'000) (Restated)	% of revenue	**Revenue (US$'000)**	**% of revenue**	
Building energy-saving solutions:					
Integrated building automation systems	106,820	64.2%	**125,026**	**56.5%**	17.0%
Energy management systems	21,852	13.1%	**35,692**	**16.1%**	63.3%
Industrial energy-saving solutions:	17,868	10.7%	**40,346**	**18.2%**	125.8%
Others:					
Control security systems	19,316	11.6%	**19,383**	**8.8%**	0.3%
Fire alarm systems	725	0.4%	**996**	**0.4%**	37.4%
Total	166,581	100.0%	**221,443**	**100.0%**	32.9%

Building energy-saving solutions

Revenue from building energy-saving solutions increased by approximately US$32.0 million from approximately US$128.7 million for the year ended 31 December 2013 to approximately US$160.7 million for the year ended 31 December 2014 which was contributed by both the Chinese and overseas markets. For the Chinese market, the Company recorded revenue from building energy-saving solutions of approximately US$95.9 million, representing an increase of approximately 28.5% as compared to the previous year. For the overseas market, the Company recorded revenue from building energy-saving solutions of approximately US$64.8 million, representing an increase of approximately 19.9% as compared to the previous year.

Increasing demand on building energy-saving played an important role in keeping sustainable growth, which arose from rolling out of domestic encouraging polices and increasing awareness of energy-efficient products globally. The increase was also due to our brand recognition and experience in large-scale projects riding on the Group's efforts to accelerate the research and development of new technology as well as strengthening sales and marketing strategies.

Industrial energy-saving solutions

Revenue from industrial energy-saving solutions dramatically increased by approximately 125.8% from approximately US$17.9 million for the year ended 31 December 2013 to approximately US$40.3 million for the year ended 31 December 2014.

Besides the domestic encouraging policies on energy saving industry, the dramatically increase in revenue is due to more contracts completing the phase of the construction and entering into the revenue sharing period.

Others

The two non-core business segments, which are controls security systems and fire alarm systems, recorded a revenue of approximately US$20.4 million for the year ended 31 December 2014, representing an increase of approximately 1.7% as compared to 2013.

Revenue by Geographical Region

The table below sets out our revenue by Geographical Region for the periods indicated.

	For the year ended 31 December				
	2013		**2014**		**2014 vs 2013**
	Revenue (US$'000) (Restated)	% of revenue	**Revenue (US$'000)**	**% of revenue**	
The PRC	112,554	67.6%	**156,649**	**70.7%**	39.2%
North America	28,203	16.9%	**35,871**	**16.2%**	27.2%
Europe	14,362	8.6%	**20,393**	**9.2%**	42.0%
Rest of the world	11,462	6.9%	**8,530**	**3.9%**	(25.6%)
Total	166,581	100.0%	**221,443**	**100.0%**	32.9%

Revenue from the PRC market dramatically increased by approximately US$44.0 million to approximately US$156.6 million for the year ended 31 December 2014 from approximately US$112.6 million for the year ended 31 December 2013. This increase was due to the good progress of "city-level energy efficiently retrofit", the commitment of the PRC government to the reduction of carbon emission, as well as the incentive provided by PRC government for using environmental friendly products.

For the overseas market, the business in North America market increased by approximately US$7.7 million from approximately US$28.2 million for the year ended 31 December 2013 to approximately US$35.9 million for the year ended 31 December 2014. The revenue from Europe market increased by approximately US$6.0 million from approximately US$14.4 million for the year ended 31 December 2013 to approximately US$20.4 million for the year ended 31 December 2014. This increase was attributable to our increasing marketing efforts in such business segment to procure new projects and the increasing demand for energy-saving solutions and relevant products in the market.

Cost of sales

Cost of sales increased by approximately 30.9%, or approximately US$34.1 million, from approximately US$110.3 million for the year ended 31 December 2013 to approximately US$144.4 million for the year ended 31 December 2014. Reasons lead to the increase were mainly attributable to an overall increase in the number of projects and the size of projects.

Gross profit

Due to the foregoing factors, gross profit increased by approximately US$20.8 million from approximately US$56.2 million for the year ended 31 December 2013 to approximately US$77.0 million for the year ended 31 December 2014. Gross profit margin increased from approximately 33.8% for the year ended 31 December 2013 to approximately 34.8% for the year ended 31 December 2014.

Other revenue

Other revenue increased from approximately US$3.7 million for the year ended 31 December 2013 to approximately US$4.2 million for the year ended 31 December 2014, due to US$0.7 million increase in interest income.

Other net (loss)/gain

Other net (loss)/gain increased from approximately US$1.1 million of loss for the year ended 31 December 2013 to approximately US$0.03 million of gain for the year ended 31 December 2014 primarily due to the change of foreign exchange rate.

Selling and distribution costs

Selling and distribution costs increased by approximately US$2.0 million, from approximately US$12.5 million for the year ended 31 December 2013 to approximately US$14.5 million for the year ended 31 December 2014. The increase was primarily due to an increase of approximately US$1.2 million in staff costs associated with the expansion of the Group's sales and distribution network. As a percentage of sales, selling and distribution costs slightly decreased to 6.6% for the year ended 31 December 2014 from 7.5% for the year ended 31 December 2013 due to the efficient cost control system.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately US$3.7 million, from approximately US$16.7 million for the year ended 31 December 2013 to approximately US$20.4 million for the year ended 31 December 2014. The increase was primarily due to group's expansion.

Research and development expenses

Research and development expenses significantly increased from approximately US$4.7 million for the year ended 31 December 2013 to approximately US$5.5 million for the year ended 31 December 2014, mainly due to our continuing effort in research and development activities.

Finance costs

Finance costs increased from approximately US$2.9 million for the year ended 31 December 2013 to approximately US$5.1 million for the year ended 31 December 2014. The increase was primarily due to the increase of financing for large-scale projects.

Income tax

Income tax increased from approximately US$5.3 million for the year ended 31 December 2013 to approximately US$9.2 million for the year ended 31 December 2014. The increase was mainly due to an increase in the Group's profit before taxation in 2014.

Profit for the year

As a result of the foregoing factors, net profit for the year increased by approximately 58.3% from approximately US$16.8 million for the year ended 31 December 2013 to approximately US$26.6 million for the year ended 31 December 2014. Net profit margin increased from approximately 10.1% for the year ended 31 December 2013 to approximately 12.0% for the year ended 31 December 2014.

Working capital and financial resources

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

	As at 31 December	
	2013 (US$'000) (Restated)	**2014** **(US$'000)**
Inventories	16,586	**18,059**
Trade and other receivables	89,235	**123,509**
Trade and other payables	85,967	**84,308**
Average inventories turnover days	51	**45**
Average trade and other receivables turnover days	174	**175**
Average trade and other payables turnover days	236	**215**

The Group's inventories increased from approximately US$16.6 million as at 31 December 2013 to approximately US$18.1 million as at 31 December 2014 primarily due to the stock up of inventory in anticipation of securing large-scale projects.

The Group's average inventory turnover days slightly decreased from approximately 51 days in 2013 to approximately 45 days for the year ended 31 December 2014 to accommodate the Group's inventory management policy.

The Group's trade and other receivables amounted to approximately US$89.2 million and approximately US$123.5 million as at 31 December 2013 and 2014, respectively. Such increase in trade and other receivables is attributable to the increase in the revenue of the Group as a result of its global expansion.

The Group's average trade and other receivables turnover days were approximately 174 days and approximately 175 days for the year ended 31 December 2013 and 2014 to respectively, which primarily resulted from the sustainable credit policy we applied.

The Group's trade and other payables slightly decreased from approximately US$86.0 million as at 31 December 2013 to approximately US$84.3 million as at 31 December 2014 resulting from the Group's trade payable management policy.

The Group's average trade and other payables turnover days was approximately 236 days and approximately 215 days for the year ended 31 December 2013 and 2014 mainly to cope with the credit period granted to the Group's customers (especially those project-based customers) and sustain a good relationship with our suppliers.

Liquidity and financial resources

During 2014, the Group has financed its operations primarily through cash flow from operations and bank borrowings. As at 31 December 2014, the Group had approximately US$74.3 million in cash and cash equivalents. 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 31 December 2014, the Group's indebtedness consisted of short-term loan of approximately US$63.7 million, average annual interest rate is 5.93%, long-term loan of approximately US$38.5 million, average annual interest rate is approximately 6.15% and obligations under finance lease of approximately US$0.1 million.

The increase in the Group's indebtedness in 2014 was mainly due to the Group's business expansion in China.

The Group's debts were primarily denominated in Renminbi ("RMB"), Canadian dollar ("CAD") and Euro ("EUR"). Cash and cash equivalents were primarily denominated in RMB, CAD, EUR and U.S. dollars.

Gearing ratio as at 31 December 2014, defined as loans and borrowings divided by total assets, is approximately 28.2% (2013: approximately 22.7%).

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions related. The currencies giving rise to this risk are primarily Euros, United States Dollars and Hong Kong Dollars. The Group had not used any financial instruments for hedging purposes during the year under review.

Nevertheless, the management will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when conditions are required.

Pledge of assets

As at 31 December 2014, certain of the Group's interest-bearing bank borrowings were pledged by the Group's assets. The Group's pledged assets increased from approximately US$17.6 million as at 31 December 2013 to approximately US$22.1 million as at 31 December 2014 resulting primarily from the requirement of the bank.

Contractual obligation and capital commitments

The following table sets forth the Group's non-cancellable operating lease commitments as at 31 December 2013 and 2014. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	2013 (US$'000) (Restated)	**2014 (US$'000)**
Within one year	1,198	**1,955**
After one year but within five years	2,914	**3,488**
Total	4,112	**5,443**

Capital commitments outstanding at 31 December 2013 and 2014 not provided for in the financial statements were as follows:

	2013 (US$'000) (Restated)	**2014 (US$'000)**
Contracted for	42,753	**34,342**

Contingent liabilities

As at 31 December 2014, 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 company (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 31 December 2014, the Group had a total of 809 employees, representing an increase of 2% compared to 792 employees as at 31 December 2013. Total staff costs for 2014 increased to approximately US$24.9 million from approximately US$20.0 million for the year ended 2013, mainly due to employee and salary increment.

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

On 17 April 2014, the Company (as purchaser) entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Valueworth Ventures Limited and Resuccess Investments Limited (as vendors), which together indirectly own the entire equity interest in Tongfang Energy Saving. Upon completion of the Sale and Purchase Agreement on 14 August 2014, Tongfang Energy Saving became an indirectly wholly-owned subsidiary of the Company. Please refer to the announcements of the Company dated 30 April 2014, 24 June 2014, 14 July 2014 and 14 August 2014 and the circular of the Company dated 24 June 2014 for further details.

Save as disclosed above, for the year ended 31 December 2014, the Group did not make any other material acquisition or disposal of subsidiaries or associates.

Significant investment

For the year ended 31 December 2014, the Group had no significant investment.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Zhao Xiaobo (趙曉波), aged 45, is an executive director and chief executive officer of the Company, responsible for overall strategic planning and general management of the Group. He joined the Group in May 2005 and was appointed a Director on 26 May 2005 and was re-designated as an executive Director on 12 April 2011. Apart from being the general manager of Technovator Beijing, Mr. Zhao is also an assistant to the president of Tsinghua Tongfang Co., Ltd. ("THTF") and a general manager of "Digital City Division" of THTF. Mr. Zhao received his Bachelor's degree in Thermal Engineering from Tsinghua University in 1993 and Executive Master of Business Administration from Tsinghua University in 2005. Mr. Zhao was qualified as professor and researcher level senior engineer (教授研究員級高級工程師) by the Human Resource and Social Security Department of Liaoning Province (遼寧省人力資源和社會保障廳) in 2009 and was appointed as the vice-chairman of Intelligent Building Branch of China Construction Industry Association (中國建築業協會智能建築分會) in April 2010.

Mr. Zhao joined the Beijing Tsinghua Artificial Environmental Engineering Co. (清華人工環境工程公司) in 1993 and worked in various departments related to environmental protection, responsible for research and development, business strategies, and planning. He had participated in many "intelligent building" projects, such as projects with the Beijing Hotel in the PRC and the Tehran Metro in Tehran, Iran. Mr. Zhao and such projects that he was involved in received various awards including the building low-carbon technology innovation award issued by Ministry of Science and Technology of the PRC (中華人民共和國科學技術部).

Mr. Seah Han Leong (謝漢良), aged 51, is a founder, an executive director and chief operating officer of the Company, is responsible for the day-to-day operations and general management of the Group. He was appointed a director on 25 May 2005 and was re-designated as an executive director on 12 April 2011. Mr. Seah received a certificate for attending the INSEAD-T.A.C. Management Development Program from INSEAD Fontainbleau, France in 2003 and Technician Diploma in Electronics and Communication Engineering from Singapore Polytechnic in 1984.

Prior to founding the Company, Mr. Seah joined Honeywell Southeast Asia in 1990 and worked in various sales management positions covering different countries. In 1994, he was transferred to Honeywell China Inc. and his last position with Honeywell was the sales manager covering the Greater China market. He was also the managing director of TAC Controls Asia Pte Ltd from 1998 to 2005. Mr. Seah was recognized as the key personnel of the Asia Pacific management team of TAC Controls Asia Pte Ltd. He received various awards including Winners Club Award by Honeywell Asia Pacific Inc. and President's Club Award by Honeywell Inc. Mr. Seah was admitted as ordinary member of the Singapore Institute of Directors on 18 April 2012.

Mr. Seah is also the executive director, president and chief executive officer of Neo-Neon Holdings Limited (stock code: 1868). Neo-Neon Holdings Limited is listed on the Main Board of the Hong Kong Stock Exchange.

Non-Executive Directors

Mr. Lu Zhicheng (陸致成), aged 66, is the chairman of the Company and a non-executive Director and is responsible for the strategic planning, management, investment, and governmental relation of the Group. He joined the Group in December 2005 and was appointed a Director on 19 December 2005 and was re-designated as a non-executive Director on 12 April 2011. Mr. Lu received a Bachelor's and a Master's degree in Thermal Engineering from Tsinghua University in 1977 and 1983 respectively. He started his professional career with Tsinghua University in scientific research relating to computer-controlled artificial environment.

Mr. Lu was the general manager of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies held by Tsinghua University and formed Tsinghua Tongfang Co., Ltd. ("THTF"). THTF has been listed on the Shanghai Stock Exchange since 27 June 1997. Mr. Lu is currently the chairman of the board of directors of THTF (Stock Code: 600100) in charge of the high-level management functions including strategic planning, financing, investment and coordination with the government authorities.

Mr. Lu is also an executive director and the chairman of the Board of Neo-Neon Holdings Limited (stock code: 1868), the chairman of the board of Tellhow Sci-Tech Co. Ltd (stock code: 600590), Tongfang Guoxin Electronics Co., Ltd. (stock code: 002049), and a non-executive director of CIAM Group Limited (stock code: 0378). Tellhow Sci-Tech Co. Ltd is listed on the Shanghai Stock Exchange in China. Tongfang Guoxin Electronics Co., Ltd. is listed on the Shenzhen Stock Exchange in China, while Neo-Neon Holdings Limited and CIAM Group Limited are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Ng Koon Siong (黃坤商), aged 50, was appointed as a Director on 1 January 2011 and was re-designated as a non-executive Director on 12 April 2011. Mr. Ng was also a Director from 1 February 2008 to 4 March 2010 appointed by Zana as its representative on the Board and was replaced by Mr. Chan Hock Eng from 5 March 2010 to 31 December 2010 in accordance with the internal policy of Zana. Mr. Ng received his Bachelor of accountancy degree from the National University of Singapore in June 1989.

Mr. Ng had over 18 years of experience in investment, corporate banking and finance. Prior to joining the Group, he was the senior vice president at GIC Special Investments Pte Ltd and prior to GIC Special Investment Pte Ltd, he was with Seavi Advent and Banque National de Paris.

Mr. Liu Tianmin (劉天民), aged 53, was appointed as a non-executive director on 8 September 2011. Mr. Liu had over eight years of experience in strategic investments and portfolio management. In March 2003, he was appointed as the vice president of Tongfang and general manager of "Digital TV System" Division, one of the divisions of Tongfang. Such division stresses on enhancing technological products and services on digital television network and Mr. Liu was responsible for strategic investment and management of extensive portfolio of companies with business covering information technology, new media, internet, broadcasting services, telecommunication and information technologies equipment such as Beijing Tongfang Ehero Co., Ltd (北京同方易豪科技有限公司), Beijing Tsinghua Tongfang Innovative Investment Co., Ltd. (北京同方創新投資有限公司), Know China International Holdings Limited (知網國際控股有限公司), Beijing Tongfang Legend Silicon Tech. Co., Ltd (北京同方凌訊科技有限公司) and Beijing Tongfang Gigamega Tech Co., Ltd (北京同方吉兆科技有限公司).

Mr. Liu left Tongfang in 2009 and subsequently joined SB China Venture Capital (軟銀中國創業投資有限公司) as Managing Partner in November 2009. Established in 2000, SB China Venture Capital is a one of the top 10 venture capital firms in China as ranked by CNBWeekly in 2009. Mr. Liu's previous experience in investing in technological fields has allowed him to manage SBCVC's related funds.

Mr. Liu is also the independent non-executive director of Neo-Neon Holdings Limited (stock code: 1868). Neo-Neon Holdings Limited is listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Fan Xin, aged 54, was appointed as a non-executive director on 31 March 2014. He graduated with a master's degree in thermal engineering (熱能工程) from Tsinghua University in 1988.

Mr. Fan joined the Beijing Tsinghua Artificial Environmental Engineering Co. (北京清華人工環境工程公司) in 1993 and served as a senior engineer and the manager of a branch company. In 1997, this company was restructured with some other companies held by Tsinghua University and formed Tsinghua Tongfang Co., Ltd ("THTF"). THTF has been listed on the Shanghai Stock Exchange since 27 June 1997. Mr. Fan is currently the president of THTF (stock code: 600100).

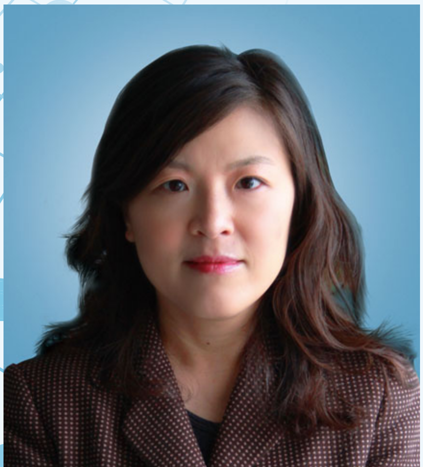
Mr. Fan served as the researcher, senior engineer, general manager and vice president of Tongfang Artificial Environment Co., Ltd. (同方人工環境有限公司), which is under THTF, during the period from 1997 to 2012. He was the vice president of THTF in 2012 and was promoted as the president of THTF in 2013.

Independent Non-Executive Directors

Mr. FAN Ren Da, Anthony (范仁達), aged 54, was appointed as our independent non-executive director in September 2011. Mr. Fan is currently the chairman of AsiaLink Capital Limited and also an independent non-executive director of Neo-Neon Holdings Limited (Stock Code: 1868), Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Renhe Commercial Holdings Company Limited (Stock Code: 1387), Tenfu (Cayman) Holdings Ltd. (Stock Code: 6868), Citic Resources Holdings Limited (Stock Code: 1205), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), China Development Bank International Investment Limited (Stock Code: 1062), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), CGN Meiya Power Holdings Co., Ltd. (Stock Code: 1811) and LT Commercial Real Estate Limited (Stock Code: 112), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fan holds a master's degree in business administration from the United States.

Mr. Chia Yew Boon (謝有文), aged 56, was appointed as an independent non-executive Director on 8 September 2011. He received his Diploma of Chemical Engineering from Université Louis-Pasteur Strasbourg-I, France in July 1983.

Before entering the financial sector, Mr. Chia worked for the Economic Development Board of the Singapore government in various capacities from 1985 to 1990. He then spent eight years in equity research and corporate finance with regional investment banks from 1990 to 1998. From 1999 to 2005, Mr. Chia served as the senior vice president at GIC Special Investments Pte Ltd, a subsidiary of the Government of Singapore Investment Corporation. From 2005 to 2007, he was the chief executive officer of EasyCall International Ltd, a company involved in tertiary education in China and Australia, which was previously listed on the ASX Limited (Australian Securities Exchange) and Singapore Stock Exchange Limited, and a director of strategic planning at Boustead Singapore Limited, an engineering and information technology services company whose shares are listed and traded on the Singapore Stock Exchange Limited. Since April 2007, he has been an independent private equity and venture capital consultant.



Ms. Chen Hua (陳華), aged 49, was appointed as an independent non-executive director on 8 September 2011. Ms. Chen received a Bachelor's degree in Science from New York University in 1988, and a Master's degree in Science with major in taxation from Fordham University in 1992. Since 2010, Ms. Chen is the operating partner and chief financial officer of SB China Venture Capital (軟銀中國創業投資有限公司). Ms. Chen was a director in the asset management division of Credit Suisse from 25 September 2000 to 31 December 2009. From 1993 to 2000, Ms. Chen was a Tax Consulting Manager with Arthur Andersen LLP and Ernst & Young's financial service division, providing tax and structure consulting services to broker/dealers, hedge fund, private equity, venture fund and 40 Act mutual fund companies. Ms. Chen is a U.S. certified public accountant.

Senior Management

Mr. Zhao Xiaobo (趙曉波), please refer to the details set out above under the paragraph headed "Executive Directors".

Mr. Seah Han Leong (謝漢良), please refer to the details set out above under the paragraph headed "Executive Directors".

Mr. Leung Lok Wai (梁樂偉), aged 39, is the chief financial officer of the Group and a joint company secretary of the Company. He joined the Group in June 2010. Mr. Leung received his Bachelor's degree in accountancy from the Hong Kong Polytechnic University in December 1999. He is a member of Hong Kong Society of Accountants and a member of the Institute of Internal Auditors. Before joining the Group, Mr. Leung had over 10 years of experience in accounting, auditing and due diligence, including transaction services in PricewaterhouseCoopers, group internal audit in Swire Group and audit assurance services in KPMG.

Mr. Étienne Veilleux, aged 45, is the founder of Distech Controls and served as the president and chief executive officer of Distech Controls since 1995. He attended the University of Western Ontario's Richard Ivey School of Business, Canadian Quantum Shift program in 2009 and he became a Fellow of Quantum Shift. From May 2008 to September 2009, Mr. Veilleux served at the board of directors of LONMARK International and was a sponsor of the same since 2005. He is a member of the Young Presidents' Organization and the Entrepreneur Organization in Montreal. Mr. Veilleux had over 17 years of experience in building automation, energy-savings and new product development.

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai (梁樂偉), please refer to the details set out above under the paragraph headed "Senior Management".

Ms. Tan Siew Hua (陳秀華), aged 54, was appointed as a joint company secretary of the Company on 15 March 2012. She is a member of The Singapore Association of the Institute of Chartered Secretaries & Administrators. Ms. Tan Siew Hua is currently serving as a manager of Tricor Singapore Pte Ltd.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group are principally engaged in the design, manufacturing and distribution of integrated building automation and energy management systems. In addition, the Group provides products and solutions for control security and fire alarm systems.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in note 16 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 48 to 122 of this annual report.

DIVIDENDS

The Company has not declared and paid any dividend during the year ended 31 December 2014. The Board does not recommend any final dividend for the year ended 31 December 2014.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company does not have reserves available for distribution to equity shareholders. Details of the reserves of the Company as at 31 December 2014 are set out in note 27 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2014 amounted to approximately USD56,311 (2013: USD34,089).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2014 are set out in note 27 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2014 and as at the date of this report were:

Executive Directors
Mr. Zhao Xiaobo
Mr. Seah Han Leong

Non-Executive Directors
Mr. Lu Zhicheng *(Chairman)*
Mr. Fan Xin (appointed on 31 March 2014)
Mr. Ng Koon Siong
Mr. Liu Tianmin
Mr. Li Jisheng (resigned on 31 March 2014)

Independent Non-Executive Directors
Mr. Fan Ren Da Anthony
Mr. Chia Yew Boon
Ms. Chen Hua

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Each of the executive, non-executive and independent non-executive Directors on the Board during the year ended 31 December 2014 other than Mr. Fan Xin had entered into a service contract with the Company for an initial term of one year, commencing from 27 October 2011. Mr. Fan Xin has entered into a service contract with the Company for an initial term of one year commencing from 31 March 2014. Each of the service contracts are automatically renewed upon expiration and until terminated by either party upon a three-month prior written notice.

In accordance with article 104 of the Company's articles of association, Mr. Seah Han Leong, Mr. Ng Koon Siong and Mr. Fan Ren Da Anthony will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 16 to 23 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed below, there was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, 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 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 for Securities Transactions of Directors of Listed Issuers (the "Model Code"):

Long Positions in the Company

Name of Director and 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	1.24%
	Beneficial owner	10,120,000	1.57%
	Beneficial owner	5,800,000[2]	0.90%
Mr. Lu Zhicheng	Beneficial owner	8,800,000[2]	1.37%
Mr. Zhao Xiaobo	Beneficial owner	5,120,000	0.79%
	Beneficial owner	5,800,000[2]	0.90%
Mr. Leung Lok Wai	Beneficial owner	3,600,000[2]	0.56%
Ng Koon Siong	Beneficial owner	1,000,000[2]	0.16%
Liu Tianmin	Beneficial owner	500,000[2]	0.08%
Fan Ren Da Anthony	Beneficial owner	500,000[2]	0.08%
Chia Yew Boon	Beneficial owner	500,000[2]	0.08%
Chen Hua	Beneficial owner	500,000[2]	0.08%

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 31 December 2014, 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).

PRE-IPO SHARE OPTION SCHEMES

The Group has adopted the following Pre-IPO share option schemes (collectively, "Pre-IPO Share Option Schemes") to enable its employees to build up a stake in the Group:

(i) Technovator Employee Share Option Scheme 2009; and

(ii) Distech Controls Stock Option Plan.

(i) Technovator Employee Share Option Scheme 2009

The Technovator Employee Share Option Scheme 2009 was approved by resolutions of the Shareholders 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.

There are no outstanding options under the Technovator Employee Share Option Scheme 2009.

(ii) Distech Controls Stock Option Plan

The Distech Controls Stock Option Plan was approved by resolutions of the board of directors of Distech Controls on 28 May 2008.

Options to subscribe to an aggregate of 1,770,000 class B common shares of Distech Controls ("Class B Common Shares"), representing approximately 4.58% of the total number of issued shares of the Distech Controls (being 38,670,669 shares), at an exercise price of CAD$0.60 have been conditionally granted to 28 participants by Distech Controls under the Distech Controls Stock Option Plan. All the options under the Distech Controls Stock Option Plan were granted on 27 August 2008, 8 September 2009, 10 March 2010, 19 January 2011 and 19 July 2011, and no further options will be granted under the Distech Controls Stock Option Plan after the listing of the Company.

Details of the movement of share options granted the Distech Controls Stock Option Plan as at 31 December 2013 are as follows:

	Number of shares issuable under the share options			
Name	Outstanding as at 1 January 2014	Issued and repurchased by Distech Controls for cancellation upon exercise of share options during the year ended 31 December 2014	Forfeited during the year ended 31 December 2014	Outstanding as at 31 December 2014
Employees	1,153,500	–	(22,500)	1,131,000

Save as disclosed above, no options granted under the Pre-IPO Share Option Schemes were exercised, lapsed or cancelled during the year ended 31 December 2014.

Further details of the Pre-IPO Share Option Schemes are set out in note 24 to the financial statements.

SHARE OPTION SCHEME

As terms of the Pre-IPO Share Option Schemes do not comply with the provisions in Chapter 17 of the Listing Rules, no further options may be granted 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 to grant options to eligible persons in addition to the Pre-IPO Share Option Schemes.

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 31 December 2014 are as follows:

Name	Date of Grant[1]	Exercise price per Share	Exercise period[2]	Number of shares issuable under the share options: Outstanding as at 1 January 2014	Exercised during the year end 31 December 2014	Granted during the year ended 31 December 2014	Outstanding as at 31 December 2014
Director, chief executive or substantial shareholder							
Lu Zhicheng	23 July 2012	HK$1.15	23 July 2014–22 July 2017	4,800,000	–	–	4,800,000
	5 September 2013	HK$3.06	5 September 2015 –4 September 2018	4,000,000	–	–	4,000,000
Zhao Xiao bo	23 July 2012	HK$1.15	23 July 2014–22 July 2017	4,800,000	–	–	4,800,000
	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	–	–	4,800,000
	5 September 2013	HK$3.06	5 September 2015 –4 September 2018	1,000,000	–	–	1,000,000
Ng Koon Siong	15 August 2014	HK$3.83	15 August 2016 –14 August 2019	–	–	1,000,000	1,000,000
Liu Tianmin	15 August 2014	HK$3.83	15 August 2016 –14 August 2019	–	–	500,000	500,000
Fan Ren Da Anthony	15 August 2014	HK$3.83	15 August 2016 –14 August 2019	–	–	500,000	500,000
Chia Yew Boon	15 August 2014	HK$3.83	15 August 2016 –14 August 2019	–	–	500,000	500,000
Chen Hua	15 August 2014	HK$3.83	15 August 2016 –14 August 2019	–	–	500,000	500,000
Leung Lok Wai	23 July 2012	HK$1.15	23 July 2014–22 July 2017	3,000,000	–	–	3,000,000
	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	31,100,000	3,100,000	–	28,000,000
	5 September 2013	HK$3.06	5 September 2015 –4 September 2018	9,800,000	–	–	9,800,000
	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 2016 –16 October 2019	–	–	4,000,000	4,000,000
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
	17 October 2014	HK$3.444	17 October 2016 –16 October 2019	–	–	3,000,000	3,000,000
Others							
In aggregate	5 September 2013	HK$3.06	5 September 2015 –4 September 2018	33,900,000	–	–	33,900,000
Total				100,600,000	3,100,000	14,300,000	111,800,000

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") shall have an Option Period (as defined in the Share Option Scheme) of 5 years from the respective Date of Grant and conditional upon the achievement of certain performance targets as set out in the offer letter, and 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"):

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

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

(ii) For suppliers of goods or services:

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

Save as disclosed above, no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 December 2014.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Share Option Schemes" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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 31 December 2014, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner Interest in a controlled corporation(1)	92,000,000 169,706,142	14.28% 26.34%
Resuccess Investments Limited	Beneficial owner	169,706,142	26.34%
Dragon Point Limited	Beneficial owner	65,436,320	10.16%
Zana China Fund L.P.	Interest in a controlled corporation(2)	65,436,320	10.16%
Diamond Standard Ltd	Beneficial owner	36,000,000	5.59%
Sun Lu	Beneficial owner Interest in a controlled corporation(3)	2,928,000 36,000,000	0.45% 5.59%
Liu Feng	Interest in a controlled corporation(4)	36,000,000	5.59%

Notes:

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

(3) Sun Lu owns one-third 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.

(4) Liu Feng owns two-third 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.

Save as disclosed above, as at 31 December 2014, 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.

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 year ended 31 December 2014.

CONNECTED TRANSACTION

Connected Transaction in relation to the Acquisition of Tongfang Energy Saving Engineering Technology Co., Ltd.
On 17 April 2014, the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Resuccess Investments Limited ("Resuccess") and Valueworth Ventures Limited ("Valueworth", and together with Resuccess, the "Vendors"), pursuant to which the Company conditionally agreed to acquire and the Vendors conditionally agreed to sell TFRH Investments Limited ("TFRH Investments") and Excel Perfect Investments Limited ("Excel Perfect"), which together owned the entire equity interest in Tongfang Energy Saving Engineering Technology Co., Ltd. (同方節能工程技術有限公司) (the "Target Company"). The consideration for the acquisition was RMB380 million (equivalent to approximately HK$478.4 million), which was satisfied by the allotment and issue of 89,706,142 Shares and 29,902,047 Shares by the Company to Resuccess and Valueworth respectively, at the issue price of HK$4 per Share.

As at the date of the Sale and Purchase Agreement, Resuccess, being a substantial shareholder of the Company, was a connected person of the Company under Rule 14A.11 of the Listing Rules.

In addition, Valueworth was an associate of a non-executive Director, and therefore a connected person of the Company under Rule 14A.11 of the Listing Rules.

Accordingly, the acquisition (the "Acquisition") of the TFRH Investments and Excel Perfect (together with their subsidiaries, the "Target Group") under the Sale and Purchase Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition was completed on 14 August 2014. Following the completion of the Acquisition, TFRH Investments and Excel Perfect have become direct wholly-owned subsidiaries of the Company, and the Target Company has become an indirect wholly-owned subsidiary of the Company.

Further details of the Acquisition are set out in the announcements of the Company dated 30 April 2014, 24 June 2014 and 14 August 2014 and the circular of the Company dated 24 June 2014.

CONTINUING CONNECTED TRANSACTIONS

Connected persons

(a) Tongfang Co., Ltd. ("Tongfang"): Tongfang is a controlling shareholder of the Company (the "Controlling Shareholder") and is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules.

The continuing connected transactions

1. *Sales of products to Tongfang from Technovator Beijing and such other parties procured by Technovator Beijing and agreed by Tongfang*

   On 9 February 2011, Technovator Beijing and Tongfang entered into a sales agreement ("Existing Sales Agreement") which was amended on 19 August 2011, pursuant to which Technovator Beijing agreed to sell or procure such other parties agreed by Tongfang to sell integrated building automation and energy management systems to Tongfang for a period of three years from 9 February 2011 to 8 February 2014.

   As the Board anticipates that the existing annual caps for the Existing Sales Agreement for the year ending 31 December 2013 will not be able to satisfy the operational needs of the Group and Tongfang, its subsidiaries, their respective associates and affiliates (the "Tongfang Group") for the year ending 31 December 2013. Technovator Beijing and Tongfang entered into a new sales agreement on 8 August 2013 ("New Sales Agreement") to terminate the Existing Sales Agreement with a new term of three years from 1 January 2013 to 31 December 2015 and annual caps for the years ending 31 December 2013, 2014 and 2015, being RMB240 million, RMB300 million and RMB360 million, respectively. The price at which the Group sells such products to the Tongfang Group will be determined based on normal commercial terms after arm's length negotiation.

   For the year ended 31 December 2014, the Group sold products to Tongfang Group in the amount of approximately RMB285,619,781, which was within the approved cap of RMB300 million.

   Further details of the New Sales Agreement are set out in the announcement of the Company dated 8 August 2013 and the circular of the Company dated 9 August 2013.

2. *Purchase of raw materials from Tongfang and such other parties procured by Tongfang and agreed by Technovator Beijing to Technovator Beijing*

   On 9 February 2011, Technovator Beijing and Tongfang entered into a purchase agreement ("Existing Purchase Agreement") which was amended on 19 August 2011, pursuant to which Tongfang agreed to sell or procure such other parties agreed by Technovator Beijing to sell cables and peripheral equipments to Technovator Beijing every three years from 9 February 2011 to 9 February 2014.

   As the Board anticipates that the existing annual caps for the Existing Purchase Agreement for the year ending 31 December 2013 will not be able to satisfy the operational needs of the Group and the Tongfang Group for the year ending 31 December 2013. Technovator Beijing and Tongfang entered into a new purchase agreement on 8 August 2013 ("New Purchase Agreement") to terminate the Existing Purchase Agreement with a new term of three years from 1 January 2013 to 31 December 2015 and annual caps for the years ending 31 December 2013, 2014 and 2015, being RMB120 million, RMB150 million and RMB180 million, respectively. The price of such raw materials supplied by the Tongfang Group to the Group will be determined based on normal and commercial terms after arm's length negotiations.

   For the year ended 31 December 2014, the Group purchased such raw materials from Tongfang Group in the amount of approximately RMB32,557,318, which was within the approved cap of RMB150 million.

   Further details of the New Purchase Agreement are set out in the announcement of the Company dated 8 August 2013 and the circular of the Company dated 9 August 2013.

3. *Provide to or receive from the Tongfang Group miscellaneous products and services*
On 8 August 2013, Technovator Beijing and Tongfang entered into a master agreement ("Master Agreement"), pursuant to which the Group may provide to or receive from the Tongfang Group miscellaneous products and services for a period of three years from 1 January 2013 to 31 December 2015 as may be required to satisfy the operational needs of the Group/Tongfang Group from time to time in the ordinary course of business of the Group with a Proposed Annual Cap of RMB35 million for each of the two categories of continuing connected transactions under the New Master Agreement for the years ending 31 December 2013, 2014 and 2015.

Pursuant to the New Master Agreement, the miscellaneous products and services provided by the Group to the Tongfang Group include (i) research and development services and products (including technology licensing) and (ii) management and consulting services in relation to the building energy management and solution, but exclude any transactions contemplated under the Existing Sales Agreement and the New Sales Agreement.

The miscellaneous products and services provided by the Tongfang Group to the Group include (i) rental services (including leasing of land, premises, machinery and equipment); (ii) research and development services and products (including technology licensing); and (iii) management and consulting services necessary to the Group's principal activities, but exclude any transactions contemplated under the four existing trademark license agreements all dated 28 May 2010 entered into between Technovator Beijing and Tongfang, as amended on 4 August 2011, the PRC Office Lease, the Existing Purchase Agreement and the New Purchase Agreement.

The prices at which the Group or the Tongfang Group provides such services will be based on the pricing mechanism as disclosed in the announcement of the Company dated 8 August 2013.

For the year ended 31 December 2014, the miscellaneous products and services provided by the Tongfang Group to the Group amounted to RMB4,027,805, which was within the approved cap of RMB35 million.

Further details of the Master Agreement are set out in the announcement of the Company dated 8 August 2013.

4. *The Procurement Agreement*
To regulate the purchase of equipment and products by the Target Group from the Controlling Shareholder (and its associates other than the Group) after the Acquisition, the Target Company and the Controlling Shareholder entered into the a procurement agreement on 21 April 2014 (the "Procurement Agreement"), pursuant to which the Controlling Shareholder (and its associates other than the Group) agree to sell, and the Target Company and other members of the Group agree to purchase, heat pumps, cooling systems and other products, equipment and systems and services relating to the Group's business of energy management, environmental protection and energy saving for a term of three years from 1 January 2014 until 31 December 2016.

The price of such products supplied by the Controlling Shareholder (and its associates other than the Group) to the Group will be determined based on normal and commercial terms after arm's length negotiations, with reference to the prevailing market price of similar products at the time of a particular transaction, and in any event no less favourable to the Group than those offered by independent third party suppliers to the Group.

The annual caps for the Procurement Agreement for the years ending 31 December 2014, 2015 and 2016 are RMB150 million, RMB185 million and RMB235 million, respectively.

For the year ended 31 December 2014, the amount of purchases by the Group from the Controlling Shareholder and its associates under the Procurement Agreement was approximately RMB23,684,390, which was within the approved cap of RMB150 million.

Further details of the Procurement Agreement are set out in the announcement of the Company dated 30 April 2014 and the circular of the Company dated 24 June 2014.

The independent non-executive directors of the Company have reviewed these connected transactions and confirmed that such transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from Independent Third Parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor, KPMG, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor, KPMG, has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange.

Details of the significant related party transactions undertaken in the normal course of business are provided under note 30 to the financial statements. None of these related party transactions constitute connected transaction or continuing connected transactions as defined under the Listing Rules that is required to be disclosed, except for those described in the sections headed "Connected Transaction" and "Continuing Connected Transactions" in this report, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than the continuing connected transactions set out above, no contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2014.

NON-COMPETE UNDERTAKINGS

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-compete (as defined in the prospectus of the Company dated 17 October 2011). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-compete have been complied with by the Controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors 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 at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of Singapore where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has adopted three share option schemes to motivate and reward its Directors and eligible employees. Details of these schemes are set out in the paragraph headed "Pre-IPO Share Option Schemes" and "Share Option Scheme" above and note 24 to the financial statements.

None of the Directors waived any emoluments during the year.

PENSION SCHEME

The employees of the Group's subsidiaries which operate in China are required to participate in defined contribution central pension schemes operated by the local municipal government. The subsidiaries of the Group are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the central pension scheme.

For the Group's subsidiaries in countries other than the PRC, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers for the year ended 31 December 2014 were 19.9% (2013: 11.7% (as restated)) and 30.2% (2013: 25.1% (as restated)) of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers for the year ended 31 December 2014 were 3.3% (2013: 3.6% (as restated)) and 11.4% (2013: 14.6% (as restated)) of the Group's total purchases respectively.

At no time during the year ended 31 December 2014, did a Director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers and suppliers.

AUDITORS

KPMG and KPMG LLP will retire and, being eligible, offer themselves for reappointment. Resolutions for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2014.

BANK LOANS

Details of bank loans of the Group as at 31 December 2014 are set out in note 23 to the financial statements.

FIVE-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

On behalf of the Board

Lu Zhicheng
Chairman

18 March 2015

CORPORATE GOVERNANCE REPORT

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board of Directors continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, 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

The Company has also adopted the Model Code set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2014 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 during the year ended 31 December 2014.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2014 and the date of this annual report, the Board comprised two executive Directors, four non-executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Zhao Xiaobo *(Chief Executive Officer and Authorised Representative)*
Mr. Seah Han Leong *(Chief Operating Officer and Authorised Representative)*

Non-executive Directors
Mr. Lu Zhicheng *(Chairman)*
Mr. Fan Xin (appointed on 31 March 2014)
Mr. Ng Koon Siong
Mr. Liu Tianmin
Mr. Li Jisheng (resigned on 31 March 2014)

Independent Non-executive Directors
Mr. Fan Ren Da Anthony
Mr. Chia Yew Boon
Ms. Chen Hua

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Group are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals have to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. Biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. To the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Board meetings were held from time to time to discuss the business strategies of the Group; monitor financial and operational performance; approve the annual and interim results of the Group; and discuss the corporate governance functions of the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

The Directors have been informed of the requirement under Code Provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training by attending briefings, seminars, conferences or reading materials with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development during the year ended 31 December 2014:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read materials**	**Attended seminars briefings**	**Read materials**	**Attended seminars briefings**
Executive Directors				
Mr. Zhao Xiaobo	✓	✓	✓	✓
Mr. Seah Han Leong	✓	✓	✓	✓
Non-executive Directors				
Mr. Lu Zhicheng *(Chairman)*	✓	✓	✓	✓
Mr. Fan Xin (appointed on 31 March 2014)	✓	✓	✓	✓
Mr. Ng Koon Siong	✓	✓	✓	✓
Mr. Liu Tianmin	✓	✓	✓	✓
Mr. Li Jisheng (resigned on 31 March 2014)	✓	✓	✓	✓
Independent non-executive Directors				
Mr. Fan Ren Da Anthony	✓	✓	✓	✓
Mr. Chia Yew Boon	✓	✓	✓	✓
Ms. Chen Hua	✓	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and the chief executive officer are segregated. Mr. Lu Zhicheng is the chairman of the Company. Mr. Zhao Xiaobo is the chief executive officer of the Company. The chairman is responsible in leading the Board in forming the Group's strategies and policies and for organizing the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business of the Group. The chief executive officer is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Fan Ren Da Anthony, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the content of such confirmations, the Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the new code provisions of the Corporate Governance Code relating to board diversity which has come into effect since 1 September 2013, the Board adopted a new board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

MEETINGS

The Board meets regularly either in person or through electronic means of communications. The number of the Board meetings and general meetings held and the attendance of each Director at these meetings for the year ended 31 December 2014 are set out as follows:

	Board Meeting	General Meeting
No. of meetings held	4	3
No. of meetings attended		
Executive Directors		
Mr. Zhao Xiaobo	4	3
Mr. Seah Han Leong	4	3
Non-Executive Director		
Mr. Lu Zhicheng *(Chairman)*	4	3
Mr. Fan Xin (appointed on 31 March 2014)	3	1
Mr. Ng Koon Siong	4	3
Mr. Liu Tianmin	4	1
Mr. Li Jisheng (resigned on 31 March 2014)	1	–
Independent Non-Executive Directors		
Mr. Fan Ren Da Anthony	4	3
Mr. Chia Yew Boon	4	1
Ms. Chen Hua	4	1

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the joint company secretaries of the Company at all times and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures complied with the Articles, as well as relevant rules and regulations.

JOINT COMPANY SECRETARIES

Ms. Tan Siew Hua and Mr. Leung Lok Wai are the joint company secretaries of the Company. Details of the biographies of Mr. Leung Lok Wai and Ms. Tan Siew Hua (collectively, the "Joint Company Secretaries") are set out in the section headed "Directors and Senior Management" of the annual report of which this corporate governance report forms part. The Joint Company Secretaries have been informed of the requirements under Rule 3.29 of the Listing Rules. Each of the Joint Company Secretaries has confirmed that he/she had attained no less than 15 hours of relevant professional training during the year ended 31 December 2014.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term, and is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For more details of the service contract of each of the Directors, please refer to the section headed "Report of the Directors" of this annual report.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors other than Mr. Fan Xin had entered into a service contract with the Company for an initial term of 1 year commencing from 27 October 2011. Mr. Fan Xin has entered into a service contract with the Company for an initial term of one year commencing from 31 March 2014.

All the service contracts of non-executive Directors and independent non-executive Directors are automatically renewed upon expiration and may be terminated by either party upon a three-month prior written notice.

BOARD COMMITTEES

The Board has established (i) audit committee, (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the board committees which explain their respective roles and the authority delegated to them by the Board are available on the websites of the Company and the Stock Exchange. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 8 September 2011 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The audit committee currently consists of three members, namely, Ms. Chen Hua, Mr. Fan Ren Da Anthony and Mr. Chia Yew Boon, all of whom are independent non-executive Directors. Ms. Chen Hua, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the audit committee. None of the members of the Audit Committee is a former partner of the existing external auditors of the Company.

During the year ended 31 December 2014, the Audit Committee mainly performed following duties:

– reviewed the Group's unaudited interim results for the six months ended 30 June 2014 and the audited annual results for the year ended 31 December 2014, met with the external auditors to discuss such interim results and annual results (without the Company's management being present), and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year ended 31 December 2014, 2 meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	**Attendance of Audit Committee Meetings**
Ms. Chen Hua *(Chairman)*	2
Mr. Fan Ren Da Anthony	2
Mr. Chia Yew Boon	2

There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 December 2014.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 8 September 2011 with written terms of reference. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review remuneration, and ensure none of the Directors determine their own remuneration. The remuneration committee currently consists of three members, namely, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony (both are independent non-executive Directors) and Mr. Ng Koon Siong (a non-executive Director). Mr. Fan Ren Da Anthony is the chairman of the remuneration committee.

During the year ended 31 December 2014, the Remuneration Committee mainly performed following duties:

- reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2014.

During the year ended 31 December 2014, 1 meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance of Remuneration Committee Meeting
Mr. Fan Ren Da Anthony *(Chairman)*	1
Mr. Chia Yew Boon	1
Mr. Ng Koon Siong	1

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (USD000')	Number of persons
301–400	–
401–500	3
501–600	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee on 8 September 2011 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. The nomination committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives. The nomination committee currently consists of three members, namely, Mr. Fan Ren Da Anthony, and Mr. Chia Yew Boon (two independent non-executive Directors) and Mr. Lu Zhicheng (a non-executive Director). Mr. Chia Yew Boon is the chairman of the nomination committee.

During the year ended 31 December 2014, the Nomination Committee mainly performed following duties:

- reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence; and

- reviewed the structure, size and composition of the Board during the year of 2014.

During the year ended 31 December 2014, 1 meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meetings of the Nomination Committee is set out below:

Name of Director	**Attendance of Nomination Committee Meeting**
Mr. Chia Yew Boon *(Chairman)*	1
Mr. Fan Ren Da Anthony	1
Mr. Lu Zhicheng	1

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the New Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The Board has held meetings from time to time to: (a) review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors; and (c) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

MEMORANDUMS AND ARTICLES OF ASSOCIATION

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2014.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Group for that period. The directors acknowledge their responsibilities for preparing the accounts of the Company. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditors in Hong Kong, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

EXTERNAL AUDITORS' REMUNERATION

The Company has re-appointed KPMG as the external auditor in Hong Kong and appointed KPMG LLP as the Company's registered author in Singapore during the year ended 31 December 2014. The external auditors are refrained from engaging in non-audit services except for specific approved items, such as review of interim results of the Group. The Audit Committee reviews the external auditor's statutory audit scope and non-audit services and approves its fees. For the year ended 31 December 2014, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditors is set out below:

	HK$'000
Audit services	4,519
Non-audit services	1,473

INTERNAL CONTROLS

The Board is responsible for ensuring the reliability and effectiveness of the Group's internal control systems on, among other things, financial, operational and compliance controls. The Board and the audit committee have reviewed the effectiveness of the Group's internal control systems on all major operations of the Group during the year under review.

The Group's internal control department has reported internal control fact findings to the Board and no major issues but areas for improvement have been identified. All of the recommendations from the Group's internal control department will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board and the audit committee considered that the key areas of the Group's internal control systems, including the adequacy of resources, qualifications and experience of our accounting and financial reporting staff, are reasonably implemented and the Group has fully complied with provisions of the Corporate Governance Code regarding internal control systems in general for the year ended 31 December 2014.

SHAREHOLDERS RIGHTS

How Shareholders can convene an extraordinary general meeting and put forward proposals at Shareholders' meetings

Under the Articles, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act (Cap. 50) of Singapore (the "Singapore Companies Act"), however, directors of the Company must notwithstanding anything in its articles, on the requisition of shareholders holding not less than 10% of the total paid-up capital of a company at the date of the deposit of the requisition, immediately proceed to convene an extraordinary general meeting to be held as soon as practicable but in any case not later than 2 months after receipt by the company of the requisition. In addition to the said right of requisition, two or more shareholders holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may also call a meeting of the company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Mr. Leung Lok Wai, a Joint Company Secretary by mail at the Company's principal place of business in Hong Kong or by email at paddy_leung@thtf.com.cn. Mr. Leung Lok Wai will forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

COMMUNICATIONS WITH SHAREHOLDERS

The management endeavours to maintain effective communications with the Shareholders and potential investors.

The Company meets the Shareholders at the annual general meeting, publish interim and annual reports on the websites of the Company and the Stock Exchange, and release press releases on the Company's website to keep the Shareholders and potential investors abreast of the Group's business and development.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report
to the shareholders of Technovator International Limited
(Incorporated in Singapore with limited liability)

We have audited the consolidated financial statements of Technovator International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 122, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

18 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014
(Expressed in United States dollars)

	Note	2014 US$'000	2013 US$'000 (Restated)
Revenue	3,4	**221,443**	166,581
Cost of sales		**(144,406)**	(110,344)
Gross profit		**77,037**	56,237
Other revenue	5	**4,246**	3,701
Other net gain/(loss)		**34**	(1,108)
Selling and distribution costs		**(14,513)**	(12,501)
Administrative and other operating expenses		**(20,441)**	(16,701)
Research and development expenses		**(5,506)**	(4,650)
Profit from operations		**40,857**	24,978
Finance costs	6(a)	**(5,086)**	(2,933)
Profit before taxation		**35,771**	22,045
Income tax	7(a)	**(9,189)**	(5,258)
Profit for the year		**26,582**	16,787
Profit attributable to:			
Equity shareholders of the Company		**24,530**	15,577
Non-controlling interests		**2,052**	1,210
Profit for the year		**26,582**	16,787
Earnings per share	11		
Basic (US$)		**0.0393**	0.0255
Diluted (US$)		**0.0352**	0.0230

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Expressed in United States dollars)

	2014 US$'000	2013 US$'000 (Restated)
Profit for the year	26,582	16,787
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(2,035)	1,797
Total comprehensive income for the year	24,547	18,584
Attributable to:		
Equity shareholders of the Company	22,734	17,596
Non-controlling interests	1,813	988
Total comprehensive income for the year	24,547	18,584

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2014
(Expressed in United States dollars)

	Note	31 December 2014 US$'000	31 December 2013 US$'000 (Restated)	1 January 2013 US$'000 (Restated)
Non-current assets				
Property, plant and equipment	12	**55,740**	57,739	33,117
Lease prepayment		**519**	539	–
Intangible assets	13	**25,566**	21,616	16,953
Goodwill	14	**13,964**	15,554	16,257
Other financial assets	15	**46,384**	26,471	5,348
Deferred tax assets	25	**631**	1,165	420
		142,804	123,084	72,095
Current assets				
Trading securities	17	**1,997**	1,823	–
Inventories	18	**18,059**	16,586	12,208
Trade and other receivables	19	**123,509**	89,235	69,599
Gross amounts due from customers for contract work	22	**1,526**	451	824
Cash and cash equivalents	20	**74,298**	69,222	40,763
		219,389	177,317	123,394
Current liabilities				
Trade and other payables	21	**84,308**	85,967	56,525
Gross amounts due to customers for contract work	22	**732**	51	199
Loans and borrowings	23(b)	**63,734**	33,592	10,930
Obligations under finance leases		**30**	30	12
Income tax payable		**2,956**	1,761	1,668
		151,760	121,401	69,334
Net current assets		**67,629**	55,916	54,060
Total assets less current liabilities		**210,433**	179,000	126,155

The accompanying notes form part of these financial statements.

At 31 December 2014
(Expressed in United States dollars)

	Note	31 December 2014 US$'000	31 December 2013 US$'000 (Restated)	1 January 2013 US$'000 (Restated)
Non-current liabilities				
Loans and borrowings	23(b)	38,450	34,711	31,274
Obligations under finance leases		84	114	171
Deferred tax liabilities	25	3,077	1,965	2,100
Other non-current liabilities	26	34,691	35,571	–
		76,302	72,361	33,545
NET ASSETS		134,131	106,639	92,610
CAPITAL AND RESERVES				
Share capital	27	98,096	38,121	38,121
Reserves		31,283	63,730	47,887
Total equity attributable to equity shareholders of the Company		129,379	101,851	86,008
Non-controlling interests		4,752	4,788	6,602
TOTAL EQUITY		134,131	106,639	92,610

Approved and authorised for issue by the board of directors on 18 March 2015.

Zhao Xiaobo)
) *Directors*
Seah Han Leong)

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 December 2014
(Expressed in United States dollars)

	Note	31 December 2014 US$'000	31 December 2013 US$'000
Non-current assets			
Property, plant and equipment		**320**	228
Investments in subsidiaries	16	**93,786**	33,061
		94,106	33,289
Current assets			
Trading securities	17	**1,997**	1,823
Inventories		**24**	26
Trade and other receivables		**420**	303
Cash and cash equivalents	20	**694**	2,283
		3,135	4,435
Current liabilities			
Loans and borrowings		**1,998**	–
Trade and other payables	21	**2,587**	2,575
Obligations under finance leases		**26**	26
		4,611	2,601
Net current assets		**(1,476)**	1,834
Total assets less current liabilities		**92,630**	35,123
Non-current liabilities			
Obligations under finance leases		**77**	103
NET ASSETS		**92,553**	35,020
CAPITAL AND RESERVES	27		
Share capital		**98,096**	38,121
Reserves		**(5,543)**	(3,101)
TOTAL EQUITY		**92,553**	35,020

Approved and authorised for issue by the board of directors on 18 March 2015.

Zhao Xiaobo)
) *Directors*
Seah Han Leong)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company									
	Share capital Note 27(c) US$'000	Statutory reserves Note 27(d)(i) US$'000	Translation reserve Note 27(d)(ii) US$'000	Share-based compensation reserve Note 27(d)(iii) US$'000	Capital reserve arising from changes in ownership interests in subsidiaries Note 27(d)(iv) US$'000	Capital reserve arising from equity component of redeemable preference shares US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013 (as previously reported)	38,121	3,897	2,504	651	(294)	–	33,023	77,902	6,602	84,504
Adjusted for the acquisition of TFRH Investments (note 31)	–	–	20	–	7,935	–	151	8,106	–	8,106
Balance at 1 January 2013 (as restated)	38,121	3,897	2,524	651	7,641	–	33,174	86,008	6,602	92,610
Changes in equity for 2013 (as restated):										
Profit for the year	–	–	–	–	–	–	15,577	15,577	1,210	16,787
Other comprehensive income	–	–	2,019	–	–	–	–	2,019	(222)	1,797
Total comprehensive income for the year	–	–	2,019	–	–	–	15,577	17,596	988	18,584
Equity settled share-based transactions	–	–	–	795	–	–	–	795	–	795
Issuance of redeemable preference shares (note 26)	–	–	–	–	–	693	–	693	–	693
Repurchase of non-controlling interests	–	–	80	–	(3,729)	–	–	(3,649)	(6,545)	(10,194)
Appropriation to statutory reserves	–	1,779	–	–	–	–	(1,779)	–	–	–
Capital contribution from equity shareholders	–	–	–	–	408	–	–	408	3,743	4,151
Balance at 31 December 2013 and 1 January 2014 (as restated)	38,121	5,676	4,623	1,446	4,320	693	46,972	101,851	4,788	106,639
Balance at 1 January 2014 (as restated)	38,121	5,676	4,623	1,446	4,320	693	46,972	101,851	4,788	106,639
Changes in equity for 2014:										
Profit for the year	–	–	–	–	–	–	24,530	24,530	2,052	26,582
Other comprehensive income	–	–	(1,796)	–	–	–	–	(1,796)	(239)	(2,035)
Total comprehensive income for the year	–	–	(1,796)	–	–	–	24,530	22,734	1,813	24,547
Equity settled share-based transactions	–	–	–	1,902	–	–	–	1,902	–	1,902
Shares issued for the acquisition of TFRH Investments and Excel Perfect	59,413	–	–	–	(57,127)	–	–	2,286	(2,286)	–
Shares issued under Share Option Scheme 2012	562	–	–	(102)	–	–	–	460	–	460
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(714)	(714)
Appropriation to reserves	–	2,204	–	–	–	–	(2,204)	–	–	–
Capital contribution from equity shareholders	–	–	–	–	146	–	–	146	1,151	1,297
Balance at 31 December 2014	98,096	7,880	2,827	3,246	(52,661)	693	69,298	129,379	4,752	134,131

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2014
(Expressed in United States dollars)

	Note	2014 US$'000	2013 US$'000 (Restated)
Operating activities			
Profit before taxation		**35,771**	22,045
Adjustments for:			
Depreciation	6(c)	**6,182**	4,091
Amortisation of intangible assets and lease prepayment	6(c)	**4,111**	3,577
Impairment losses on trade and other receivables	6(c)	**872**	836
Finance costs	6(a)	**5,086**	2,933
Interest income	5	**(1,732)**	(969)
Net loss on disposal of property, plant and equipment		**33**	148
Fair value change on trading securities		**(174)**	197
Equity-settled share-based payment expenses	6(b)	**1,902**	795
Impairment of goodwill	14	**–**	461
Foreign exchange gain		**(386)**	(341)
		51,665	33,773
Increase in inventories		**(1,473)**	(4,378)
Increase in trade and other receivables		**(45,528)**	(21,277)
Increase in trade and other payables		**10,041**	18,868
Change in gross amounts due from/to customers for contract work		**(394)**	225
Increase in deferred income		**752**	14
Cash generated from operations		**15,063**	27,225
Income tax paid		**(6,383)**	(6,577)
Net cash generated from operating activities		**8,680**	20,648

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

For the year ended 31 December 2014
(Expressed in United States dollars)

	Note	2014 US$'000	2013 US$'000 (Restated)
Investing activities			
Payments for the purchase of property, plant and equipment		(10,035)	(29,659)
Expenditure on purchase of intangible assets		(8,855)	(8,121)
Payment for purchase of lease prepayment		–	(539)
Payment for Karamay construction contract	15	(9,131)	(18,040)
Proceeds from sale of property, plant and equipment		4,698	25
Proceeds from sale of intangible assets		–	2
Interest received		1,732	969
Payment for purchase of trading securities		–	(2,020)
Payment for acquisition of a subsidiary		(12,387)	–
Net cash used in investing activities		(33,978)	(57,383)
Financing activities			
Proceeds from issuance of shares		460	–
Repurchase of share options		–	(1,215)
Contributions from shareholders		1,297	15,559
Proceeds from issuance of redeemable preference shares		–	36,189
Proceeds from loans and borrowings		80,215	52,132
Repayment of loans and borrowings		(45,932)	(26,041)
Acquisition and repurchase of non-controlling interests		–	(7,646)
Other borrowing costs paid		(3,721)	(3,049)
Increase in restricted deposit		(2,069)	(72)
Net cash generated from financing activities		30,250	65,857
Net increase in cash and cash equivalents		4,952	29,122
Cash and cash equivalents at the beginning of the year		69,150	40,763
Effect of foreign exchange rate changes		(1,945)	(735)
Cash and cash equivalents at the end of the year	20	72,157	69,150

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 GENERAL INFORMATION

Technovator International Limited (the "Company") was incorporated in Singapore on 25 May 2005 under the name of "Technovator Int Private Ltd." as an exempted company with limited liability under the Singapore Companies Act (Chapter 50). The name of the Company was changed to Technovator International Limited on 8 September 2011. The Company and its subsidiaries hereinafter are collectively referred to as the "Group". The principal activities of the Group are the manufacture and distribution of building automation and management products, construction of building automation system and provision of related design, consulting and after sales warranty services. The details of the subsidiaries directly or indirectly owned by the Company are set out in note 16.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

During 2014, the Company acquired 100% equity interest in Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving"), through the acquisition of 100% equity interest in TFRH Investments Limited (the "TFRH Investments") and 100% equity interest in Excel Perfect Investments Limited ("Excel Perfect"), which are investing holding companies holding 75% equity interest and 25% equity interest in Tongfang Energy Saving, respectively. The total consideration was satisfied by the issuance of an aggregate of 119,608,189 shares of the Company, of which 89,706,142 and 29,902,047 shares are issued to the shareholders of TFRH Investments and Excel Perfect, respectively. As the Company and TFRH Investments are under common control of Tsinghua Tongfang Co., Ltd, consequently, the acquisition of TFRH Investments are accounted for using merger accounting in accordance with the accounting policy set out in note 2(h), and details are disclosed in note 31.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

These financial statements are presented in United States Dollars ("US$"), rounded to the nearest thousand except for per share data. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Financial instruments classified as trading securities (see note 2(f))

– Redeemable preference shares (see note 2(q))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(c) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statement:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the Group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p), 2(q) and 2(r), depending on the nature of liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the income statement as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the income statement. The net gain or loss recognised in the income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(w)(iv) and (w)(v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of the reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of balance sheet at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in the income statement in accordance with the policies set out in notes 2(w)(iv) and 2(w)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to the income statement. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

(h) Merge accounting for business combination under common control

The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5, Merger Accounting for Common Control Combinations ("AG 5") issued by the HKICPA to account for the acquisition of an entity or a business which is under common control with the Group, as if the acquisition had occurred and the acquired entity or business had been combined from the beginning of the earliest financial period presented.

The net assets of the Group and the acquired entity or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of the business combinations under common control. The consolidated statement of comprehensive income includes the results of the Group and the acquired entity or business from the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the acquired entity or business had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter.

Transaction costs incurred in relation to business combinations under common control that are accounted for by using merger accounting are recognised as an expense in the year in which they are incurred. Ordinary shares issued as part of a business combination under common control which is accounted for using merger accounting are included in the calculation of the weighted average number of shares for all periods presented.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Freehold land is not depreciated	
– Leasehold improvements	The shorter of the remaining term of the lease or 5 years
– Furniture and fittings	5 to 10 years
– Computers and office equipment	3 to 10 years
– Plant and machinery	5 to 11 years
– Motor vehicles	5 to 10 years
– Buildings situated on freehold land	10 to 20 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on an internal research and development projects is distinguished between the expenditures during the research phase and expenditures during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Other than certain trade name which has indefinite useful life, the following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patents and technology know-how	5 years
– Customer relationship	5–7 years
– Non-compete agreements	2 years
– Trade name	5 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill) *(Continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– goodwill, and

– investments in subsidiaries in the Company's statement of balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables".

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised at fair value if it is designated at fair value through profit or loss on initial recognition, or in accordance with the Group's policy for interest-bearing borrowings set out in note 2(p) and accordingly dividends thereon are recognised on an accrual basis in the income statement as part of finance costs.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(v)(i), trade and other payables are subsequently stated at amortised costs unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model and/or Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share capital) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to a business combination or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees is issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities *(Continued)*

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(v)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and excluding value added tax or other sales taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer which is taken to be the point in time when the final testing of goods is completed at the customers' premises and there is no continuing management involvement with the goods.

(ii) Service fee income

Service fee income is recognised when services are rendered to customers. For consulting service, the service fee income is recognised on a straight-line basis over the service period. For after-sales services, service fee income is deferred over the warranty period or when services are rendered to customers if the after-sales services are not covered by the warranty period.

(iii) Construction contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss. Items included in the financial statements of each entity in the Group are measured using the Group's functional currency that best reflects the economic substance of the underlying events and circumstances to that entity whereby, the financial statements are presented in US$, which is the Company's functional currency.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations in the People's Republic of China ("PRC"), France, the Netherlands and Canada are translated from their respective functional currencies into US$ at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into US$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and presented separately in equity in the exchange reserves.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if:

(a) that person has control or joint control over the Group;

(b) that person has significant influence over the Group; or

(c) that person is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) the entity is an associate or joint venture of the Group or an associate or joint venture of a member of a group of which the entity is a member;

(c) both entities are joint ventures of the same third party;

(d) the entity is a joint venture of a third entity and the Group is an associate of the same third entity, or vice versa;

(e) the entity is a post-employment plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly-controlled by a person identified in (i); or

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 REVENUE

The Group are principally engaged in the design, manufacturing and distribution of integrated building automation, energy management systems and industrial energy-saving systems. In addition, the Group provides products and solutions for control security and fire alarm systems.

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 the years ended 31 December 2013 and 2014 are as follows:

	2014 US$'000	2013 US$'000 (Restated)
Sales of goods	**159,694**	122,886
Provision of services	**21,200**	18,429
Contract revenue	**40,549**	25,266
	221,443	166,581

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 seven reportable segments. No operating segments have been aggregated to form the following reportable segments.

Building Automation Systems ("BAS") (PRC/North America/Europe/Other countries): This is a control and management system that provides intelligent control over various electrical systems in buildings, including air-conditioning, lighting, elevators, ventilation systems, water supply and discharge systems and power supply systems.

The Group's BAS business is segregated further into four operating segments on a geographical basis. All four operating segments primarily derive their revenue from the sales of BAS products. The products are generally a combination of items sourced externally and manufactured in the Group's manufacturing facilities.

Control security systems ("CSS"): This segment sells video surveillance products and develops security access systems in the PRC.

Fire alarm systems ("FAS"): This segment sells FAS products as well as design and manage fire prevention and fighting systems in different types of premises in the PRC.

Energy management systems ("EMS"): This segment provides advanced EMS through integrating its self-developed range of software as part of its total solution and services offered to customers and the hardware platform from running its software in the PRC.

Industrial energy-saving systems ("IES"): This segment provides energy saving related construction and management services, involves investment, construction, operation and maintenance services for industrial energy saving projects.

4 SEGMENT REPORTING *(Continued)*

(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 interest income and interest expenses. 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 expense from borrowings managed directly by the segments, depreciation, amortisation 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.

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 years ended 31 December 2013 and 2014 is set out below:

	BAS – PRC		BAS – North America		BAS – Europe		BAS – Other countries		CSS – PRC		FAS – PRC		EMS – PRC		IES – PRC		Total	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000 (Restated)
Revenue from external customers	**60,232**	52,793	**35,871**	28,203	**20,393**	14,362	**8,530**	11,462	**19,383**	19,316	**996**	725	**35,692**	21,852	**40,346**	17,868	**221,443**	166,581
Inter-segment revenue	**7,098**	6,759	**710**	378	**–**	–	**2**	3	**–**	–	**–**	–	**761**	–	**–**	–	**8,571**	7,140
Reportable segment revenue	**67,330**	59,552	**36,581**	28,581	**20,393**	14,362	**8,532**	11,465	**19,383**	19,316	**996**	725	**36,453**	21,852	**40,346**	17,868	**230,014**	173,721
Reportable segment profit	**12,285**	10,937	**6,117**	4,574	**3,478**	2,298	**1,454**	1,835	**818**	1,130	**164**	110	**16,723**	10,804	**10,386**	1,707	**51,425**	33,395
Finance costs	**(1,073)**	(503)	**(924)**	(431)	**(526)**	(585)	**–**	–	**–**	–	**–**	–	**–**	–	**(2,563)**	(1,414)	**(5,086)**	(2,933)
Depreciation and amortisation for the year	**(1,004)**	(896)	**(2,184)**	(2,142)	**(1,241)**	(1,091)	**(37)**	(51)	**(289)**	(291)	**(15)**	(11)	**(544)**	(329)	**(4,979)**	(2,857)	**(10,293)**	(7,668)

4 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues and profit or loss

	2014 US$'000	2013 US$'000 (Restated)
Revenue		
Reportable segment revenue	230,014	173,721
Elimination of inter-segment revenue	(8,571)	(7,140)
Consolidated revenue	221,443	166,581
Profit		
Reportable segment profit	51,425	33,395
Elimination of inter-segment profits	(40)	(36)
Reportable segment profit derived from the Group's external customers	51,385	33,359
Depreciation and amortisation	(10,293)	(7,668)
Finance costs	(5,086)	(2,933)
Unallocated head office and corporate expenses	(235)	(713)
Consolidated profit before taxation	35,771	22,045

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2014 US$'000	2013 US$'000 (Restated)
Revenue derived from:		
PRC	156,649	112,554
United States	29,558	23,836
France	12,494	10,624
Canada	4,993	4,367
Australia	2,391	1,628
Switzerland	1,704	2,147
Other countries	13,654	11,425
	221,443	166,581

5 OTHER REVENUE

	2014 US$'000	2013 US$'000 (Restated)
Government grants (note)	**2,419**	2,565
Interest income	**1,732**	969
Others	**95**	167
	4,246	3,701

Note:

In 2014, pursuant to the notice issued by the PRC tax bureau, certain PRC subsidiaries of the Company is entitled to receive government subsidies of US$843,000 (2013: US$1,018,000) which is based on a certain percentage of the corporate income tax paid in the prior year by the PRC subsidiaries in view of its high and new technology enterprise status.

In 2014, certain PRC subsidiaries of the Company is entitled to receive government subsidies of US$1,576,000 (2013: US$1,547,000 (as restated)) in relation to energy management contract.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014 US$'000	2013 US$'000 (Restated)
(a) Finance costs		
Interest on loans and borrowings wholly repayable within five years	**4,074**	2,417
Other financial costs	**1**	2
Net change in fair value of redeemable preference shares (note 26)	**1,011**	514
	5,086	2,933
(b) Staff costs		
Salaries and other benefits	**21,834**	18,286
Contributions to defined contribution retirement schemes	**1,137**	934
Equity settled share-based payment expenses (note 24)	**1,902**	795
	24,873	20,015

Staff costs include directors' and senior management's remuneration (notes 8 and 30(d)).

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in a defined contribution retirement scheme (the "Scheme") organised by the local authorities whereby the subsidiaries are required to make contributions to the Scheme at a rate 20% of the eligible employees' salaries for year ended 31 December 2014 (2013: 20%). Contributions to the Scheme vest immediately.

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

For the Group's subsidiaries in countries other than the PRC, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Save for the above, the Group has no other material obligation for payment of retirement benefits beyond the contributions described above.

	2014	2013
	US$'000	US$'000 (Restated)
(c) Other items		
Cost of inventories (note 18(b))	**129,511**	101,954
Amortisation of intangible assets and lease prepayment	**4,111**	3,577
Depreciation	**6,182**	4,091
Impairment losses on trade and other receivables	**872**	836
Operating lease charges in respect of:		
– motor vehicles, plant and machinery	**656**	550
– properties	**1,278**	874
Auditors' remuneration	**773**	698

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2014	2013
	US$'000	US$'000 (Restated)
Current tax		
Provision for the year	**7,312**	6,051
Under provision in respect of prior years	**33**	48
	7,345	6,099
Deferred tax		
Origination and reversal of temporary differences (note 25(a))	**1,844**	(841)
	9,189	5,258

7 INCOME TAX *(Continued)*

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	Note	2014 US$'000	2013 US$'000 (Restated)
Profit before taxation		**35,771**	22,045
Notional tax expense calculated at the corporate tax rate of the Company	(i)	**6,081**	3,748
Effect of rate differential of entities operating in different tax jurisdictions	(ii)	**3,515**	2,427
Tax effect on non-deductible expenses		**894**	834
Tax effect of non-taxable income		**(129)**	(212)
Effect of tax concession	(iii)	**(1,928)**	(2,367)
Tax effect of unused tax losses not recognised		**723**	780
Under provision in prior years		**33**	48
Actual income tax expense		**9,189**	5,258

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the year ended 31 December 2014 (2013:17%). No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2013 and 2014.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2013 and 2014.

Distech Controls Inc. ("Distech Controls") and e2 Solutions Inc. are subject to Canadian corporate income tax at 27% for the year ended 31 December 2014 (2013: 27%). Corporate income tax comprises federal and provincial taxes which also apply to investment income earned by general corporations other than capital gains and dividends received from Canadian corporations. The rate that applies to capital gains is half of the Canadian corporate income tax rate.

Distech Controls LLC ("Distech U.S.") is a single member limited liability company and was structured as a disregarded entity for United States Federal, state and local income tax purpose. Accordingly, no provision for United States corporate income tax was made for the years ended 31 December 2013 and 2014.

Distech Controls S.A.S. (formerly known as Société Comtec Technologies S.A.S.) ("Comtec"), Acelia S.A.S. ("Acelia") and Distech France Holding S.A.S. ("Distech France") are subject to French corporate income tax at rate of 33.33%. Distech France, Comtec and Acelia formed a tax-consolidated group under the French tax law effective from 1 January 2011, whereby the tax-consolidated group is taxed as a single entity headed by Distech France.

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 year ended 31 December 2014 (2013: not applicable).

(iii) Tongfang Technovator International Technology (Beijing) Co., Ltd. ("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% for the year ended 31 December 2014 (2013: 25%) until December 2016.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December 2013					
	Directors' fees US$'000	Salaries, allowances and benefits in-kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Share-based payments US$'000	Total US$'000
Executive directors						
Zhao Xiaobo	–	115	273	–	61	449
Seah Han Leong	–	143	273	10	61	487
Non-executive directors						
Lu Zhicheng	36	–	–	–	77	113
Li Jisheng	26	–	–	–	5	31
Ng Koon Siong	30	–	–	–	–	30
Liu Tianmin	26	–	–	–	–	26
Independent non-executive directors						
Fan Ren Da Anthony	40	–	–	–	–	40
Chia Yew Boon	40	–	–	–	–	40
Chen Hua	32	–	–	–	–	32
	230	258	546	10	204	1,248

8 DIRECTORS' REMUNERATION *(Continued)*

	Year ended 31 December 2014					
	Directors' fees US$'000	Salaries, allowances and benefits in-kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Share-based payments US$'000	Total US$'000
Executive directors						
Zhao Xiaobo	–	114	282	–	55	451
Seah Han Leong	–	117	282	9	55	463
Non-executive directors						
Lu Zhicheng	40	–	–	–	107	147
Li Jisheng (note (i))	7	–	–	–	17	24
Ng Koon Siong	34	–	–	–	125	159
Liu Tianmin	28	–	–	–	62	90
Fan Xin (note (ii))	21	–	–	–	–	21
Independent non-executive directors						
Fan Ren Da Anthony	46	–	–	–	62	108
Chia Yew Boon	46	–	–	–	62	108
Chen Hua	36	–	–	–	62	98
	258	231	564	9	607	1,669

During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes:

(i) The non-executive director resigned on 31 March 2014.

(ii) The non-executive director was appointed on 31 March 2014.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 **US$'000**	2013 US$'000
Salaries and other benefits	**685**	681
Discretionary bonuses	**577**	529
Share-based payments	**112**	86
	1,374	1,296

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014 **Number of** **Individuals**	2013 Number of individuals
HKD 2,500,001 – HKD 3,000,000	**–**	1
HKD 3,000,001 – HKD 3,500,000	**2**	1
HKD 3,500,001 – HKD 4,500,000	**1**	1

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of US$4,285,000 (2013: US$4,390,000), which has been dealt with in the financial statements of the Company.

11 EARNINGS PER SHARE

(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 US$24,530,000 (2013: US$15,577,000 (as restated)) and the weighted average number of ordinary shares of 623,550,209 (2013: 611,226,142 (as restated)) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2014 Number of shares	2013 Number of shares
Issued ordinary shares at 1 January (as previously reported)	521,520,000	521,520,000
Adjusted for the acquisition of TFRH Investment	89,706,142	89,706,142
Issued ordinary shares at 1 January (as restated)	611,226,142	611,226,142
Shares issued upon acquisition of Excel Perfect	11,387,355	–
Effect of exercise of Share Option Scheme 2012	936,712	–
Weighted average number of ordinary shares at 31 December	623,550,209	611,226,142

(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 US$23,307,000 (2013: US$14,614,000 (as restated)) and the weighted average number of ordinary shares of 661,387,532 (2013: 634,425,501 (as restated)) in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted):

	2014 US$'000	2013 US$'000 (Restated)
Profit attributable to ordinary equity shareholders	24,530	15,577
Diluted effects of redeemable preference shares	(1,223)	(963)
Profit attributable to ordinary equity shareholders (diluted)	23,307	14,614

(ii) Weighted average number of ordinary shares (diluted):

	2014 Number of shares	2013 Number of Shares
Weighted average number of ordinary shares at 31 December (as restated)	623,550,209	611,226,142
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration (note 24(c))	37,837,323	23,199,359
Weighted average number of ordinary shares (diluted) at 31 December	661,387,532	634,425,501

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements US$'000	Furniture and fittings US$'000	Computers and office equipment US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Land and buildings held for own use US$'000	Construction in progress US$'000	Total US$'000
Cost:								
At 1 January 2013 (as previously reported)	1,227	623	2,344	1,270	585	1,147	2,499	9,695
Adjusted for the acquisition of TFRH Investments	–	14	–	20,920	19	–	5,389	26,342
At 1 January 2013 (as restated)	1,227	637	2,344	22,190	604	1,147	7,888	36,037
Additions	2,611	436	586	8,554	488	24	15,424	28,123
Transfer of CIP	-	-	–	2,795	–	5,093	(7,888)	–
Disposals	(712)	(347)	(653)	(473)	–	–	–	(2,185)
Exchange adjustments	76	(14)	(63)	821	5	(236)	230	819
At 31 December 2013 (as restated)	3,202	712	2,214	33,887	1,097	6,028	15,654	62,794
At 1 January 2014 (as restated)	3,202	712	2,214	33,887	1,097	6,028	15,654	62,794
Additions	169	90	593	249	68	23	8,843	10,035
Transfer of CIP	–	–	–	19,102	–	–	(19,102)	–
Disposals	(112)	(3)	(15)	(5,434)	–	–	(97)	(5,661)
Exchange adjustments	(187)	(58)	(173)	(286)	(64)	(500)	(38)	(1,306)
At 31 December 2014	3,072	741	2,619	47,518	1,101	5,551	5,260	65,862
Accumulated depreciation:								
At 1 January 2013 (as previously reported)	567	239	1,166	448	114	–	–	2,534
Adjusted for the acquisition of TFRH Investments	–	2	–	384	–	–	–	386
At 1 January 2013 (as restated)	567	241	1,166	832	114	–	–	2,920
Charge for the year	205	114	421	2,968	205	178	–	4,091
Written back on disposal	(708)	(246)	(624)	(435)	–	–	–	(2,013)
Exchange adjustments	8	(1)	(18)	66	8	(6)	–	57
At 31 December 2013 (as restated)	72	108	945	3,431	327	172	–	5,055
At 1 January 2014 (as restated)	72	108	945	3,431	327	172	–	5,055
Charge for the year	217	118	453	5,029	109	256	–	6,182
Written back on disposal	(90)	-	(11)	(829)	–	–	–	(930)
Exchange adjustments	(8)	(15)	(72)	(62)	(1)	(27)	–	(185)
At 31 December 2014	191	211	1,315	7,569	435	401	–	10,122
Net book value:								
At 31 December 2013 (as restated)	3,130	604	1,269	30,456	770	5,856	15,654	57,739
At 31 December 2014	2,881	530	1,304	39,949	666	5,150	5,260	55,740

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2014, the net book value of computers and machinery held under finance leases of the Group was US$12,915 (2013: US$20,862).

As at 31 December 2014, certain items of property, plant and equipment with net book value of US$6,217,000 (2013: US$7,025,000) have been pledged as securities for the loans and borrowings (note 23(c)).

As at 31 December 2014, the land held for own use of the Group with net book value of US$1,006,000 (2013: US$1,097,000) was a freehold land outside Hong Kong.

13 INTANGIBLE ASSETS

The Group

	Trade name US$'000	**Patents and technology know-how** US$'000	**Customer relationship** US$'000	**Non-compete agreements** US$'000	**Total** US$'000
Cost:					
At 1 January 2013 (as previously reported)	2,737	16,522	2,063	422	21,744
Adjusted for the acquisition of TFRH Investments	–	–	–	–	–
At 1 January 2013 (as restated)	2,737	16,522	2,063	422	21,744
Additions through internal development	–	8,033	88	–	8,121
Disposals	–	(1,038)	–	–	(1,038)
Exchange adjustments	(65)	313	57	19	324
At 31 December 2013 (as restated)	2,672	23,830	2,208	441	29,151
At 1 January 2014 (as restated)	2,672	23,830	2,208	441	29,151
Additions through internal development	–	8,855	–	–	8,855
Disposals	–	(1,414)	–	(387)	(1,801)
Exchange adjustments	(68)	(1,055)	(218)	(54)	(1,395)
At 31 December 2014	2,604	30,216	1,990	–	34,810

13 INTANGIBLE ASSETS *(Continued)*

The Group *(Continued)*

	Trade name US$'000	Patents and technology know-how US$'000	Customer relationship US$'000	Non-compete agreements US$'000	Total US$'000
Accumulated amortisation:					
At 1 January 2013 (as pre viously reported)	–	3,662	707	422	4,791
Adjusted for the acquisition of TFRH Investments	–	–	–	–	–
At 1 January 2013 (as restated)	–	3,662	707	422	4,791
Charge for the year	–	3,361	216	–	3,577
Written back on disposals	–	(1,036)	–	–	(1,036)
Exchange adjustments	–	161	23	19	203
At 31 December 2013 (as restated)	–	6,148	946	441	7,535
At 1 January 2014 (as restated)	–	6,148	946	441	7,535
Charge for the year	–	3,895	196	–	4,091
Written back on disposals	–	(1,414)	–	(387)	(1,801)
Exchange adjustments	–	(426)	(101)	(54)	(581)
At 31 December 2014	–	8,203	1,041	–	9,244
Net book value:					
At 31 December 2013 (as restated)	2,672	17,682	1,262	–	21,616
At 31 December 2014	2,604	22,013	949	–	25,566

14 GOODWILL

	The Group	
	2014	2013
	US$'000	US$'000
Cost and carrying value:		
At 1 January	**15,554**	16,257
Impairment	**–**	(461)
Exchange adjustments	**(1,590)**	(242)
At 31 December	**13,964**	15,554

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and business lines as follows:

	The Group	
	2014	2013
	US$'000	US$'000
BAS-Canada	**7,280**	7,940
BAS-France	**6,684**	7,614
	13,964	15,554

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the four-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: 3%). The cash flows are discounted using a discount rate of 14% and 14% (2013: 17% and 15%) for BAS-Canada and BAS-France, respectively. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

15 OTHER FINANCIAL ASSETS

	The Group	
	2014	2013
	US$'000	US$'000
Long-term receivables	**49,920**	28,362
Less: current portion of long-term receivables	**(3,536)**	(1,891)
	46,384	26,471

At 31 December 2014, long-term receivables included receivables of Karamay construction contract of US$27,171,000 (2013: US$18,040,000). Karamay construction contract ("Karamay BT contract") is a construction contract entered into among Karamay Construction Management Co., Ltd. ("Karamay Construction"), Tsinghua Tongfang Co., Ltd ("Tongfang") and Technovator Beijing in 2013. Pursuant to Karamay BT contract, Karamay Construction engaged Tongfang as the contractor to carry out the construction contract with the finance and major equipment supply provided by Technovator Beijing. The estimated total financing provided by Technovator Beijing is approximately RMB180 million. Karamay Construction should repay Technovator Beijing by five annual instalments, 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. Karamay Construction didn't grant any security to Technovator Beijing.

The remaining balance of long-term receivables represent trade receivables of certain construction contracts which are repayable by instalments over a 3 to 10 years period.

16 INVESTMENTS IN SUBSIDIARIES

	2014 US$'000	2013 US$'000
Unlisted investments, at cost	91,425	32,012
Fair value of share options granted to employees of a subsidiary	2,361	1,049
	93,786	33,061

The following list contains the particulars of the Company's principal subsidiaries as at 31 December 2014.

			Proportion of ownership interest			
Name of company	Place and date of incorporation/ establishment	Particulars of issued and fully paid up share/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Technovator Beijing	Beijing, PRC 7 August 2006	USD 20,000,000	100%	100%	–	Design, manufacturing and marketing of building automation solutions
Distech Controls	Québec, Canada 5 January 1995	CAD 14,333,891	67.7%*	67.7%	–	Design, manufacturing and marketing of building automation solutions
Distech U.S.	Delaware, US 17 February 2010	USD 5,154,323	67.7%	–	100%	Investment holding
Comtec	Lyon, France 27 July 1994	EUR 623,240	67.7%	–	100%	Design, manufacturing, sales and marketing of building automation solutions
Acelia	Lyon, France 27 February 1996	13,000 shares of EUR 10 each	67.7%	–	100%	Sales and marketing of building automation solutions
Distech France	Lyon, France 24 February 2010	EUR 4,228,661	67.7%	–	100%	Investment holding
Distech Controls Facility Solutions (previously known as e2 Solutions)	Ontario, Canada 30 October 2011	CAD 1,468,049	33.9%	–	50.1%	Management and monitoring services on energy-savings
Tongfang Energy Saving	Beijing, PRC 21 June 2002	RMB66,666,667	100%	–	100%	Energy management services, marketing of heating power equipment

* At 31 December 2014, the Company's voting right in Distech Controls is 44.9% but maintains control over Distech Controls as the Company appoints the majority of its board of directors.

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Distech Controls Inc., the only subsidiary of the Group which has material non-controlling interest (NCI) as at 31 December 2014. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 US$'000	2013 US$'000
Ownership interests held by NCI	32.3%	32.3%
Voting rights held by NCI	55.1%	55.1%
Current assets	37,619	34,473
Non-current assets	24,115	25,793
Current liabilities	(11,516)	(11,906)
Non-current liabilities	(39,761)	(43,635)
Net assets	10,457	4,725
Carrying amount of NCI	3,378	1,526
Revenue	64,721	53,336
Profit for the year	6,733	5,525
Total comprehensive income	5,734	6,239
Profit allocated to NCI	1,852	2,015
Dividend paid to NCI	–	–
Net cash generated from operating activities	11,151	10,682
Net cash used in investing activities	(5,897)	(8,540)
Net cash generated from financing activities	1,316	13,541

17 TRADING SECURITIES

The trading securities are equity securities at fair value listed in Hong Kong.

18 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Raw materials	5,519	3,440
Work in progress	500	550
Finished goods	12,040	12,596
	18,059	16,586

All of the inventories are expected to be recovered within one year.

18 INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in the profit or loss is as follows:

	The Group	
	2014 **US$'000**	2013 US$'000 (Restated)
Carrying amount of inventories sold	**129,468**	101,880
Write-down of inventories	**43**	74
	129,511	101,954

As at 31 December 2014, certain inventories with carrying value of US$2,418,000 (2013: US$2,220,000) have been pledged as securities for the loans and borrowings (note 23(c)).

19 TRADE AND OTHER RECEIVABLES

	2014 **US$'000**	2013 US$'000 (Restated)
Trade debtors due from related parties (note 30(c))	**30,969**	4,156
Other trade debtors and bills receivable	**82,630**	74,493
Less: Allowance for doubtful debts (note 19(b))	**(3,148)**	(2,338)
	110,451	76,311
Other receivables		
– amounts due from related parties	**1,851**	598
– amounts due from third parties	**2,344**	4,484
Loans and receivables	**114,646**	81,393
Deposits and prepayments	**8,863**	7,842
	123,509	89,235

At 31 December 2014, certain trade debtors and bills receivable with carrying value US$11,330,000 (2013: US$8,382,000 (as restated)) have been pledged as securities for the loans and borrowings (note 23(c)).

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

Included in trade and other receivables are external trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2014 US$'000	2013 US$'000 (Restated)
Current	**68,885**	49,835
Less than 1 month past due	**8,679**	7,086
More than 1 month but less than 3 months past due	**10,152**	3,662
More than 3 months but less than 12 months past due	**16,117**	11,751
More than 12 months past due	**6,618**	3,977
	41,566	26,476
	110,451	76,311

Trade debtors and bills receivable are due within 30–180 days from the date of billing. Further details of the Group's credit policy are set out in note 28(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivables directly (see note 2(l)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
At 1 January	**2,338**	1,555
Impairment loss recognised	**872**	836
Uncollectible amounts written off	**(39)**	(114)
Exchange adjustment	**(23)**	61
At 31 December	**3,148**	2,338

At 31 December 2014, certain trade receivables of the Group were individually determined to be impaired. The individually impaired receivables related to receivables which debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and management assessed that those receivables are not expected to be recovered. The Group does not hold any collateral over these balances.

(c) Trade debtors and other receivable that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 19(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Deposit with banks and other financial institutions	**2,203**	62	**62**	62
Cash at bank and in hand	**72,095**	69,160	**632**	2,221
Cash and cash equivalents in the statement of financial position	**74,298**	69,222	**694**	2,283
Restricted deposit	**(2,141)**	(72)		
Cash and cash equivalents in the consolidated cash flow statements	**72,157**	69,150		

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Trade payables due to related parties (note 30(c))	**6,207**	4,647	**744**	752
Other trade and bills payable	**58,433**	48,645	**120**	146
	64,640	53,292	**864**	898
Other payables and accruals	**14,236**	27,799	**1,723**	1,677
Financial liabilities measured at amortised cost	**78,876**	81,091	**2,587**	2,575
Receipts in advance	**5,429**	4,846	**–**	–
Deferred income	**3**	30	**–**	–
	84,308	85,967	**2,587**	2,575

All of the above balances are expected to be settled within one year. Included in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date:

	The Group		The Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
By date of invoice:				
Within 3 months	**55,989**	47,115	**18**	48
More than 3 months but within 6 months	**1,554**	1,980	**7**	18
More than 6 months but within 12 months	**2,881**	2,592	**20**	30
More than 12 months	**4,216**	1,605	**819**	802
	64,640	53,292	**864**	898

22 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	2014 US$'000	2013 US$'000
Direct costs incurred to date on contract plus attributable profits less recognised losses	**19,345**	11,661
Less: Progress payments received	**(17,819)**	(11,210)
Gross amounts due from customers for contract work	**1,526**	451
Direct costs incurred to date on contract plus attributable profits less recognised losses	**2,565**	144
Less: Progress payments received	**(3,297)**	(195)
Gross amounts due to customers for contract work	**(732)**	(51)

23 LOANS AND BORROWINGS

(a) The analysis of carrying amount of loans and borrowings is as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Secured bank overdrafts	**40**	74
Bank loans		
– Secured	**22,642**	20,631
– Guaranteed by related parties	**15,796**	18,188
– Unsecured and unguaranteed	**40,641**	14,059
	79,119	52,952
Other borrowings	**23,065**	15,351
	102,184	68,303

(b) At the balance sheet date, loans and borrowings were repayable as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Within 1 year or on demand	**63,734**	33,592
After 1 year but within 2 years	**3,847**	5,522
After 2 years but within 5 years	**34,603**	24,424
After 5 years	**–**	4,765
	38,450	34,711
	102,184	68,303

23 LOANS AND BORROWINGS *(Continued)*

(c) The amounts of banking facilities and the utilisation at the balance sheet date are set out as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Banking facilities		
– Secured	**31,492**	7,492
– Unsecured	**103,123**	77,215
	134,615	84,707

At 31 December 2014, the facilities were utilised to the extent of US$53,440,000 (2013: US$33,014,000 (as restated)).

The secured banking facilities were pledged by the investment in subsidiaries held by Distech Controls and the following assets:

		The Group	
	Note	**2014 US$'000**	2013 US$'000 (Restated)
Property, plant and equipment	12	**6,217**	7,025
Inventories	18(b)	**2,418**	2,220
Trade debtors and bills receivable	19	**11,330**	8,382
Restricted deposit		**2,141**	–
		22,106	17,627

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 28(b). As at 31 December 2014 and 2013, none of the covenants relating to drawn down facilities had been breached.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Distech Controls Share Option Plan

Distech Controls adopted a share option plan ("Distech Controls Share Option Plan") in May 2008 whereby the directors of Distech Controls are authorised, at their discretion, to invite the executives and management of Distech Controls to take up options to subscribe for the Class B common shares of Distech Controls. The total number of Class B common shares that can be issued cannot exceed 2,000,000 shares of the share capital issued and outstanding.

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) Distech Controls Share Option Plan *(Continued)*

All options granted under this plan will not exceed a three-year plan term and a five-year term respectively, starting from the date of grant. Options granted to directors of Distech Controls can be exercised at a rate of one-third per year. Options granted to employees of Distech Controls can be exercised at a rate of one-fifth per year except for the 150,000 options granted to the then non-controlling shareholders of Distech Europe which were immediately vested at the grant date. Each option gives the holder the right to subscribe for one Class B share of Distech Controls at an exercise price of CAD$0.60.

(i) The terms and conditions of the grants are as follows:

	Number of Options	Vesting conditions	Contractual life of options
Options granted to employees:			
– 27 May 2008	1,315,000	20% per annum	5 years
– 8 September 2009	140,000	20% per annum	5 years
– 10 March 2010	260,000	20% per annum	5 years
– 19 January 2011	135,000	20% per annum	5 years
– 19 July 2011	100,000	20% per annum	5 years
	1,950,000		
Options granted to the non-controlling shareholder of Distech Europe:			
– 27 July 2009	150,000	At grant	5 years
Options granted to directors:			
– 10 March 2010	200,000	33% per annum	3 years
Total share options granted	2,300,000		

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) Distech Controls Share Option Plan *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted Average exercise price CAD $	**Number of options**	Weighted average exercise price CAD $	Number of options
Outstanding at the beginning of the year	**0.60**	**1,153,500**	0.60	1,750,000
Repurchased and cancelled during the year	**0.60**	**–**	0.60	(587,500)
Forfeited during the year	**0.60**	**(22,500)**	0.60	(9,000)
Outstanding at the end of the year	**0.60**	**1,131,000**	0.60	1,153,500
Exercisable at the end of the year	**0.60**	**1,003,750**	0.60	862,500

No options were exercised during the years ended 31 December 2013 and 2014.

The options outstanding at 31 December 2014 had an exercisable price of CAD$0.60 (2013: CAD$0.60) and a weighted average remaining contractual life of 0.27 years (2013: 0.71 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option pricing model.

	2009	2010	2011
Fair value of share options and assumptions			
Fair value at measurement date	CAD $0.47	CAD $0.79	CAD $0.93
Share price	CAD $0.79	CAD $1.32	CAD $1.32–CAD$1.45
Exercise price	CAD $0.60	CAD $0.60	CAD $0.60
Expected volatility	22%	22%	24%–46%
Option life	5 years	3–5 years	5 years
Expected dividends	0%	0%	0%
Risk-free interest rate	2.33%	2.20%	1.85%–2.25%

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) Distech Controls Share Option Plan *(Continued)*

(iii) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historic volatility of the share prices of the comparable companies. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options, except for the options granted to the former non-controlling shareholder of Distech Europe that were immediately vested, were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants. The 22,500 options granted to the employees have been forfeited during 2014 (2013: 9,000 options).

(b) Share Option Scheme 2012

The Company has a share option scheme ("Share Option Scheme 2012") which was adopted on 23 July 2012 ("the date of grant") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of the Company, to take up options to subscribe for a total of 48,500,000 ordinary shares in the share capital of the Company, upon exercise of such option at an exercise price of HK$1.15 per share, which represents (1) the closing price of HK$1.15 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (2) the average closing price of HK$1.15 per share as stated in the daily quotation sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant. Under Share Option Scheme 2012, the options granted shall have an exercisable period of 5 years from the date of grant and 50% of the total number of options granted will be vested after the second anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2012 and the remaining 50% will be vested after the third anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2013.

(i) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors and chief executives:			
– on 23 July 2012	8,700,000	2 years service and meeting 2012 profit target	5 years
– on 23 July 2012	8,700,000	3 years service and meeting 2013 profit target	5 years
Options granted to employees:			
– on 23 July 2012	15,550,000	2 years service and meeting 2012 profit target	5 years
– on 23 July 2012	15,550,000	3 years service and meeting 2013 profit target	5 years
Total share options granted	48,500,000		

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) Share Option Scheme 2012 *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2014 Weighted average exercise price	2014 Number of options	2013 Weighted average exercise price	2013 Number of options
Outstanding at the beginning of the year	**HK$1.15**	**48,500,000**	HK$1.15	48,500,000
Exercised during the year	**HK$1.15**	**(3,100,000)**		–
Outstanding at the end of the year	**HK$1.15**	**45,400,000**	HK$1.15	48,500,000
Exercisable at the end of the year		**21,150,000**		–

The options outstanding at 31 December 2014 had an exercise price of HK$1.15 (2013: HK$1.15) and weighted average remaining contractual life of 2.56 years (2013: 3.56 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions

Fair value at measurement date	HK$0.21
Share price	HK$1.15
Exercise price	HK$1.15
Expected volatility	42.54%
Option life	5 years
Expected dividends	0%
Risk-free interest rate	0.53%

The expected volatility is based on the historic volatility of the share prices of the Company. Expected Dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Share Option Scheme 2013

The Company has a share option scheme ("Share Option Scheme 2013") which was adopted on 5 September 2013 ("the date of grant") whereby the directors of the Company are authorised, at their discretion, to invite directors and employees of the Group, suppliers and other individuals, to take up options to subscribe for a total of 52,100,000 ordinary shares in the share capital of the Company, upon exercise of such option at an exercise price of HK$3.06 per share, which represents the higher of (1) the closing price of HK$3.06 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (2) the average closing price of HK$2.91 per share as stated in the daily quotation sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Under Share Option Scheme 2013, the options granted to directors, employees and other individuals shall have an exercisable period of 5 years from the date of grant and 50% of the total number of options granted will be vested after the second anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2014 and the remaining 50% will be vested after the third anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2015. The options granted to the suppliers of goods or services shall have an exercisable period of 5 years from the date of grant and 100% of the total number of options granted will be vested after the second anniversary of the date of grant conditional upon the price per share equal to or exceeding 150% of the exercise price.

(i) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors			
– on 5 September 2013	3,500,000	2 years service and meeting 2014 profit target	5 years
– on 5 September 2013	3,500,000	3 years service and meeting 2015 profit target	5 years
Options granted to management and employees			
– on 5 September 2013	5,200,000	2 years service and meeting 2014 profit target	5 years
– on 5 September 2013	5,200,000	3 years service and meeting 2015 profit target	5 years
Options granted to suppliers of goods or services			
– on 5 September 2013	1,800,000	2 years and meeting the price per share equal to or exceeding 150% of the exercise price	5 years

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Share Option Scheme 2013 *(Continued)*

(i) The terms and conditions of the grants are as follows: (Continued)

	Number of options	Vesting conditions	Contractual life of options
Options granted to other individuals			
– on 5 September 2013	16,450,000	2 years service and meeting 2014 profit target	5 years
– on 5 September 2013	16,450,000	3 years service and meeting 2015 profit target	5 years
Total share options granted	52,100,000		

(ii) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$3.06**	**52,100,000**	–	–
Granted during the year		**–**	HK$3.06	52,100,000
Outstanding at the end of the year	**HK$3.06**	**52,100,000**	HK$3.06	52,100,000
Exercisable at the end of the year		**–**		–

The options outstanding at 31 December 2014 had an exercise price of HK$3.06 (2013: HK$3.06) and weighted average remaining contractual life of 3.68 years (2013: 4.68 years).

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Share Option Scheme 2013 *(Continued)*

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions

Fair value at measurement date	
– Options granted to directors, employees and other individuals	HK$0.32
– Options granted to suppliers of goods or services	HK$1.04
Share price	HK$3.06
Exercise price	HK$3.06
Expected volatility	45.30%
Option life	5 years
Expected dividends	0%
Risk-free interest rate	1.043%

The expected volatility is based on the historic volatility of the share prices of the Company. Expected Dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options granted to directors, employees and other individuals were under a service and non-market performance condition. The condition has not been taken into account in the grant date fair value measurement of the services received. Share options granted to suppliers of goods or services were under market condition. The condition has been taken into account in the grant date fair value measurement of the services received.

(d) Share Option Scheme 2014

The Company has a share option scheme ("Share Option Scheme 2014") which was adopted during 2014, including options granted in August 2014 and options granted in October 2014, respectively.

Options granted in August 2014

Under Share Option Scheme 2014, on 15 August 2014 ("the date of grant") the directors of the Company are authorised, at their discretion, to invite directors and employees of the Group, to take up options to subscribe for a total of 7,300,000 ordinary shares in the share capital of the Company, upon exercise of such option at an exercise price of HK$3.83 per share, which represents the higher of (1) the closing price of HK$3.83 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (2) the average closing price of HK$3.73 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

In August 2014, the options granted shall have an exercisable period of 5 years from the date of grant. The total number of options granted to directors will be vested immediately. And the total number of options granted to management and employees will be vested after the second anniversary of the date of grant.

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(d) Share Option Scheme 2014 *(Continued)*

Options granted in October 2014

Under Share Option Scheme 2014, on 17 October 2014 ("the date of grant") the directors of the Company are authorised, at their discretion, to invite certain management and employees of the Group, suppliers and other individuals, to take up options to subscribe for a total of 7,000,000 ordinary shares in the share capital of the Company, upon exercise of such option at an exercise price of HK$3.444 per share, which represents the higher of (1) the closing price of HK$3.34 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (2) the average price of HK$3.444 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

In October 2014, the options granted shall have an exercisable period of 5 years from the date of grant and 50% of the total number of options granted will be vested after the first anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2014 and the remaining 50% will be vested after the second anniversary of the date of grant conditional upon the Company meeting its profit target for the year 2015.

(i) The terms and conditions of the grants are as follows:

	Number of options	**Vesting conditions**	**Contractual life of options**
Options granted to directors			
– on 15 August 2014	3,000,000	At grant	5 years
Options granted to management and employees			
– on 15 August 2014	4,300,000	2 years service	5 years
– on 17 October 2014	3,500,000	1 years service and meeting 2014 profit target	5 years
– on 17 October 2014	3,500,000	2 years service and meeting 2015 profit target	5 years
Total share options granted	14,300,000		

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(d) Share Option Scheme 2014 *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	HK$3.64	14,300,000	NIL	–
Outstanding at the end of the year	HK$3.64	14,300,000	NIL	–
Exercisable at the end of the year	HK$3.83	3,000,000	–	–

The options granted in 2014 outstanding at 31 December 2014 had a weighted average exercise price of HK$3.64 and weighted average remaining contractual life of 4.87 years.

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

	Granted in August 2014	Granted in October 2014
Fair value of share options and assumptions		
Fair value at measurement date		
– Options granted to directors	HK$0.97	NIL
– Options granted to management and employees with 1 year service	NIL	HK$0.92
– Options granted to management and employees with 2 year service	HK$1.18	HK$1.00
Share price	HK$3.83	HK$3.444
Exercise price	HK$3.83	HK$3.444
Expected volatility	38.60%–40.09%	40.44%
Option life	5 years	5 years
Expected dividends	0%	0%
Risk-free interest rate	1.288%	1.050%–1.198%

The expected volatility is based on the historic volatility of the share prices of the Company. Expected Dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service and non-market performance condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

25 INCOME TAX IN THE BALANCE SHEET

(a) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and movements during the year are as follows:

	Depreciation in excess of the related depreciation allowances US$'000	Amortisation of intangibles US$'000	Research and development tax credits US$'000	Provision for trade receivables and inventories US$'000	Unrealised profit for inventories US$'000	Unused tax losses US$'000	Receipts by instalments US$'000	Others US$'000	Total US$'000
At 1 January 2013 (as previously reported)	58	1,240	1,085	(290)	(162)	(122)	–	(110)	1,699
Adjusted for the acquisition of TFRH Investments	–	–	–	(20)	–	–	–	–	(20)
At 1 January 2013 (as restated)	58	1,240	1,085	(310)	(162)	(122)	–	(110)	1,679
Charged/(credited) to the consolidated income statement (note 7(a))	7	(158)	(259)	(190)	1	(424)	–	182	(841)
Exchange adjustments	–	46	(59)	(15)	–	(8)	–	(2)	(38)
At 31 December 2013 (as restated)	65	1,128	767	(515)	(161)	(554)	–	70	800
At 1 January 2014 (as restated)	65	1,128	767	(515)	(161)	(554)	–	70	800
Charged/(credited) to the consolidated income statement (note 7(a))	55	(82)	300	(41)	33	535	1,145	(101)	1,844
Exchange adjustments	(14)	(74)	(71)	8	–	(36)	(2)	(9)	(198)
At 31 December 2014	106	972	996	(548)	(128)	(55)	1,143	(40)	2,446

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Represented by:		
Deferred tax assets	**(631)**	(1,165)
Deferred tax liabilities	**3,077**	1,965
	2,446	800

(b) Deferred tax assets not recognised

At 31 December 2014, in accordance with the accounting policy set out in note 2(u), the Company did not recognise deferred tax assets in respect of unused tax losses of US$12,262,000 (2013: US$4,911,000) and the Group did not recognise deferred tax assets in respect of unused tax losses of US$14,259,000 (2013: US$6,750,000), as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant tax entities. The tax losses of the Company do not expire under tax legislation. The remaining unrecognised tax losses of US$1,997,000 will not expire until after 2018.

25 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(c) Deferred tax liabilities not recognised

At 31 December 2014, no deferred tax liability was recognised on the taxable temporary differences in respect of the tax that would be payable on the distribution of the undistributed profits of certain subsidiaries of the Company amounting US$75,336,000 (2013: US$58,229,000), as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

According to the new CIT Law and its implementation rules, non-PRC-resident enterprises are levied withholding tax at 10%, subject to any double tax treaty relief, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. According to the double tax treaty between the PRC and Singapore, the dividend withholding tax rate could be reduced to 5% provided that a Singapore parent company is the "beneficial owner" and holds directly at least 25% of the equity interest of a PRC company. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax.

According to the tax regulation of Canada, non-Canada-resident enterprises are levied withholding tax at 25%, subject to any tax treaty relief, on dividends from their Canada-resident investees. According to the tax treaty between Canada and Singapore, the withholding tax rate could be reduced to 15% when a Singapore-resident enterprise is the beneficial owner of the dividends being distributed.

According to the tax treaty between France and Canada, Canada-resident enterprises are levied withholding tax at 5% to 15% on dividends from their France-resident investees provided that Canada-resident enterprise is the "beneficial owner" and holds directly or indirectly at least 10% of the capital of the France-resident enterprise.

26 OTHER NON-CURRENT LIABILITIES

At 31 December 2014, the balance mainly represents the liability component of the redeemable preference shares issued by Distech Controls, designated at fair value through profit or loss, amounting to US$33,589,000 (2013: US$35,571,000).

During 2013, 14,452,105 redeemable preference shares were issued by Distech Controls at total consideration of CAD$38,000,000 approximately (equivalent to US$38,737,000). The redeemable preference shares are convertible into 14,452,105 common shares of Distech Controls at the option of the holder or mandatorily if the shares of Distech Controls are listed on a stock exchange subject to certain conditions set out in the subscription agreement ("qualified listing"). If a qualified listing does not happen within 5 years, the redeemable preference shares are redeemable at the option of the holder at higher 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; (ii) the fair market value of the redeemable preference shares; and (iii) two times the subscription price per such redeemable preference shares plus all accrued and unpaid dividends thereon.

The redeemable preference shares were split into liability and equity components of CAD$37,320,000 (equivalent to US$38,044,000) and CAD$680,000 (equivalent to US$693,000) respectively upon initial recognition by recognizing the liability component at its fair value and attributing to the equity component the residual amount. The liability component was subsequently measured at fair value.

The fair values of the redeemable preference shares were valued by an independent professional valuer, American Appraisal China Limited, based on the Probability Weighted Expected Return Method.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Share-based compensation reserve	Accumulated losses	Total equity
	Note 27(c)	Note 27(d)(iii)		
	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	38,121	247	(7,718)	30,650
Equity settled share-based transactions	–	877	–	877
Profit for the year	–	–	3,493	3,493
At 31 December 2013	38,121	1,124	(4,225)	35,020
At 1 January 2014	38,121	1,124	(4,225)	35,020
Shares issued for the acquisition of TFRH Investments and Excel Perfect	59,413	–	–	59,413
Equity settled share–based transactions	–	1,945	–	1,945
Share issued under Share Option Scheme 2012	562	(102)	–	460
Loss for the year	–	–	(4,285)	(4,285)
At 31 December 2014	98,096	2,967	(8,510)	92,553

(b) Dividends

The Company has not distributed any dividends during the years ended 31 December 2013 and 2014.

(c) Share capital

	2014 Number of shares	2014 Amounts US$'000	2013 Number of shares	2013 Amounts US$'000
Ordinary shares, issued and fully paid:				
At 1 January	**521,520,000**	**38,121**	521,520,000	38,121
Shares issued for the acquisition of TFRH Investments and Excel Perfect	**119,608,189**	**59,413**	–	–
Shares issued under Share Option Scheme 2012	**3,100,000**	**562**	–	–
At 31 December	**644,228,189**	**98,096**	521,520,000	38,121

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(Expressed in United States dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(i) On 14 August 2014, a total of 119,608,189 Shares were issued at HK$4.00 per share in relation to the acquisition of TFRH Investments (as defined in note 31) by the Company.

(ii) During 2014, a total of 3,100,000 shares were issued by the Company upon the exercise of shares options by certain grantees pursuant to the Share Option Scheme 2012 at a consideration of US$460,000 which was credited to share capital and US$102,000 has been transferred from the share based compensation reserve to the share capital in accordance with policy set out in note 2(t)(ii).

(iii) Terms of unexpired and unexercised share options under the Share Option Scheme 2012, 2013 and 2014 at the balance sheet dates are as follows:

	2014		2013	
Exercise period	**Exercise price**	**Number of options**	Exercise price	Number of options
23 July 2014 to 22 July 2017	**HK$1.15**	**21,150,000**	HK$1.15	24,250,000
23 July 2015 to 22 July 2017	**HK$1.15**	**24,250,000**	HK$1.15	24,250,000
5 September 2015 to 4 September 2018	**HK$3.06**	**26,950,000**	HK$3.06	26,950,000
5 September 2016 to 4 September 2018	**HK$3.06**	**25,150,000**	HK$3.06	25,150,000
5 August 2014 to 4 August 2019	**HK$3.83**	**3,000,000**	NIL	NIL
15 August 2016 to 14 August 2019	**HK$3.83**	**4,300,000**	NIL	NIL
17 October 2015 to 16 October 2019	**HK$3.444**	**3,500,000**	NIL	NIL
17 October 2016 to 16 October 2019	**HK$3.444**	**3,500,000**	NIL	NIL
		111,800,000		100,600,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 24.

(d) Nature and purpose of reserves

(i) Statutory reserves

Transfers from retained profits to statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's PRC subsidiaries and were approved by the respective board of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the statutory reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory reserve can be utilised to offset prior year's losses or converted into capital of the subsidiary.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(x).

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

(iv) Capital reserve arising from changes in ownership interests in subsidiaries

Capital reserve arising from changes in ownership interests in subsidiaries is 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 amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

For the year ended 31 December 2014, the Company acquired 100% equity interest in TFRH investments and Excel Perfect for consideration of issuing 119,608,189 shares of the Company as set out in note 31. For the year ended 31 December 2013, Distech Controls repurchased common shares from non-controlling shareholders for a total consideration of US$10,194,000.

(v) Distributable reserves

The Company does not have reserves available for distribution to equity shareholders of the Company at 31 December 2013 and 2014.

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company defines "capital" as including all components of equity and short – term and long-term loans. On this basis, at 31 December 2014, the amount of capital employed was US$236,315,000 (2013: US$174,942,000 (as restated)).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debt.

Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group requires certain customers to pay deposits upfront and the remaining trade receivables are due within 30-180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014, 21.6% (2013: 5.4% (as restated)) and 32.4% (2013: 19.5% (as restated)) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants of each company, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2014 Contractual undiscounted cash flow					
	Within 1 year or on demand US$'000	**More than 1 year but less than 2 years US$'000**	**More than 2 years but less than 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**	**Balance sheet carrying amount US$'000**
Trade and other payables measured at amortised costs	**78,876**	**–**	**–**	**–**	**78,876**	**78,876**
Loans and borrowings	**67,247**	**4,250**	**36,595**	**–**	**108,092**	**102,184**
Obligations under finance leases	**31**	**32**	**51**	**–**	**114**	**114**
Redeemable preference shares	**–**	**–**	**67,178**	**–**	**67,178**	**33,589**
	146,154	**4,282**	**103,824**	**–**	**254,260**	**214,763**

	2013 (restated) Contractual undiscounted cash flow					
	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total US$'000	Balance sheet carrying amount US$'000
Trade and other payables measured at amortised costs	81,091	–	–	–	81,091	81,091
Loans and borrowings	35,855	6,016	26,257	4,768	72,896	68,303
Obligations under finance leases	31	31	84	–	146	144
Redeemable preference shares	–	–	71,142	–	71,142	35,571
	116,977	6,047	97,483	4,768	225,275	185,109

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, deposits with banks, interest bearing long-term receivables, loans and borrowings issued at variable rates that expose the Group to cash flow interest rate risk and fixed rates that expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the balance sheet date:

	2014		2013 (Restated)	
	Effective interest rate %	**Amounts US$'000**	Effective interest rate %	Amounts US$'000
Fixed rate instruments:				
Loans and borrowings	**5.86**	**38,288**	4.23	17,070
Obligations under finance leases	**4.05**	**114**	4.13	144
		38,402		17,214
Variable rate instruments:				
Loans and borrowings	**6.16**	**63,896**	5.92	51,233
Less: interest bearing long-term receivables	**8.40**	**(27,171)**	8.96	(18,040)
		36,725		33,193
Total net borrowings		**75,127**		50,407
Fixed rate borrowings as a percentage of total net borrowings		**51.1%**		34.2%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately US$310,000 (2013: US$249,000 (as restated)).

The sensitivity analysis above relates to the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, and the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest exposure or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions related. The currencies giving rise to this risk are primarily Euros, Hong Kong Dollars and United States Dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States Dollars translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2014 Exposure to foreign currencies (expressed in US$)		
	Euros US$'000	**United States Dollars US$'000**	**Hong Kong Dollars US$'000**
Trade and other receivables	**4,690**	**6,355**	**31**
Cash and cash equivalents	**477**	**1,822**	**226**
Trade and other payables	**(3,395)**	**(3,190)**	**(42)**
Net exposure arising from recognised assets and liabilities	**1,772**	**4,987**	**215**

	2013 (Restated) Exposure to foreign currencies (expressed in US$)		
	Euros US$'000	United States Dollars US$'000	Hong Kong Dollars US$'000
Trade and other receivables	5,040	5,767	28
Cash and cash equivalents	1,154	9,353	479
Trade and other payables	(6,715)	(2,948)	(210)
Net exposure arising from recognised assets and liabilities	(521)	12,172	297

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2014		2013 (Restated)	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits US$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits US$'000
Euros	**5%**	**62**	5%	(12)
	(5)%	**(62)**	(5)%	12
United States Dollars	**5%**	**187**	5%	111
	(5)%	**(187)**	(5)%	(111)
Hong Kong Dollars	**5%**	**9**	5%	12
	(5)%	**(9)**	(5)%	(12)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and retained profits measured in the respective functional currencies, translated into United States Dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values

(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 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.

The Group has a team headed by the chief financial officer who is responsible for engaging external valuers to perform valuations for the financial instruments, including Level 1 trading securities and liability component in redeemable preference shares which are categorised into Level 3 of the fair value hierarchy. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
The Group				
Recurring fair value measurements				
Assets:				
Trading securities	**1,997**	**1,997**	**–**	**–**
Liabilities:				
Other non-current liabilities	**33,589**	**–**	**–**	**33,589**

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
The Group				
Recurring fair value measurements				
Assets:				
Trading securities	1,823	1,823	–	–
Liabilities:				
Other non-current liabilities	35,571	–	–	35,571

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Liability component in redeemable preference shares at fair value through profit or loss	Probability weighted equity value allocation	Expected volatility	30.09% for liquidation 29.45% for redemption

The fair value of liability component in redeemable preference shares is determined using Black-Scholes Option Pricing Model and discounted cash flow. The significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is negatively correlated to the expected volatility. For the year ended 31 December 2014, it is estimated that with all other variables held constant, an increase in the expected volatility by 1% would have increased the Group's net profit by US$39,000 (2013: US$97,000).

Fair value of preference shares and assumptions	**2014**	2013
Discount rate	**15.5%**	17%
Company specific risk in weighted average cost of capital ("WACC")	**1.5%**	1.5%
Debt/equity ratio assumed in WACC	**10%**	10%
Terminal year growth	**3%**	3%

The movement during the period in the balance of these Level 3 fair value measurements is as follows:

	2014 **US$'000**	2013 US$'000
Liability component of redeemable preference shares designated at fair value through profit or loss:		
At 1 January	**35,571**	–
Initial recognition	**–**	38,044
Fair value adjustment charged to profit or loss	**1,011**	514
Foreign currency translation	**(2,993)**	(2,987)
At 31 December	**33,589**	35,571
Total gains or losses for the period included in the income statement for assets held at the balance sheet date	**1,011**	514

(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 31 December 2014.

29 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Contracted for	34,342	42,753

(b) Operating lease commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Within 1 year	1,955	1,198
After 1 year but within 5 years	3,488	2,914
	5,443	4,112

The Group leases a number of properties and items of plant and machinery under operating leases. The leases typically run for an initial period of one to five years, at the end of which period all terms are negotiated. None of the leases includes contingent rentals as at 31 December 2013 and 2014.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the years ended 31 December 2013 and 2014, transactions with the following parties are considered as related party transactions:

Name of parties
Tsinghua Tongfang Co., Ltd. ("Tongfang")* (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)
Guangdong Tongfang Lighting Co., Ltd.* (廣東同方照明有限公司)
Beijing Tongfang Cleaning Technology Co., Ltd.* (北京同方潔淨技術有限公司)
Advanced System Development Co., Ltd.* (同方鼎欣信息技術有限公司)
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.

Tongfang 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 Tongfang, except for Tongfang Kawasaki, which is an associate of Tongfang.

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Particulars of significant related party transactions during the years ended 31 December 2013 and 2014 are as follows:

	2014 US$'000	2013 US$'000 (Restated)
Sales to Tongfang and its subsidiaries	**46,756**	21,576
Purchases from Tongfang and its subsidiaries	**5,330**	2,463
Purchases from Tongfang Kawasaki	**3,877**	10,981
Payment for miscellaneous products and services from Tongfang and its subsidiaries	**658**	2,585
Proceeds from loans from Tongfang Artificial	**10,554**	3,833
Repayment of loans to Tongfang Artificial	**2,701**	10,079

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

The directors consider that the above related party transactions during the years ended 31 December 2013 and 2014 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(c) Amounts due from/(to) related parties

At 31 December 2013 and 2014, the Group had the following balances with Tongfang and its subsidiaries:

	2014 US$'000	2013 US$'000 (Restated)
Trade and other receivables	**32,820**	4,754
Trade and other payables	**(6,207)**	(4,647)
Loans from related parties	**(23,027)**	(15,174)

The loans from related parties bear interest at 6% per annum, and are unsecured.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014 US$'000	2013 US$'000 (Restate)
Short term employee benefits	**1,678**	1,657
Post-employment benefits	**13**	10
Share-based payments	**197**	182
	1,888	1,849

Total remuneration was included in "staff costs" (see note 6(b)).

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) The related party transactions in respect of sales, purchases, and receipts of miscellaneous products and services above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors. The related party transaction in respect of financial assistance received from Tongfang and its associate above constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

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

The controlling shareholder of the Company, Tongfang, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with Tongfang and its subsidiaries and associate which were disclosed in Note 30(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.

31 BUSINESS COMBINATION UNDER COMMON CONTROL

On 14 August 2014, the Company completed the acquisition of 100% equity interest in Tongfang Energy Saving, through the acquisition of 100% equity interest in TFRH Investments and 100% equity interest in Excel Perfect. The acquisition of TFRH Investments has been accounted for under merger accounting for business combination under common control in accordance with the accounting policy as set out in note 2(h) and the comparative amounts in the consolidated financial statements are restated accordingly. The acquisition of Excel Perfect has been accounted for as an acquisition of non-controlling interests in accordance with the accounting policy as set out in note 2(d).

Recognised amounts of carrying value of identifiable assets acquired and liabilities assumed at the date of acquisition are as follows:

	US$'000
Property, plant and equipment	31,530
Other non-current assets	19,081
Cash and cash equivalents	2,236
Other current assets	30,823
Current liabilities	(61,556)
Non-current liabilities	(12,009)
Non-controlling interest	(719)
Total identifiable net assets acquired	9,386

31 BUSINESS COMBINATION UNDER COMMON CONTROL *(Continued)*

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

	The Group (as previously reported) US$'000	**TFRH Investments** US$'000	**The Group (as restated)** US$'000
Results of operations for the year ended 31 December 2013:			
Profit/(loss) from operations	26,132	(1,154)	24,978
Profit/(loss) for the year	18,827	(2,040)	16,787
Profit/(loss) attributable to:			
– Equity shareholders of the Company	17,105	(1,528)	15,577
– Non-controlling interests	1,722	(512)	1,210
Balance sheet as at 31 December 2013:			
Non-current assets	73,828	49,256	123,084
Current assets	137,708	39,609	177,317
Current liabilities	71,198	50,203	121,401
Non-current liabilities	44,162	28,199	72,361
Total equity attributable to the equity shareholders of the Company	94,619	7,232	101,851
Non-controlling interests	1,557	3,231	4,788

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(i) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of the reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(ii) *Impairment of trade receivables*

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade receivables at the end of the reporting period.

(iii) *Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) *Income tax*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax liability was not recognised in respect of the withholding income tax that would be payable on the distribution of retained profits of the Company's subsidiaries as the Company considers that it is probable that such profits will not be distributed in the foreseeable future. Any changes in dividend policy may result in the recognition of the related deferred tax liabilities.

(v) *Development costs*

Critical judgment by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at the end of the reporting period. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group management.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(vi) *Construction contracts*

As explained in policy notes 2(n) and 2(w)(iii), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from/to customers for contract work as disclosed in note 22 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(vii) *Fair value of financial instruments*

For financial liabilities designated at fair value through profit or loss, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, maturities credit spreads and historical volatilities. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is estimated based on the risk free interest rate plus credit spread of comparable bonds with similar credit rating, coupons and maturities. Where other pricing models are used, inputs are based on observable market data at each balance sheet date.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 8 March 2015, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with 1028665 B.C. Ltd., a subsidiary of Acuity Brands, Inc. ("the Purchaser") and Acuity Brands Lighting, Inc. ("the Purchaser's Parent"), pursuant to which the Company conditionally agreed to sell and the Purchaser agrees to purchase 18,122,053 Class A common shares, representing approximately 43.98% equity interest in Distech Controls Inc. ("the Target"), subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement.

The consideration for the sale shares (including any other shares (or rights or options with respect to shares) in the capital of the Target that are issued and outstanding as of the closing date) before adjustments shall be CAD 318 million. The consideration after adjustments shall be the sum of: (i) CAD 318 million, (ii) plus the available cash, (iii) minus any indebtedness, (iv) plus the net working capital surplus or minus the net working capital deficiency. The Company shall be entitled to receive the pro rata share of the consideration after adjustments.

The completion of the Share Purchase Agreement is subject to the shareholders' approval at the extra-ordinary general meeting. Upon completion of the Share Purchase Agreement, the Company will cease to have any interests in Distech Controls and Distech Controls will cease to be a subsidiary of the Group.

(Expressed in United States dollars unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE DURING THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of this report, the HKICPA has issued a number of amendments and interpretations which are not yet effective during the year ended 31 December 2014 and one new standard which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual Improvements to HKFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011–2013 Cycle	1 July 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.