Technovator

Technovator International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

A Leading Integrated Energy Saving Services Provider

ANNUAL REPORT **2015**

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) (resigned on 16 November 2015)
Mr. Fan Xin (范新) *(Chairman)*
Mr. Ng Koon Siong (黃坤商) (resigned on 22 January 2016)
Mr. Liu Tianmin (劉天民)
Mr. Wang Yinghu (王映滸)
(appointed on 16 November 2015)

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. Fan Xin

Remuneration Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Chia Yew Boon
Mr. Ng Koon Siong (resigned on 22 January 2016)
Mr. Seah Han Leong (appointed on 26 February 2016)

Risk Management Committee (established on 29 March 2016)
Mr. Fan Ren Da Anthony *(Chairman)*
Ms. Chen Hua
Mr. Chia Yew Boon
Mr. Fan Xin
Mr. Liu Tianmin
Mr. Seah Han Leong
Mr. Wang Yinghu
Mr. Zhao Xiaobo

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Ms. Tan Siew Hua (resigned on 29 July 2015)
Mr. Cheo Meng Ching (appointed on 29 July 2015)

AUTHORISED REPRESENTATIVES

Mr. Zhao Xiaobo
Mr. Seah Han Leong

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LEGAL ADVISER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe

AUDITORS

KPMG
KPMG LLP

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Singapore 048424

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
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COMPANY WEBSITE

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PRINCIPAL BANKERS

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

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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 ("Technovator") and its subsidiaries (the "Group") for the year ended 31 December 2015.

Year 2015 was a year of transition in which the Group conducted major adjustment to the overall structure, with integration and reorganization of advantageous resources, re-division of business segments and unification of the long-term strategic layout. Leveraging on the hard work of all staff of the Group and the strong support of our shareholders, each field of the Group's urban integrated energy saving business had made great strides in development and achieved remarkable growth in the annual results as compared to 2014.

Successful unification of the strategic layouts

In 2015, the Group completed the disposal of overseas business, while it acquired the intelligence business of the parent company. The Group put great efforts on integrating the internal and external resources and reclassified its core business into three major segments including smart transportation, smart building and complex and smart energy based on their scope of services. The Group defined the business position and development strategy for the new era, and focused on promoting urban integrated energy saving business in full by informatization and intelligence.

Since its incorporation in Singapore in 2005, Technovator had gone through challenges and struggles over a decade, and persisted in developing urban energy saving business. From sales agency to operation of its own products, from basic research and development to industry application, from traditional engineering to integrated services, the Group witnessed the rapid development of urban energy saving industry in China and throughout the world, and it achieved the innovation, transformation, upgrade and expansion of its own business with the driving force in the market through unification of the long-term strategic layouts. As a recognition and reward for the Group's past operating results, two major businesses and assets operation were completed during the year, which brings new expectations of establishing the Group's new platform for its future development and creating its future values.

Impressive advancement of each segment of urban energy saving business

This year, the Group concentrated on urban energy saving, its core businesses, effectively integrated and allocated resources as well as re-divided the three major business segments with remarkable results. The scope of services continued to expand while the scale of business grew steadily. The business model kept on enhancing and innovating and the basic research and development strengthened with breakthroughs in proprietary products and technological application in various aspects.

The growth of the results of the smart transportation segment was satisfactory. Due to continuously strong growth in the rail transit integrated monitoring projects, the Group's traditional advantageous business, and the breakthrough in the successful application of its proprietary Integrated Supervision and Control Software platform (ezISCS), as well as the successful pilot project for the subway stations with Energy Management Contract (EMC) business model, such segment were enhanced with continuously strong driving force for future growth. With the slow growing rate of smart building and complex segment in the building intelligence industry as a whole, the Group timely changed the strategies by optimizing and adjusting business portfolios, emphasizing on the enhancement of the application of its proprietary and core products and the development of energy saving retrofit services, which achieved prominent results in respect of the application of basic research and development, the advancement of urban building energy saving retrofit and the management, control and application of big data in energy consumption of "Internet+". Leveraging on the robust urbanization in the PRC, the smart energy segment had a rapid development. The intelligent urban heating network business continued to maintain a fast growth while the strategies of industrial waste heat recovery business were adjusted during the year and various large-scale landmark projects were signed. At the same time, the Group emphasized on promoting integrated energy management services of "source, network and users" by the intelligentization of "heating source" and "heating network", the strength of the Group's core technologies in each energy saving area and the industry integration.

Innovative development, transformation and upgrade

The "13th Five Year Plan" in China outlines the development of service sector as the target, promotion of energy saving and environmental-friendly products, support of innovative technological equipment and service model, facilitating the growth of energy saving and environmental-friendly industry, implementation of energy saving actions and plans in public as well as full acceleration of energy saving in industry, construction, transportation and public institutions. The 2016 government work report also firmly indicates the full support of the development of advanced technologies in energy saving and environmental protection and the promotion of business model based on energy management contract (EMC). As an enterprise directly benefited from China's energy saving development strategy in various fields, Technovator will timely adjust business strategies and models so as to achieve innovative development, transformation and upgrade for the Group. In the future, the Group will put efforts on developing energy saving EMC projects, develop more major cities and secure top quality and large-scale customers. Meanwhile, the Group will continue to invest more in technical research and application of invention and increase the market share of our proprietary products, with an expectation to seek top quality targets in the wave of state-owned enterprises reform in China. Technovator regards the development of green cities and living environment as its duty, and the growth of the overall revenue and the increase in profit margins as its target so as to become a leader of urban energy saving in China and an active promoter of industry development in a cautious and responsible manner.

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. Looking back to the past decade, the Group overcame hardships in pride. We are looking forward to and confident to face the opportunities and challenges ahead!

Fan Xin
Chairman

22 March 2016

FIVE YEAR FINANCIAL SUMMARY

	2011 (Restated)	2012 (Restated)	2013 (Restated)	2014 (Restated)	**2015**
('000 RMB)					
Consolidated income statement					
Continuing operations					
Revenue	756,723	901,654	1,082,598	1,394,346	**1,692,624**
Cost of sales	(578,984)	(689,547)	(818,385)	(1,023,120)	**(1,297,085)**
Gross profit	177,739	212,107	264,213	371,226	**395,539**
Other revenue	8,341	7,466	21,977	24,675	**58,475**
Other net gain/(loss)	(1,586)	197	(7,247)	1,291	**1,888**
Selling and distribution costs	(29,092)	(39,346)	(60,865)	(67,960)	**(70,269)**
Administrative and other operating expenses	(57,444)	(60,657)	(84,162)	(109,003)	**(144,193)**
Finance costs	(559)	(3,088)	(11,869)	(22,349)	**(34,794)**
Profit before taxation	97,399	116,679	122,047	197,880	**206,646**
Income tax	(15,266)	(20,592)	(23,868)	(41,803)	**(21,351)**
Profit for the year from continuing operations	82,133	96,087	98,179	156,077	**185,295**
Discontinued operation					
Profit for the year from a discontinued operation	22,053	27,453	33,985	40,967	**599,318**
Profit for the year	104,186	123,540	132,164	197,044	**784,613**
Equity shareholders of the Company	95,327	112,105	124,677	184,510	**778,919**
Non-controlling interests	8,859	11,435	7,487	12,534	**5,694**
Profit for the year	104,186	123,540	132,164	197,044	**784,613**
Basic earnings per share (RMB)	0.2008	0.1896	0.2040	0.2959	**1.0680**
Diluted earnings per share (RMB)	0.1945	0.1886	0.1871	0.2677	**1.0092**
('000 RMB)					
Non-current assets	282,426	522,554	829,220	982,245	**778,117**
Current assets	864,713	1,176,545	1,567,232	1,933,958	**3,187,256**
Current liabilities	459,039	668,002	1,022,038	1,268,677	**1,754,975**
Net current assets	405,674	508,543	545,194	665,281	**1,432,281**
Total assets less current liabilities	688,100	1,031,097	1,374,414	1,647,526	**2,210,398**
Non-current liabilities	63,363	210,846	440,995	466,968	**203,602**
Total equity attributable to equity shareholders of the Company	588,718	778,651	903,260	1,150,642	**1,998,710**
Non-controlling interests	36,019	41,600	30,159	29,916	**8,086**
Total equity	624,737	820,251	933,419	1,180,558	**2,006,796**
Net assets per share	1.29	1.57	1.79	1.83	**2.52**
Financial ratio					
Cost to income ratio	76.5%	76.5%	75.6%	73.4%	**76.6%**
Pre-tax profit margin	12.9%	12.9%	11.3%	14.2%	**12.2%**
Return on Equity	13.1%	11.7%	10.5%	13.2%	**9.2%**
Current ratio	1.9	1.8	1.5	1.5	**1.8**

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

By 2015, Technovator has gone through a decade. Inherited from Tongfang Co., Ltd, ("THTF", 600100.SSE) tremendous depth of technology expertise, innovative products and build-up of talents, Technovator has rapidly grown to be a leading energy saving services provider.

During the year, with the support from capital market, the Group conducted major adjustment to the overall structure and unified the long-term strategic layout. We clearly and firmly capitalized on informatization and intelligence and adhered to the development strategy which concentrated on urban integrated energy saving business. The Group integrated its internal and external resources and reclassified its business segments into three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and services throughout their full life cycles.

In recent years, an unprecedented historic opportunity has occurred in the energy saving industry. While the PRC government is raising awareness towards the development of energy saving and low-carbon cities, its systematic promotion and full implementation still require a long-term progressive development. In this critical period with opportunities and challenges, by leveraging the integrated advantages of "Products+Technologies+Services" and the full strength of the capital market, the Group continued to enhance its brand influence, deepened the market penetration and expanded service scope and business model. The Group maintained a continuous and steady growing trend and established a solid foundation for further promoting the development of integrated urban energy saving business in an active manner.

In 2015, the revenue from continuing operation of the Group amounted to approximately RMB1,693 million, representing a year-on-year increase of 21.4%. The profit attributable to the equity shareholders of the Company amounted to approximately RMB785 million, representing a year-on-year increase of 3.2 times. Meanwhile, the Group completed the disposal of Distech Controls Inc. ("Distech Controls"), an overseas subsidiary in Canada during the year with a disposal gain of approximately CAD$122 million, representing approximately RMB585 million. A substantial increase in profit for the year of 40.0% to RMB219 million is recorded after excluding the impact of the one-off adjustment. The adjusted profit margin for the year increased by 1.7 percentage points to 12.9%.

BUSINESS REVIEW

Multiple capital operations and clear strategic layout

In August 2015, the Group completed the disposal of its equity interests owned in Distech Controls, a subsidiary in Canada, with approximately CAD$122 million of disposal gain, representing approximately RMB585 million. The Group had a fruitful harvest through its adjustment to the strategic layout and market development on Distech Controls in these few years. At the same time, it rapidly enhanced the Group's ability to produce its own products and the products were in line with trend of the international market. Not only did this disposal contribute a substantial return on investment for the Group, but also reach a win-win situation with co-development which is long-lasting and mutual beneficial through the continuous business transactions and cooperation between both sides. Moreover, it benefited the strategic reorganization of the Group's internal resources and focus on the Chinese market, accelerating reformation and achieving leaping development.

In October 2015, the Group utilized the proceeds from the placing of new shares in the beginning of the year to complete the acquisition of the related businesses and assets in the fields of intelligent rail transit, intelligent building and intelligent urban heating network of the parent company, Tongfang Co., Ltd in order to enhance the core advantages in the integrated services and clientele for the Group and give a new impetus to the development of the smart energy saving business. Through a series of capital operations, the Group has enhanced its business layout and proactively optimized and reorganized the business structure as well as differentiated the future business segments so as to elevate the overall operating efficiency and lay a solid foundation for the Group's long-term sustainable development.

Looking forward, the Group will focus on three major business segments including smart transportation, smart buildings and complex and smart energy, bring along the development of integrated urban energy saving business by way of informatization and intelligence and provide the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Fruitful Results from all business segments

➢ *Smart Transportation Business:*

The Group continued to maintain its leading industry position in respect of rail transit informatization and intelligence. It inherited the achievement for over 30 years in scientific research and industrialization from Tsinghua University and the accumulated project experience for over a decade from its parent company. The core technologies and a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System (ISCS), Building Automation System (BAS) for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service. Meanwhile, the Group continued to develop new growth drivers in respect of rail transit. The design of Platform Screen Door System (PSD v2.0) for rail transit was finalized during the year and introduced to the market at a fast pace. With the surging energy consumption of rail transit operation driven by the burgeoning rail links across various cities, currently, the Group actively explores and strives to be the pioneer in rail transit energy saving business in Mainland China backed by its proprietary core technologies. Its proprietary products and solutions include EnCs – a machine-learning based software for rail transit and Techcon EEC – the professional energy-saving monitoring system for rail transit and their application were successfully realized. The Group strives to be a leader and active promoter in the rail transit energy saving market in the future in order to create new business driving sources for smart transportation business segment.

The smart rail transit business recorded remarkable growth during the year. As for the segment of integrated rail transit supervision and control, a long-existing and well-developed business, the Group successfully contracted various rail transit projects including Guangzhou rail transit line 9 and line 21, Changsha rail transit line 1 and Shijiazhuang rail transit line 1. As at the end of 2015, our business footprint has been spread across 17 cities with more than 40 rail transit routes, namely, Beijing, Tianjin, Chongqing, Guangzhou, Shenzhen, Changsha, Wuhan, Chengdu, Suzhou, Nanjing, Qingdao, Shijiazhuang, Dalian, Changchun, Harbin and Lanzhou, and Tehran in Iran. At the same time, our successful application of proprietary Integrated Supervision and Control Software platform (ezISCS), demonstrated that the Group successfully broke up a monopoly of foreign companies in respect of the core technology of integrated supervision and control software platform, which will further enhance the profit margin and competitiveness of this type of project. Meanwhile, the Group has successfully contracted the project of rail transit network command centre in Shenzhen. Currently, our Network Command Center System (TCC) has covered three megalopolises, namely Beijing, Guangzhou and Shenzhen, so that application of our integrated supervision and control system has been escalated from route-level to city-level. Based on the above, the Group has been steadily operating its energy saving transformation demonstration project – Beijing rail transit No. 8 Forest Park South Station based on the business model of Energy Management Contract (EMC), and realized an integrated energy-saving rate of over 60%, which has been highly recognized by proprietors and the relevant state authorities. Having a high technical barrier, enormous market potential and the promising prospects for development in energy-saving business of rail transit, the Group will swiftly replicate the successful energy-saving model of a single station to a number of rail transit routes and several rail transit networks in cities with an approach of connecting lines and networks.

➢ *Smart Building and Complex Business:*

Regarding the business of smart building, the Group is committed to providing integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, with an aim at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of building. Leveraging the technical experience of over 20 years with successful implementation of over 1000 projects and its commitment to significant exemplary construction works, the intelligent building business acquired by the parent company had a substantial advantage in the field of intelligence services for buildings during the year and was ranked the top in terms of national construction volume in nine consecutive years, which accumulated considerable amounts of regular customer resources. Meanwhile, along with the continuous expansion of the research and development of the Group's core technology, and based on the successful completion of upgrade in the platform "arm" under our full proprietary exploration and research for years and its application to products of Techcon04 series during the period,Techcon EEC, the professional energy-saving monitoring system, continuously expanded its services, together with another upgrade of IBS proprietary software during the year and the breakthrough in research and development and successful application of "Huixin" ("慧芯") technology in energy storage project for buildings. The Group effectively combined technology with project experience as a strong support in accelerating the integrated energy saving business in the field of building and complex.

Subsequent to the success in the strategy which facilitated the pilot project of city-level building energy-saving reform in Chongqing, the Group has made a significant progress in Wuhan during the year. With the support of the loan from French Development Agency in the reforming progress of building energy-saving in Wuhan, the Group participated in and completed the construction of the energy consumption monitoring platform for 76 sizable public buildings and information access at the early stage and deepened its penetration in a series of services for building energy-saving reforms on several hospitals and school campuses at late stage, representing a market share of over 60%. By signing a strategic cooperation agreement with the government of Ningbo, the Group properly motivated the comprehensive development of smart green industry of Ningbo through pilot exemplary technology innovation. At the same time, the Group will seize the opportunity in the new model cities in respect of energy-saving reform driven by the 13th Five Year Plan in Mainland China with an aim at obtaining breakthroughs in Chongqing Phase 2 and some key cities in Shandong and Guangxi. During the year, the Group proactively explored and made attempts at "internet + energy" as well as the management, control and application of big data in energy consumption. The successful signing of the "Central Platform for Energy Consumption Data Analysis of Public Buildings" ("公共建築能耗數據分析中央級平台") project of the Ministry of Housing and Urban-Rural Development of the PRC has established the network hierarchy in terms of state, provincial, municipal and individual buildings to access energy consumption data of buildings. The Huiyun Intelligent Management Platform (慧雲智能化管理平台) developed by the Group for Wanda Group has completed data access for 8 Wanda Plazas in the first batch and the Group will gradually conduct Huiyun Intelligent Management in other commercial property projects of Wanda in Mainland China. From a view of monitoring, management and control of building energy consumption, the Group strives to create new sources of growth for its future development and contributes its efforts on consistent standards and standardized development of the building energy-saving industry by implementing big data collection, analysis, research as well as post-application and development with its advantageous position in the industry while the projects are in operation.

➢ *Smart Energy Business:*

Following the rapid urbanization and the development of smart cities in Mainland China, centralized and efficient use of energy in the cities, particularly the cities of Northern China with centralized heating supply, winter heating supply network ("heating network") and intelligent heating supply source become integral parts of the urban integrated energy saving industry. Currently, the Group planned and enriched the industry landscape and expertise with a series of leading technologies such as regional energy planning, integrated utilization of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilization as well as optimization and transformation of energy system throughout the energy production processes ("source"). All these technologies are extensively applied to respective projects with remarkable energy saving result. The Group possess self-owned core leading technologies such as heating network, heat monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology through the acquisition of businesses and assets in relation to intelligent urban heating network under the parent company ("network"). The customers of intelligent heating network are across 12 provinces, municipalities and autonomous regions in Northern China covering heating area of nearly 800 million square meters. It is expected a substantial room for improvement in the future market with urbanization in Mainland China at a fast pace.

During the year, the Group continued to facilitate the development of intelligent heating network and energy saving projects with newly signed intelligent heating network projects in cities such as Chifeng, Taiyuan, Baoding, Wuhai and Xinxiang, while the heating network energy saving EMC projects originally in Taiyuan, Wuhai and Shenyang are operating steadily with a sustainable revenue contribution from energy-saving sector. In addition, the Group continued to consolidate its business development in waste heat recovery and reuse, and contracted with Guodian Jilin Jiangnan Thermal Power (國電吉林江南熱電) and Dalian North Thermal Power (大連北方熱電) to conduct several sizable projects in respect of waste heat recovery and reuse during the year. Meanwhile, the Group actively facilitated the structural optimization and resource reorganization in relation to the smart urban heating business during the year. It strives to explore the full business synergies from energy generation, transportation and distribution as well as consumption in urban centralized heating supply aspects in order to offer "source, network and user" – integrated energy management services and build a solid foundation for enhancing the overall revenue of smart energy business by exploring sustainable operation model such as heating network hosting and franchise.

OUTLOOK

Under the favorable conditions of increasingly strong awareness of and demand for energy saving and emission reduction, along with the strategy of prioritized energy saving and energy efficiency enhancement continuously and proactively promoted by the Chinese governments, Technovator will continue to seize historic opportunities and keep on expanding models, exploring markets, innovating technologies, integrating resources based on its own technologies, brand and advantageous resources so as to become a leader in Mainland China's urban energy-saving and an active promoter of industry development.

➢ *Promotion of Integrated Energy Saving Business with Support of a New Era Arising from the Development of the 13th Five Year Plan*

  Year 2016 is a start of the "13th Five Year Plan" in Mainland China. The "13th Five Year Plan" outlines the development of service sector as the target, promotion of energy saving and environmental-friendly products, support of innovative technological equipment and service model, optimization of policy and mechanism, facilitating the growth of energy saving and environmental-friendly industry, implementation of energy saving actions and plans in public as well as full acceleration of energy saving in industry, construction, transportation and public institutions. The 2016 government work report also firmly indicates the full support of the development of advanced technologies in energy saving and environmental protection and the promotion of business model based on energy management contract (EMC). As a leading provider of integrated energy saving services, Technovator will actively respond to the needs and changes ahead and timely adjust business strategies and models. With a solid foundation of informatization and intelligence business, the Group will consolidate customer's demands and put more efforts on resource integration and marketing for energy saving in respective business segments. It will expedite its energy saving technology breakthroughs in all aspects as well as product innovation, promotion and application. In the future, the Group will quickly expand the markets and enhance profit margin by efforts on developing energy saving EMC model, promoting pilot projects and enhancing market share of its proprietary products. The Group will not only revitalize the existing market but also develop new major cities and more large-scale customers with quality. With major breakthrough in landmark projects, we shall explore scale-up development in mass projects in hope of achieving prosperous and fast development in various energy saving business areas such as smart transportation, smart building and complex as well as smart energy.

➢ *Raising Investment in Technological Research and Development and Innovation, Facilitating Industrialization of Scientific Research Innovation*

  Technovator's core competitiveness and sustainability built on strong capabilities in independent research and development, innovation and industrialization of scientific research achievements. The Group has a strong fundamental research and development team and a research institute which is a corporation-based institute for building energy-saving, comprising professionals specialized in electronics, computer software, automation control as well as heating, ventilation, and air conditioning. They have been contributing efforts on product and technological reform for the Group as well as the standardized development in building energy saving industry in years. Going forward, the Group will put much efforts on investing its proprietary hardware product series based on its newly upgraded platform "arm" under its research and development. With a stronger computing and processing ability, it is hoped that cost control could be achieved in a more flexible, efficient, convenient and cheaper way. The Group will also continue to strengthen the development in and upgrade of application software for major areas such as central air-conditioning control, E-Cloud, energy internet and regional power station so as to satisfy more complicated and diversified needs of customers as well as keep on consolidating and enhancing the market leading position in respect of autonomous technologies and products. Meanwhile, the Group will continue to work closely with top scientific research units in Mainland China including Tsinghua University and put more efforts on application-based research and development so as to apply the most advanced scientific and research achievements to the industry at a fast pace. We will create better revenue for the Group while dedicating ourselves to the technological reform for the energy saving industry.

➢ *Continuously seeking for Acquisition and Merger, Raising Shareholders' Value*
The acquisition of Distech Controls by the Group has become a successful demonstration of mutual benefits in respect of the Group and in the investment history of the industry,which accumulates valuable acquisition and merger experience for the Group. China is activating another reform on state-owned enterprises on a comprehensive basis, which leads to structural transformation and business adjustment for a number of state-owned enterprises, providing favorable historic acquisition opportunities for professional companies. Based on its industry leading advantage in respect of technologies, products and services, together with support of market-oriented system and flexible and effective incentive mechanism, and relying on the brand name influence of THTF and Tsinghua University as well as the strength of financing market, Technovator is well positioned to have a head start throughout such reform. The Group will realize bilateral expansion in the industry chain and leaping development through effective acquisition and merger, and contribute to the Group arms at achieving growth of overall revenue and raising profit margin so as to create greater value for shareholders.

FINANCIAL REVIEW

During the year, the Group completed the acquisition of intelligence business of its parent company, Tongfang and disposal of its overseas subsidiary in Canada. Subsequently, the Group integrated its resources and reclassified its business segments into three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Also, the revenue and profit contribution from our subsidiary in Canada during the period and the gain on disposal amounted to approximately CAD$122 million (equivalent to approximately RMB585 million) have been presented in the discontinued operation segment.

The financial review below is classified into continuing operation and discontinued operation segments.

Continuing operations
As the intelligence business acquired from the parent company by the Group during the year is attributed to the business combination under common control, the financial statements were restated to include its results in accordance with the accounting policy of the Group. Therefore, all financial figures of the Group in 2014 were restated. The review below is data and analysis based on the restatement unless otherwise specified.

Revenue
The continuing operations of the Group contributed a net revenue of approximately RMB1,692.6 million for 2015, increased by approximately RMB299 million as compared to the net revenue of the Group as restated for 2014 of approximately RMB1,394.3 million. On the basis of restatement, the Group recorded a year-on-year increase of 21.4% in net revenue for 2015.

Revenue by business segments
During the year, the Group completed the acquisition of intelligence business of its parent company and disposal of its overseas subsidiary in Canada. Subsequently, the Group integrated its resources and reclassified its business segments into three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

Also, the revenue contributed from our subsidiary in Canada during the period and the gain on disposal amounted to approximately CAD$122 million (equivalent to approximately RMB585 million) are attributed to the discontinued operation segment. As such, they are not presented in the continuing operation segment.

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

	2015		2014		
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000) (Restated)	% of revenue	**Comparison**
Smart transportation	**626,755**	**37%**	234,775	17%	>100%
Smart building and complex	**734,440**	**43%**	817,944	59%	(10.2%)
Smart energy	**331,429**	**20%**	341,627	24%	(3.0%)
Total	**1,692,624**	**100%**	1,394,346	100%	21.4%

Smart transportation

Revenue from smart transportation business segment substantially increased by 1.7 times, from approximately RMB234.8 million for 2014 to approximately RMB626.8 million for 2015, representing an increase of proportion of revenue from 17% to 37%, which contributed strong momentum for the Group's business growth. The demand for rail transit intelligence market in China continued to increase steadily in recent years. The market share and competitiveness of the Group keep on improving, resulting in a rapid growth in smart transportation business. During the year, the Group won contracts for various routes in the rail transit intelligence project in Qingdao, Shijiazhuang and Tianjin as well as the network command center of rail transit in Shenzhen. It also successfully facilitated the implementation of rail transit intelligence projects in cities such as Suzhou, Wuhan, Guangzhou, Changsha and Beijing.

Smart building and complex

Revenue from smart building and complex business segment slightly decreased by 10.2%, from approximately RMB817.9 million for 2014 to approximately RMB734.4 million for 2015. The decrease in revenue was due to the slowing growth of fixed assets investment in China, effects of continuous decrease in property investment, the decrease in bidding and tender of engineering projects in building intelligence industry, intense competition in the industry and decrease in profit margin of traditional building intelligence industry. However, upon entering into "new norm" for the development of building intelligence industry, the Group proactively optimized and adjusted its business portfolio, gradually transforming from a traditional building intelligence business to one which focuses on autonomous and core products and energy saving services and creates competitive advantages in differentiation based on the core technologies. The urban building energy saving transformation continued to progress smoothly in Chongqing, Wuhan and Ningbo. The Group successfully facilitated the implementation of eight projects of Huiyun Intelligent Management System of Wanda Plaza (萬達廣場慧雲智能化管理系統), signed contracts for several important projects such as Pilot Test of National Energy Internet service project of Suzhou Industrial Park (蘇州工業園國家級能源互聯網試點服務項目) and Central Platform for Energy Consumption Data Analysis of Public Buildings project of the Ministry of Housing and Urban-Rural Development of PRC. Meanwhile, the traditional building intelligence business of the Group is based on data center, high-end hotels, hospitals and intelligent zones in order to lay a solid foundation for further revitalization of customers' resources and identification of demands for customers' subsequent energy saving transformation in the future. During the year, the Group successively completed large-scale projects of quality customers such as IDC equipment room of Baidu International Building (百度國際大廈), Talent Innovation and Entrepreneurship Base of China Huaneng (中國華能人才創新創業基地) and the equipment room of Petrochina Lanzhou Building (中國石油蘭州大廈).

Smart energy

Revenue from smart energy business segment decreased slightly by 3.0%, from approximately RMB341.6 million for 2014 to approximately RMB331.4 million for 2015. The decrease was mainly due to the Group's anticipation that the industrial waste heat recovery business is likely to be continuously affected by macro-economic environment factors, which in turn maintains a relatively low business operation rate, affecting the revenue rate of waste heat recovery EMC project. Therefore, the Group proactively adjusted the development focus of the smart energy saving business and duly reduced the investment in waste heat recovery EMC project to address project risks. The Group refocused on the capability of using waste energy recovery ("source") and the core capability of centralized heating network of the Group ("network") as well as resource integration so as to offer "source, network and user" – integrated and comprehensive energy management services in the field of centralized heating network intelligence energy saving for enhancing the overall revenue of smart energy saving business in the future.

Cost of sales

Cost of sales increased by approximately 26.8%, from approximately RMB1,023.1 million for 2014 to approximately RMB1,297.1 million for 2015. The increase was due to the increase in project revenue resulting in a corresponding increase in costs. The increase in cost of sales was higher than the increase in revenue due to the decrease in gross profit margin. (Please refer to the analysis of gross profit)

Gross profit

Gross profit increased by approximately RMB24.3 million, from approximately RMB371.2 million for 2014 to approximately RMB395.5 million for 2015. Gross profit margin decreased by 3.2 percentage points, from approximately 26.6% for 2014 to approximately 23.4% for 2015. In particular, the gross profit margin of the smart transportation business segment increased while the gross profit margin of the smart energy business segment maintained at a steady level, and there was a substantial decrease in the gross profit margin of intelligent building segment. The decrease in gross profit margin of intelligent building segment was primarily due to the decrease in bidding and tender of engineering projects in its traditional building intelligence business and the effect of intense competition in the industry, resulting in a decrease in the gross profit margin of the project. On the other hand, following the transformation of the Group's business, part of the income was driven by increased EMC projects and was recognised as other revenue (as shown in the analysis of other revenue below).

Other revenue

Other revenue substantially increased by approximately RMB33.8 million, from approximately RMB24.7 million for 2014 to approximately RMB58.5 million for 2015. It was mainly due to the increase of RMB7.2 million of subsidy from EMC projects for building energy saving in Chongqing, increase of approximately RMB5.2 million from the interest income of EMC projects and the increase of RMB15.1 million of investment gain derived from the BT project in Karamay.

Other net gain

Other net gain increased from approximately RMB1.3 million for 2014 to approximately RMB1.9 million for 2015. It was mainly due to the effect of change in exchange rate on cash deposit denominated in foreign currency.

Selling and distribution costs

Selling and distribution costs slightly increased by 3.4%, from approximately RMB68.0 million for 2014 to approximately RMB70.3 million for 2015. The increase was mainly due to an increase of approximately RMB1.8 million in staff cost of the Group. However, the proportion of selling and distribution costs to revenue decreased by 0.7 percentage points, from 4.9% for 2014 to 4.2% for 2015. It was due to effective cost control implemented by the Group and the effect of operating leverage.

Administrative and other operating expenses

Administrative and other operating expenses increased by 32.3%, from approximately RMB109.0 million for 2014 to approximately RMB144.2 million for 2015. The increase was primarily due to the cautious anticipation that as certain waste energy recovery EMC projects of the smart energy business segment will be maintained at a low level of business operation rate in the future under the current macro-economic and sluggish industry condition, the Group decided to proactively optimize asset structure during the year, resulting in a provision of impairment loss on assets of approximately RMB28.0 million. Meanwhile, the one-off professional service fees for business acquisition amounted to approximately RMB5.1 million during the year. Thus, the proportion of administrative and other operating expenses to revenue increased by 0.7 percentage points, from 7.8% for 2014 to 8.5% for 2015.

Finance costs

Finance costs increased by 55.7%, from approximately RMB22.3 million for 2014 to approximately RMB34.8 million for 2015. The increase was mainly due the increase in the average balance of loans of the Group.

Income tax

Income tax decreased by 48.9%, from approximately RMB41.8 million for 2014 to approximately RMB21.4 million for 2015. It was mainly due to the entitlement to a software company tax concession policy with a two-year tax exemption and a three-year 50% deduction for software companies of the Group during the year. During such tax exemption period, tax reduction of approximately RMB12.5 million was recorded while tax refund of approximately RMB6.2 million was obtained. This led to a decrease of overall effective tax rate from approximately 21.1% to 10.3% for the Group, resulting in a substantial drop in income tax expenses.

Profit for the year

Profit for the year of continuing operation increased by 18.7%, from approximately RMB156.1 million for 2014 to approximately RMB185.3 million for 2015. Net profit ratio slightly decreased by 0.3 percentage points, from 11.2% to approximately 10.9%.

However, as shown by the foregoing analysis, the provision of impairment loss on assets of the Group during the year amounted to approximately RMB28.0 million and the one-off professional service fees for business acquisition of approximately RMB5.1 million are both one-off expenses. If excluding the effects of related factors, the adjusted profit for the year of continuing operation is approximately RMB218.5 million, representing a year-on-year increase of approximately 40.0%, while the adjusted net profit ratio is approximately 12.9%.

Discontinued operation

During the year, the Group completed the disposal of its overseas subsidiary in Canada. The contribution of the subsidiary in Canada during the period and the gain on disposal are both attributed to the discontinued operation of the Group. The profit for the year of the discontinued operation substantially increased by approximately 13.6 times, from approximately RMB41 million for 2014 to approximately RMB599 million for 2015. It was mainly benefited from the gain on disposal amounting to approximately CAD$122 million (equivalent to approximately RMB585 million).

In conclusion, the profit for the year of the Group as a whole (including continuing operations and discontinued operation) substantially increased by 3.0 times, from approximately RMB197.0 million for 2014 to approximately RMB784.6 million for 2015. The profit attributable to equity shareholders of the Company substantially increased by 3.2 times from approximately RMB184.5 million in 2014 to approximately RMB778.9 million in 2015. The basic earnings per share substantially increased by 2.6 times to RMB1.0680 as compared to last year (2014: RMB0.2959) while diluted earnings per share substantially increased by 2.8 times to RMB1.0092 as compared to last year (2014: RMB0.2677).

Working capital and financial resources

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

	2015 **(RMB'000)**	2014 (RMB'000) (Restated)
Inventories	**283,762**	186,000
Trade and other receivables	**1,212,817**	926,583
Trade and other payables	**1,459,534**	855,875
Average inventories turnover days	**50**	49
Average trade receivables turnover days *	**175**	168
Average trade payables turnover days *	**175**	182

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

The Group's inventories increased from approximately RMB186.0 million as at 31 December 2014 to approximately RMB283.8 million as at 31 December 2015, which was primarily due to the increase in inventory caused by the rapid increase in smart transportation business. The average inventories turnover days of the Group generally maintained at approximately 50 days in order to accommodate the Group's inventory management policy.

The Group's trade and other receivables increased from approximately RMB926.6 million as at 31 December 2014 to approximately RMB1,212.8 million as at 31 December 2015, which was due to the continuous expansion of the Group's business resulting in the corresponding increase in trade receivables of RMB198.2 million (among which smart transportation segment increased by RMB140 million) and an increase of approximately RMB70 million in other receivables due to the escrow amount of the consideration for the disposal of a subsidiary in Canada. The Group's average trade receivables turnover days increased slightly from approximately 168 days for 2014 to 175 days for 2015, which was in line with the Group's credit terms granted to the customers.

The Group's trade and other payables increased from approximately RMB855.9 million as at 31 December 2014 to approximately RMB1,460.0 million as at 31 December 2015, which was due to the remaining consideration payable for the business acquired from the parent company resulting in a substantial increase of RMB457.8 million and the continuous expansion of the Group's business resulting in the corresponding increase in trade payables (among which smart transportation segment increased by RMB70 million). Benefited from the good track record of the Group, the suppliers offered decent credit terms. The Group's average trade payables turnover days decreased slightly from approximately 182 days for 2014 to 175 days for 2015, which could be well addressed by the Group so that it could offer more favorable credit terms to its customers.

Liquidity and financial resources

During 2015, the Group has financed its operations primarily through cash flow from operations and bank borrowings. In addition, as the Group completed share placing and disposal of a subsidiary in Canada, which provided the Group with sufficient net cash inflow from financing and investment. As at 31 December 2015, the Group had approximately RMB1,261.9 million in cash and cash equivalents, accounting for 62.9% of the Group's net assets. The proceeds is planned to use as the Group's normal working capital, and/or payment of the remaining balance of the related business acquired from the parent company, and/or future acquisition, and/or repayment of loans according to the financing cost in the market and the Group's demand at its discretion. The Group's cash and cash equivalents consist primarily of cash in the banks and on hand and deposits that are readily convertible into known amounts of cash.

As of 31 December 2015, the Group's indebtedness consisted of short-term bank loan of approximately RMB276.7 million with an average annual interest rate of 5.78% and long-term borrowing of approximately RMB168.7 million with an average annual interest rate of approximately 5.68%. The decrease in the Group's indebtedness in 2015 was mainly due to the repayment of a short-term bank loan by the Group in December 2015 amounted to approximately RMB110 million with high annual interest rate.

As of 31 December 2015, the Group's debts were primarily bank loans and borrowings denominated in RMB. Cash and cash equivalents were primarily cash and bank deposits denominated in RMB, CAD, U.S. dollars, HKD and SGD and deposits that are readily convertible into known amounts of cash.

As of 31 December 2015, the net cash of the Group was approximately RMB816.5 million (2014: net liabilities of approximately RMB170.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 11.2% (2014: approximately 21.4%).

Pledge of assets
As at 31 December 2015, the Group had no pledge of assets.

Contractual obligation and capital commitments
The following table sets forth the Group's non-cancellable operating lease commitments as at 31 December 2015 and 2014. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	2015 (RMB'000)	2014 (RMB'000) (Restated)
Within 1 year	**10,808**	12,018
After 1 year but within 5 years	**13,599**	21,554
	24,407	33,572

Capital commitments outstanding at 31 December 2015 and 2014 not provided for in the financial statements were as follows:

	2015 (RMB'000)	2014 (RMB'000) (Restated)
Contracted for	**304,461**	210,170

Contingent liabilities
As at 31 December 2015, the Group did not have any material contingent liabilities.

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

Employment, training and development

As at 31 December 2015, the Group had a total of 637 employees, representing a decrease of 21% compared to 806 employees as at 31 December 2014. It is mainly due to the decrease in overseas employees in relation to the disposal of a subsidiary in Canada by the Group during the year. Total staff costs for 2015 slightly increased to approximately RMB126.3 million from approximately RMB122.8 million for the year ended 2014.

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 8 March 2015 (Montreal Time), the Company and (i) 1028665 B.C. Ltd., a subsidiary of Acuity Brands, Inc. (as the purchaser), (ii) Acuity Brands Lighting, Inc. (as the purchaser's parent), (iii) Distech Controls (being the Target), and (iv) all shareholders of the Target, including the Company (other than Samsung) (as the sellers), entered into an agreement for the disposal to the purchaser of all of the issued and outstanding shares in the share capital of the Target held by the sellers as of the date of agreement. On 1 September 2015 (Montreal Time), the Company completed disposal and obtained the proceeds from disposal in accordance with the terms and conditions of the agreement regarding the disposal of the shares of Distech Controls. After the completion of disposal, Distech Controls ceases to be a subsidiary of the Company.

On 28 July 2015, the Company entered into an agreement with Tongfang through Technovator Beijing and Tongfang Energy Saving, the wholly-owned subsidiaries of the Company, in relation to the acquisition of the related businesses providing intelligence integrated solutions which center around supervision and control systems in the fields of intelligent rail transit, intelligent building and intelligent urban heating network of the parent company (including Technovator Beijing Agreement and Tongfang Energy Saving Agreement). The Company has completed the disposal in accordance with the terms and conditions of the agreement.

Save as disclosed above, for the year ended 31 December 2015, the Group did not make any other material acquisition or disposal of subsidiaries or associates.

Significant investment

For the year ended 31 December 2015, the Group had no significant investment.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhao Xiaobo (趙曉波), aged 46, 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 52, 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. Fan Xin (范新), aged 55, is the chairman and a non-executive director of the Company. He joined the Group in March 2014 and was appointed as the chairman of the Board on 16 November 2015. 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. Mr. Fan is also the executive director and the chairman of the Board 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. Liu Tianmin (劉天民), aged 54, 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. Wang Yinghu (王映滸), aged 41, was appointed as a non-executive director with effect from 16 November 2015. Mr. Wang joined THTF, a company listed on the Shanghai Stock Exchange (stock code: 600100), in 2008. He held several positions including the Chief Manager of Audit Department (審計部總經理), Chief Manager of Finance Department (財務部總經理) of THTF and is currently the Vice Chief Accountant cum Chief Manager of Finance Department (副總會計師兼財務部總經理) of THTF. He has almost 20 years of experience in the areas of accounting, audit and financial management, where he was employed by Shine Wing Certified Public Accountants* (信永中和會計師事務所) and was a Senior Auditor (高級審計員), Senior Project Manager (高級項目經理) and Assistant Manager of Audit Department (審計部副經理). He is a Senior Accountant (高級會計師), a member of the Chinese Institute of Certified Public Accountants (CICPA), and a Certified Internal Auditor (CIA). He graduated with a bachelor's degree in Transport Economics (運輸經濟) from Beijing Jiaotong University* (北方交通大學, currently known as 北京交通大學).

Independent Non-Executive Directors

Mr. FAN Ren Da, Anthony (范仁達), aged 55, 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 New Energy 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 is also the President of the Hong Kong Independent Non-Executive Director Association. Mr. Fan holds a master's degree in business administration from the United States.

Mr. Chia Yew Boon (謝有文), aged 57, 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 50, 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 40, 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 Institute of Certified Public Accountants and a member of the Institute of Internal Auditors. He has over 15 years of experience in accounting, audit, due diligence and financial management, including transaction services in PricewaterhouseCoopers, group internal audit in Swire Group and audit assurance services in KPMG.

JOINT COMPANY SECRETARIES

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

Mr. Cheo Meng Ching (石明進), aged 43, was appointed as a joint company secretary of the Company on 29 July 2015. He is a member of The Singapore Association of the Institute of Chartered Secretaries and Administrators. He 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 2015.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group as at 31 December 2015 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 7 to 10.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out in note 16 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 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 50 to 128 of this annual report.

DIVIDENDS

The Board proposes to declare and pay a special dividend of RMB0.10 per share for the year ended 31 December 2015 (the "Special Dividend") to the Shareholders whose names appear on the register of members of the Company on 20 May 2016. The Special Dividend will be paid in Hong Kong dollars, the amount of which will be calculated by reference to the middle rate published by People's Bank of China for the conversion of RMB into Hong Kong dollars as at the date of the forthcoming annual general meeting of the Company, 13 May 2016. The declaration and payment of the Special Dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company.

Save as disclosed above, the Company has not declared and paid any other dividend during or for the years ended 31 December 2015 and 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 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 528,840,000 (2014: nil). Details of the reserves of the Company as at 31 December 2015 are set out in note 27 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2015 amounted to approximately RMB384,000 (2014: RMB344,000).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2015 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 2015 are set out in note 27 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2015 and as at the date of this report were:

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

Non-executive Directors
Mr. Lu Zhicheng (陸致成) (resigned on 16 November 2015)
Mr. Fan Xin (范新) *(Chairman)*
Mr. Ng Koon Siong (黃坤商) (resigned on 22 January 2016)
Mr. Liu Tianmin (劉天民)
Mr. Wang Yinghu (王映滸) (appointed on 16 November 2015)

Independent Non-executive Directors
Mr. Fan Ren Da Anthony (范仁達)
Mr. Chia Yew Boon (謝有文)
Ms. Chen Hua (陳華)

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 2015 other than Mr. Fan Xin and Mr. Wang Yinghu 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. Mr. Wang Yinghu has entered into a service contract with the Company for an initial term of one year commencing from 16 November 2015. 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. Liu Tianmin and Mr. Chia Yew Boon will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 108 of the Articles, Mr. Wang Yinghu, who was appointed as non-executive Director on 16 November 2015, holds office until the forth coming annual general meeting and being eligible, would offer himself 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 18 to 24 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 2015.

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

As at 31 December 2015, 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	1.01%
	Beneficial owner	10,120,000	1.27%
	Beneficial owner	5,800,000[2]	0.73%
Mr. Zhao Xiaobo	Beneficial owner	6,328,000	0.80%
	Beneficial owner	3,400,000[2]	0.43%
Mr. Leung Lok Wai	Beneficial owner	3,000,000[2]	0.38%
Liu Tianmin	Beneficial owner	500,000[2]	0.06%
Fan Ren Da Anthony	Beneficial owner	500,000[2]	0.06%
Chia Yew Boon	Beneficial owner	500,000[2]	0.06%
Chen Hua	Beneficial owner	500,000[2]	0.06%

Notes:

(1) Mr. Seah Han Leong is the sole shareholder of M2M Holdings Ltd and hence is deemed to be interested in all the Shares held by M2M Holdings Ltd.

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

(3) The percentage of interest in the issued share capital of the Company is calculated based on the number of issued Shares without taking into account Shares which may be allotted and issued to all grantees upon their after full exercise of the options under the Share Option Scheme.

Save as disclosed above, as at 31 December 2015, 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.

As at 1 January 2015, there were 1,131,000 options outstanding under the Distech Controls Stock Option Plan. In connection with the disposal (the "Distech Disposal") of all the issued and outstanding shares in Distech Controls then held by the Company pursuant to a share purchase agreement dated 8 March 2015 entered into by the Company, other shareholders of Distech Controls, Acuity Brands Lightings, Inc. ("Acuity") and a subsidiary of Acuity (the "Distech Purchaser") as disclosed in the announcements of the Company dated 9, 12, 30 March 2015, 2 April 2015, 30 June 2015, and 2 September 2015, all the then outstanding options under the Distech Controls Stock Option Plan were converted into Class B Common Shares of Distech Controls prior to the completion of the Distech Disposal and were purchased by the Distech Purchaser in the Distech Disposal. As at 31 December 2015, there were no options outstanding under the Distech Controls Stock Option Plan.

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 2015 and no further options will be granted or offered under the Pre-IPO Share Option Schemes.

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 2015 are as follows:

Name	Date of Grant[1]	Exercise price per Share	Exercise period[2],[3],[4]	Number of shares issuable under the share options: Outstanding as at 1 January 2015	Exercised during the year ended 31 December 2015[5]	Outstanding as at 31 December 2015
Director, chief executive or substantial shareholder						
Zhao Xiao bo	23 July 2012	HK$1.15	23 July 2014–22 July 2017	4,800,000	2,400,000	2,400,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,000,000	–	1,000,000
Seah Han Leong	23 July 2012	HK$1.15	23 July 2014–22 July 2017	4,800,000	–	4,800,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,000,000	–	1,000,000
Liu Tianmin	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	500,000
Fan Ren Da Anthony	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	500,000
Chia Yew Boon	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	500,000
Chen Hua	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	500,000
Leung Lok Wai	23 July 2012	HK$1.15	23 July 2014–22 July 2017	3,000,000	1,500,000	1,500,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	600,000	–	600,000
Other Employees						
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	27,500,000	15,750,000	11,750,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	14,800,000	–	14,800,000
	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 2015–16 October 2019	5,900,000	–	5,900,000
Suppliers of goods or services						
In aggregate	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,800,000	–	1,800,000
Others						
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	5,300,000	2,400,000	2,900,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	32,900,000	–	32,900,000
	15 August 2014	HK$3.83	15 August 2014–14 August 2019	1,000,000	–	1,000,000
	17 October 2014	HK$3.444	17 October 2015–16 October 2019	1,100,000	–	1,100,000
Total				111,800,000	22,050,000	89,750,000

Notes:

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

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

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

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

(ii) For suppliers of goods or services:

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

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

(i) For the Directors:

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

(ii) For other employees:

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

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

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

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

No option was granted under the Share Option Scheme during the year ended 31 December 2015. Save as disclosed above, no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 December 2015.

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 2015, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner	92,000,000	11.57%
	Interest in a controlled corporation[(1)]	176,148,142	22.15%
Resuccess Investments Limited	Beneficial owner	176,148,142	22.15%

Note:

(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.

Save as disclosed above, as at 31 December 2015, 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 2015.

CONNECTED TRANSACTION

Connected Transaction in relation to the disposal of Distech Controls

On 8 March 2015 (Montreal Time), (i) 1028665 B.C. Ltd., a subsidiary of Acuity Brands, Inc. (as the Distech Purchaser), (ii) Acuity Brands Lighting, Inc., the Purchaser's Parent, (iii) Distech Controls, and (iv) certain shareholders of Distech Controls (the "Distech Sellers"), including the Company, entered into a share purchase agreement ("Distech Disposal Agreement") for the disposal of all of the issued and outstanding shares in the capital of Distech Controls held by the Distech Sellers to the Distech Purchaser (the "Distech Disposal").

Immediately prior to the completion of the Agreement, as some of the Distech Sellers were connected persons at the subsidiary level of the Company under Rule 14A.06(9) of the Listing Rules, the Distech Disposal constituted a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Distech Disposal Agreement were subject to reporting, annual review and announcement requirements and were exempt from the circular, independent financial advice and independent shareholders' approval requirements.

The Distech Disposal was completed on 1 September 2015. Upon the completion of the Disposal, Distech Controls ceased to be a subsidiary of the Company.

Further details of the Distech Disposal are set out in the announcements dated 9, 12, 30 March 2015, 2 April 2015, 30 June 2015 and 2 September 2015 and the circular dated 14 July 2015 issued by the Company.

Connected Transaction in relation to the Acquisition of the Intelligent Rail Transit Business, the Intelligent Building Business and the Intelligent Urban Heating Network Business

On 28 July 2015, the Company, through its wholly-owned subsidiaries, Technovator Beijing and (同方節能工程技術有限公司) Tongfang Energy Saving Engineering Technology Co., Ltd.* (the "Purchasers") (as purchasers), entered into agreements (the "Business and Assets Purchase Agreements") with Tsinghua Tongfang Co., Ltd. (i.e. THTF) (as vendor) to acquire the businesses in relation to providing intelligence integrated solutions which center around supervision and control systems in the fields of (i) intelligent rail transit, (ii) intelligent building and (iii) intelligent urban heating network (the "Target Businesses") for a total consideration of RMB528,000,000 (subject to adjustments).

As at the date of the Business and Assets Purchase Agreements, THTF being the beneficial owner of 268,148,142 Shares, representing approximately 34.64% of the entire issued share capital of the Company, was a Controlling Shareholder of the Company. THTF was therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the acquisitions contemplated under the Business and Assets Purchase Agreements (the "Acquisitions') constituted connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisitions on an aggregate basis was more than 25% but all of the applicable percentage ratios were less than 100%, the Acquisitions constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Business and Assets Purchase Agreements and the transactions contemplated under it were subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Acquisitions were completed on 31 October 2015. Further details of the Acquisitions are set out in the announcements dated 28 July 2015, 25 September 2015 and 16 October 2015 and the circular dated 25 September 2015 issued by the Company.

CONTINUING CONNECTED TRANSACTIONS

Connected persons

(a) Tsinghua Tongfang Co., Ltd. (i.e. THTF): THTF 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 THTF from Technovator Beijing and such other parties procured by Technovator Beijing and agreed by THTF*

On 9 February 2011, Technovator Beijing and THTF 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 THTF to sell integrated building automation and energy management systems to THTF for a period of three years from 9 February 2011 to 8 February 2014.

As the Board had anticipated that the existing annual caps for the Existing Sales Agreement for the year ending 31 December 2013 would not be able to satisfy the operational needs of the Group and THTF, its subsidiaries, their respective associates and affiliates (the "Tongfang Group") for the year ending 31 December 2013. Technovator Beijing and THTF 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 2015, the Group sold products to Tongfang Group in the amount of approximately RMB216,148,855, which was within the approved cap of RMB360 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 THTF and such other parties procured by THTF and agreed by Technovator Beijing to Technovator Beijing*

On 9 February 2011, Technovator Beijing and THTF entered into a purchase agreement ("Existing Purchase Agreement") which was amended on 19 August 2011, pursuant to which THTF 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 had anticipated that the existing annual caps for the Existing Purchase Agreement for the year ending 31 December 2013 would 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 THTF 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 2015, the Group purchased such raw materials from Tongfang Group in the amount of approximately RMB47,500,953, which was within the approved cap of RMB180 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 THTF 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 2015, the miscellaneous products and services provided by the Tongfang Group to the Group amounted to RMB18,111,287, 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 between THTF and Tongfang Energy Saving*

To regulate the purchase of equipment and products by the TFRH Investments Limited, Excel Perfect Investments Limited, 同方節能工程技術有限公司 (Tongfang Energy Saving Engineering Technology Co., Ltd.*) ("Tongfang Energy Saving") and its subsidiaries (the "Tongfang Energy Saving Group") from the Controlling Shareholder (and its associates other than the Group) after the acquisition of the Tongfang Energy Saving Group by the Company in 2014, Tongfang Energy Saving 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 Tongfang Energy Saving 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 2015, the amount of purchases by the Group from the Controlling Shareholder and its associates under the Procurement Agreement was approximately RMB45,660,913, which was within the approved cap of RMB185 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.

5. *The Future Business Arrangements with THTF with respect to the Target Businesses*
Pursuant to the Business and Assets Purchase Agreement dated 28 July 2015, THTF and the Purchasers agreed to engage in certain business arrangements (the "Future Business Arrangements'), including (i) THTF and the Purchasers will cooperate to implement the transfer of the projects acquired by the Purchasers (the "Acquired Projects") from THTF to the Purchasers by way of assignment, sub-contracting and/or delegation; (ii) THTF should use its reasonable endeavors to notify all of the debtors of loans which are part of the assets of the target businesses of the assignment of such debt to the Purchaser; (iii) THTF should use its reasonable endeavors to facilitate the assumption of debt which are part of the liabilities of the Target Businesses by the Purchasers; (iv) THTF undertakes to assist the Purchasers to take up the Acquired Projects without any additional compensation, including but not limited to providing any necessary information to the Purchasers and handling the relevant project completion and settlement procedures as necessary; and (v) THTF will support the Purchasers on the continual development and expansion of the Target Businesses in manners similar to the support to be provided by THTF in respect of the Acquired Projects as set out in paragraphs (i) to (iv) above.

The prices for new sales contracts to which THTF will act as the party will be negotiated with third party customers based on the price range as indicated by the prices charged by the relevant Target Business for projects with scope of services undertaken and/or for past sale of products by the relevant Target Business which most closely resembles the requirements of the new sales contract concerned within a certain period. The prices for the purchase of material and/or services to be procured under supply contracts subject to the Future Business Arrangements will be negotiated with third party suppliers based on the price range as indicated by the prices paid by the relevant Target Business in past purchases for similar material and/or services within a certain period.

The estimated aggregate amount of payments to be transferred by THTF to the Group pursuant to the Future Business Arrangements for each of the years ending 31 December 2015, 2016 and 2017 are RMB338 million, RMB778 million and RMB874 million, respectively. For the year ended 31 December 2015, the payments transferred by THTF to the Group pursuant to the Future Business Arrangements amounted to RMB298,797,178, which was within the approved annual cap of RMB338 million.

The estimated aggregate amount of payments to be transferred by the Group to THTF pursuant to the Future Business Arrangements for each of the years ending 31 December 2015, 2016 and 2017 are RMB238 million, RMB622 million and RMB700 million, respectively. For the year ended 31 December 2015, the payments transferred by the Group to THTF pursuant to the Future Business Arrangements amounted to RMB112,477,737, which was within the approved annual cap of RMB238 million.

Please refer to the announcement dated 25 September 2015 and the circular dated 25 September 2015 issued by the Company for further details of the Future Business Arrangements.

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 2015.

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 2015 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 “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 2015 were 13.1% (2014: 14.2%) and 33.1% (2014: 28.9%) 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 2015 were 4.0% (2014: 2.4%) and 15.1% (2014: 8.3%) of the Group's total purchases respectively.

At no time during the year ended 31 December 2015, 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.

ISSUE OF EQUITY SECURITIES FOR CASH

On 28 April 2015, the Company agreed to place, 128,994,000 Shares held by Resuccess Investments to independent placees at the placing price of HK$5.95 per Share (the "Placing"); and (ii) Resuccess agreed to subscribe, and the Company agreed to allot and issue to Resuccess, 128,994,000 Shares at the subscription price of HK$5.95 per Share (the "Subscription"). The subscription price for the Subscription represented a discount of approximately 9.57% to the closing price of HK$6.58 per Share quoted on the Stock Exchange on 28 April 2015. The net subscription price, after deduction of all fees and expenses, was approximately HK$5.82 per share. The Placing was completed on 4 May 2015 with a total of 128,994,000 Shares placed at the placing price to more than six placees who were professional, institutional and/or other investors procured by the Placing Agent, including large insurance funds, leading mutual funds, and world class asset management groups. The Subscription was completed on 12 May 2016. Approximately HK$750.4 million was raised from the subscription. Further details of these transactions are set out in the Company's announcements dated 28 April 2015, 4 May 2015 and 12 May 2015. As at the Latest Practicable Date, all of the net proceeds from the Subscription have been fully utilized for the proposed uses of such proceeds as set out in the announcement of the Company dated 28 April 2015.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months from the date of this report.

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 2015.

BANK LOANS

Details of bank loans of the Group as at 31 December 2015 are set out in note 23 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to energy saving industry and some are from external sources. For further details, please refer to the section headed "Management Discussion and Analysis".

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

For details of relationship with the employees, customers and suppliers, please refer to the paragraphs headed "emolument policy" and "major suppliers and customers" in this section.

ENVIRONMENTAL POLICIES

Our Group is specialized in providing energy saving and environmentally-friendly products. In addition, we are committed to building an environmentally-friendly corporation that pays close attention to conserving energy. We strive to operate in compliance with the relevant environmental regulations and rules. During the year ended 31 December 2015 and up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which gives rise to significant impact to the Group's development, performance and businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group shall comply with relevant laws and regulations in the jurisdictions where the Group operates. Subsequent to the disposal of Distech Controls, the details of which are set out under the section headed "Management Discussion and Analysis" of this annual report on page 17, the Group's operations are mainly carried out by the Company's subsidiaries in the PRC. Accordingly, our operations shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2015 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.

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

Fan Xin
Chairman

22 March 2016

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 2015, 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 2015.

BOARD OF DIRECTORS

Board Composition
As at 31 December 2015 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 (趙曉波)
Mr. Seah Han Leong (謝漢良)

Non-executive Directors
Mr. Lu Zhicheng (陸致成) (resigned on 16 November 2015)
Mr. Fan Xin (范新) *(Chairman)*
Mr. Ng Koon Siong (黃坤商) (resigned on 22 January 2016)
Mr. Liu Tianmin (劉天民)
Mr. Wang Yinghu (王映滸) (appointed on 16 November 2015)

Independent Non-executive Directors
Mr. Fan Ren Da Anthony (范仁達)
Mr. Chia Yew Boon (謝有文)
Ms. Chen Hua (陳華)

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 2015:

	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	✓	✓	✓	✓
Mr. Fan Xin	✓	✓	✓	✓
Mr. Ng Koon Siong	✓	✓	✓	✓
Mr. Liu Tianmin	✓	✓	✓	✓
Mr. Wang Yinghu	✓	✓	✓	✓
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. Fan Xin 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 2015 are set out as follows:

	Board Meeting	General Meeting
No. of meetings held	5	3
No. of meetings attended		
Executive Directors		
Mr. Zhao Xiaobo	5	3
Mr. Seah Han Leong	5	3
Non-Executive Director		
Mr. Lu Zhicheng (resigned on 16 November 2015)	4	3
Mr. Fan Xin	5	3
Mr. Ng Koon Siong (resigned on 22 January 2016)	5	3
Mr. Liu Tianmin	5	3
Mr. Wang Yinghu (appointed on 16 November 2015)	–	–
Independent Non-Executive Directors		
Mr. Fan Ren Da Anthony	5	3
Mr. Chia Yew Boon	5	3
Ms. Chen Hua	5	3

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

Mr. Leung Lok Wai and Mr. Cheo Meng Ching are the joint company secretaries of the Company. Details of the biographies of Mr. Leung Lok Wai and Mr. Cheo Meng Ching (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 2015.

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 and Mr. Wang Yinghu 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. Mr. Wang Yinghu has entered into a service contract with the Company for an initial term of one year commencing from 16 November 2015.

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 2015, the Audit Committee mainly performed following duties:

– reviewed the Group's unaudited interim results for the six months ended 30 June 2015 and the audited annual results for the year ended 31 December 2015, 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 2015, 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 2015, 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 2015.

During the year ended 31 December 2015, 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 2015 is set out below:

Remuneration bands (HKD'000)	Number of persons
2,000–2,500	1
3,000–3,500	1
3,500–4,000	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. Fan Xin (a non-executive Director). Mr. Chia Yew Boon is the chairman of the nomination committee.

During the year ended 31 December 2015, 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 2015.

During the year ended 31 December 2015, 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
Mr. Fan Xin	–

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 2015.

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 Auditor's 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 2015. The external auditors are refrained from engaging in non-audit services except for specific approved items. 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 2015, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditors is set out below:

	RMB'000
Audit and audit-related services	6,490

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 2015.

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 50 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated income statement and other 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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

22 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations			
Revenue	3, 4	**1,692,624**	1,394,346
Cost of sales		**(1,297,085)**	(1,023,120)
Gross profit		**395,539**	371,226
Other revenue	5	**58,475**	24,675
Other net gain		**1,888**	1,291
Selling and distribution costs		**(70,269)**	(67,960)
Administrative and other operating expenses		**(144,193)**	(109,003)
Profit from operations		**241,440**	220,229
Finance costs	6(a)	**(34,794)**	(22,349)
Profit before taxation		**206,646**	197,880
Income tax	7(a)	**(21,351)**	(41,803)
Profit for the year from continuing operations		**185,295**	156,077
Discontinued operation			
Profit for the year from discontinued operation	10	**599,318**	40,967
Profit for the year		**784,613**	197,044

The accompanying notes form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Profit attributable to:			
Equity shareholders of the Company			
– Profit for the year from continuing operations		**184,104**	156,809
– Profit for the year from discontinued operation		**594,815**	27,701
		778,919	184,510
Non-controlling interests			
– Profit for the year from continuing operations		**1,191**	(732)
– Profit for the year from discontinued operation		**4,503**	13,266
		5,694	12,534
Profit for the year		**784,613**	197,044
Earnings per share	11		
For continuing and discontinued operations			
– Basic (RMB)		**1.0680**	0.2959
– Diluted (RMB)		**1.0092**	0.2677
For continuing operations			
– Basic (RMB)		**0.2524**	0.2515
– Diluted (RMB)		**0.2385**	0.2371

The accompanying notes form part of these financial statements.

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	2015 RMB'000	2014 RMB'000 (Restated)
Profit for the year	**784,613**	197,044
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	**45,829**	(9,903)
Total comprehensive income for the year	**830,442**	187,141
Attributable to:		
Equity shareholders of the Company	**828,977**	176,066
Non-controlling interests	**1,465**	11,075
Total comprehensive income for the year	**830,442**	187,141

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	12	266,944	342,147	352,962
Lease prepayment		3,068	3,178	3,289
Intangible assets	13	256,442	261,927	209,064
Goodwill	14	–	85,451	94,796
Other financial assets	15	241,881	283,870	161,406
Deferred tax assets	25	9,782	5,672	7,703
		778,117	982,245	829,220
Current assets				
Trading securities	17	6,211	12,218	11,113
Inventories	18	283,762	186,000	191,846
Trade and other receivables	19	1,212,817	926,583	630,706
Gross amounts due from customers for contract work	22	422,613	354,459	311,590
Cash and cash equivalents	20	1,261,853	454,698	421,977
		3,187,256	1,933,958	1,567,232
Current liabilities				
Trade and other payables	21	1,459,534	855,875	805,993
Gross amounts due to customers for contract work	22	1,457	4,478	310
Loans and borrowings	23(b)	276,702	390,049	204,816
Obligations under finance leases		167	182	184
Income tax payable		17,115	18,093	10,735
		1,754,975	1,268,677	1,022,038
Net current assets		1,432,281	665,281	545,194
Total assets less current liabilities		2,210,398	1,647,526	1,374,414

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current liabilities				
Loans and borrowings	23(b)	168,699	235,310	211,603
Obligations under finance leases		335	511	693
Deferred tax liabilities	25	6,995	18,830	11,974
Deferred income	26	27,573	4,770	–
Other non-current liabilities		–	207,547	216,725
		203,602	466,968	440,995
NET ASSETS		2,006,796	1,180,558	933,419
CAPITAL AND RESERVES				
Share capital	27	1,246,989	629,544	259,412
Reserves		751,721	521,098	643,848
Total equity attributable to equity shareholders of the Company		1,998,710	1,150,642	903,260
Non-controlling interests		8,086	29,916	30,159
TOTAL EQUITY		2,006,796	1,180,558	933,419

Approved and authorised for issue by the board of directors on 22 March 2016.

Zhao Xiaobo	)	
Seah Han Leong	)	*Directors*

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company									
	Share capital Note 27(c) RMB'000	Statutory reserves Note 27(d)(i) RMB'000	Translation reserve Note 27(d)(ii) RMB'000	Share-based compensation reserve Note 27(d)(iii) RMB'000	Capital reserve arising from equity component of redeemable preference shares RMB'000	Other reserves Note 27(d)(iv) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014 (as previously reported)	259,412	36,470	(17,284)	8,650	4,095	27,316	301,377	620,036	30,159	650,195
Adjusted for the business combination under common control (note 32)	–	–	–	–	–	283,224	–	283,224	–	283,224
Balance at 1 January 2014 (as restated)	259,412	36,470	(17,284)	8,650	4,095	310,540	301,377	903,260	30,159	933,419
Changes in equity for 2014 (as restated):										
Profit for the year	–	–	–	–	–	–	184,510	184,510	12,534	197,044
Other comprehensive income	–	–	(8,444)	–	–	–	–	(8,444)	(1,459)	(9,903)
Total comprehensive income for the year	–	–	(8,444)	–	–	–	184,510	176,066	11,075	187,141
Share issued for the acquisition of TFRH Investments and Excel Perfect	366,680	–	–	–	–	(352,714)	–	13,966	(13,966)	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(4,384)	(4,384)
Appropriation to reserves	–	13,461	–	–	–	–	(13,461)	–	–	–
Equity settled share-based transactions	–	–	–	12,040	–	–	–	12,040	–	12,040
Share issued under Share Option Scheme 2012	3,452	–	–	(621)	–	–	–	2,831	–	2,831
Other movements	–	–	–	–	–	77,355	(34,876)	42,479	7,032	49,511
Balance at 31 December 2014 and 1 January 2015 (as restated)	629,544	49,931	(25,728)	20,069	4,095	35,181	437,550	1,150,642	29,916	1,180,558
Balance at 1 January 2015 (as restated)	629,544	49,931	(25,728)	20,069	4,095	35,181	437,550	1,150,642	29,916	1,180,558
Changes in equity for 2015:										
Profit for the year	–	–	–	–	–	–	778,919	778,919	5,694	784,613
Other comprehensive income	–	–	50,058	–	–	–	–	50,058	(4,229)	45,829
Total comprehensive income for the year	–	–	50,058	–	–	–	778,919	828,977	1,465	830,442
Issuance of shares	592,097	–	–	–	–	–	–	592,097	–	592,097
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(20,850)	(20,850)
Disposal of subsidiaries	–	–	–	(1,971)	(4,095)	–	–	(6,066)	(2,445)	(8,511)
Appropriation to reserves	–	19,423	–	–	–	–	(19,423)	–	–	–
Equity settled share-based transactions	–	–	–	9,542	–	–	–	9,542	–	9,542
Share issued under Share Option Scheme 2012	25,348	–	–	(4,249)	–	–	–	21,099	–	21,099
Consideration for the acquisition of the Target Businesses	–	–	–	–	–	(661,796)	–	(661,796)	–	(661,796)
Other movements	–	–	–	–	–	89,567	(25,352)	64,215	–	64,215
Balance at 31 December 2015	1,246,989	69,354	24,330	23,391	–	(537,048)	1,171,694	1,998,710	8,086	2,006,796

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Operating activities			
Profit for the year		**784,613**	197,044
Adjustments for:			
Income tax		**30,491**	61,952
Depreciation	6(c)	**47,412**	38,043
Amortisation of intangible assets and lease prepayment	6(c)	**45,535**	41,276
Impairment losses on trade and other receivables	6(c)	**6,090**	10,338
Impairment losses on property, plant and equipment	6(c)	**28,108**	–
Finance costs		**44,245**	31,065
Interest income		**(30,386)**	(10,579)
Net loss on disposal of property, plant and equipment		**4**	704
Fair value change on trading securities		**(3,023)**	(1,063)
Equity-settled share-based payment expenses	6(b)	**9,542**	12,040
Gain on disposal of a subsidiary	10	**(585,250)**	–
Foreign exchange loss/(gain)		**1,459**	(5,369)
		378,840	375,451
(Increase)/decrease in inventories		**(127,836)**	5,846
Increase in trade and other receivables		**(360,330)**	(376,195)
Increase in trade and other payables		**263,673**	131,167
Change in gross amounts due from/to customers for contract work		**(71,175)**	(38,701)
Increase in deferred income		**22,803**	4,770
Cash generated from operations		**105,975**	102,338
Income tax paid		**(35,120)**	(46,124)
Net cash generated from operating activities		**70,855**	56,214

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2015
(Expressed in Renminbi ("RMB"))

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Investing activities			
Payments for the purchase of property, plant and equipment		**(49,012)**	(61,638)
Expenditure on purchase of intangible assets		**(102,333)**	(98,446)
Repayment from/(payment for) Karamay construction contract		**64,673**	(55,772)
Proceeds from disposal of property, plant and equipment		**–**	28,593
Interest received		**30,386**	10,579
Proceeds from sale of trading securities		**9,030**	–
Payments for business combination under common control		**(183,779)**	(75,660)
Disposal of discontinued operation, net of cash disposed of	10	**545,485**	–
Net cash generated from/(used in) investing activities		**314,450**	(252,344)
Financing activities			
Proceeds from issuance of shares		**613,196**	2,831
Proceeds from loans and borrowings		**357,212**	489,953
Repayment of loans and borrowings		**(541,220)**	(280,553)
Other borrowing costs paid		**(28,246)**	(22,728)
Dividend to non-controlling interests		**(60,563)**	–
Decrease/(increase) in restricted deposit		**8,721**	(12,637)
Contribution from equity owners		**64,215**	49,511
Net cash generated from financing activities		**413,315**	226,377
Net increase in cash and cash equivalents		**798,620**	30,247
Cash and cash equivalents at the beginning of the year		**441,598**	421,601
Effect of foreign exchange rate changes		**17,256**	(10,250)
Cash and cash equivalents at the end of the year	20	**1,257,474**	441,598

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015
(Expressed in RMB 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". Technovator is principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart buildings and zones and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles. 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. 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(d) 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 2015 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. ("THTF"), consequently, the acquisition of TFRH Investments are accounted for using merger accounting in accordance with the accounting policy set out in note 2(i).

During 2015, Tongfang Technovator Int (Beijing) Co., Ltd ("Technovator Beijing", a wholly-owned subsidiary of the Company) and Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving", an indirect wholly-owned subsidiary of the Company) acquired certain businesses in relation to providing intelligence integrated solutions which center around supervision and control systems in the fields of intelligent rail transit, intelligent building and intelligent urban heating network (the "Target Businesses", in each case, together with the assets and liabilities associated with such businesses) from THTF. As the Company and the Target Businesses are under common control of THTF consequently, the acquisition of Target Businesses are accounted for using merger accounting in accordance with the accounting policy set out in note 2(i). The comparative amounts in the consolidated financial statements have been restated. The details are disclosed in note 32.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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(g))

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

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 33.

(c) Changes in presentation currency

Following the disposal of Distech Controls Inc. during the year (the details are disclosed in note 10), majority of the Group's business are carried out in the PRC. Therefore, the Company determined to change its presentation currency from US$ to RMB, which is the functional currency of the Group entities in the PRC. The consolidated financial statements for the year ended 31 December 2014 with an additional statement of financial position as at 1 January 2014 have been re-translated into RMB from US$. All financial information presented in RMB has been rounded to the nearest thousand except for earnings per share.

(d) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(e) 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 statement of financial position 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 income statement and the consolidated income statement 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 statement of financial position in accordance with notes 2(q), 2(r) and 2(s), 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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

(f) 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 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(m)).

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.

(g) 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(x)(iv) and (x)(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(m)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 financial position at cost less impairment losses (see note 2(m)). 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(x)(iv) and 2(x)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in the income statement.

When the investments are derecognised or impaired (see note 2(m)), 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.

(h) 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.

(i) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment

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

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(z)).

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.

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 12 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.

(k) 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(z)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(m)). 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(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

(l) 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 recognised as property, plant and equipment 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(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(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.

(m) 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 the end of each reporting period 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

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.

(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 financial position.

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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– 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.

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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(x)(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 end of the reporting period. 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 end of the reporting period are recorded in the statement of financial position the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position 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 statement of financial position under "Trade and other receivables".

(p) 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(m)), 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.

(q) 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.

(r) 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(q) and accordingly dividends thereon are recognised on an accrual basis in the income statement as part of finance costs.

(s) 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(w)(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) 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).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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)*

(v) 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.

(w) 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(w)(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)*

(w) 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(w)(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(w)(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.

(x) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition *(Continued)*

(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.

(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 statement of financial position 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.

(y) 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 end of the reporting period. Exchange gains and losses are recognised in the income statement.

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 Singapore, France, the Netherlands and Canada are translated from their respective functional currencies into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB 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. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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.

(aa) 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);

(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); or

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) 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.

(cc) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Non-current assets held for sale and discontinued operations *(Continued)*

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

When an operation is classified as a discontinued operation, the comparative statement of income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

3 REVENUE

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

Revenue represents the sales value of goods sold to customers, income from provision of services and revenue from construction contracts. The amounts of each significant category of revenue recognised during the years ended 31 December 2015 and 2014 are as follows:

	2015 **RMB'000**	2014 RMB'000 (Restated)
Sales of goods	**705,431**	733,690
Provision of services	**86,749**	75,909
Contract revenue	**900,444**	584,747
	1,692,624	1,394,346

4 SEGMENT REPORTING

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

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

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

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

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

As a result of the above change, the corresponding figures of segment reporting for the year ended 31 December 2014 were restated to reflect the financial information of those new segments.

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 finance cost, depreciation and amortisation. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

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

Information regarding the Group's reportable segments from continuing operations 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 2015 and 2014 is set out below:

	STB		SBB		SEB		Discontinued operation*		Total	
	2015 RMB'000	2014 RMB'000 (Restated)	**2015 RMB'000**	2014 RMB'000 (Restated)	**2015 RMB'000**	2014 RMB'000 (Restated)	**2015 RMB'000**	2014 RMB'000 (Restated)	**2015 RMB'000**	2014 RMB'000 (Restated)
Revenue from external customers	**626,755**	234,775	**734,440**	817,944	**331,429**	341,627	**284,805**	389,007	**1,977,429**	1,783,353
Inter-segment revenue	**–**	–	**32,308**	105,629	**–**	–	**3,652**	4,316	**35,960**	109,945
Reportable segment revenue	**626,755**	234,775	**766,748**	923,573	**331,429**	341,627	**288,457**	393,323	**2,013,389**	1,893,298
Reportable segment profit	**130,470**	33,917	**143,414**	191,747	**78,619**	79,394	**45,345**	90,525	**397,848**	395,583
Interest income	**365**	192	**21,197**	5,172	**8,116**	4,457	**708**	1,258	**30,386**	11,079
Impairment losses	**2,522**	1,741	**2,955**	6,064	**29,441**	2,533	**–**	–	**34,198**	10,338

* See note 10.

4 SEGMENT REPORTING *(Continued)*

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

	2015 RMB'000	2014 RMB'000 (Restated)
Revenue		
Reportable segment revenue	2,013,389	1,893,298
Elimination of inter-segment revenue	(35,960)	(109,945)
Elimination of discontinued operation (note 10)	(284,805)	(389,007)
Consolidated revenue	1,692,624	1,394,346
Profit		
Reportable segment profit	397,848	395,583
Elimination of discontinued operation (note 10)	(23,208)	(61,116)
Reportable segment profit derived from the Group's external customers	374,640	334,467
Depreciation and amortisation	(92,947)	(79,319)
Finance costs	(44,245)	(31,065)
Unallocated head office and corporate expenses	(30,802)	(26,203)
Consolidated profit before taxation	206,646	197,880

(c) Geographic information

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

5 OTHER REVENUE

	2015 RMB'000	2014 RMB'000 (Restated)
Government grants	28,608	14,781
Interest income	29,678	9,821
Others	189	73
	58,475	24,675

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 RMB'000	2014 RMB'000 (Restated)
(a)	**Finance costs**		
	Interest on loans and borrowings	34,794	22,343
	Other financial costs	–	6
		34,794	22,349
(b)	**Staff costs**		
	Salaries and other benefits	104,453	99,676
	Contributions to defined contribution retirement schemes	12,321	11,091
	Equity settled share-based payment expenses (note 24)	9,542	12,040
		126,316	122,807

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 2015 (2014: 20%). Contributions to the Scheme vest immediately.

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.

6 PROFIT BEFORE TAXATION *(Continued)*

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

	2015 RMB'000	2014 RMB'000 (Restated)
(c) Other items		
Cost of inventories (note 18(b))	**1,304,026**	1,008,706
Research and development expenses	**9,421**	15,125
Amortisation of intangible assets and lease prepayment	**45,535**	41,276
Depreciation	**47,412**	38,043
Impairment losses		
– property, plant and equipment	**28,108**	–
– trade and other receivables in continuing operations	**6,090**	10,338
Operating lease charges	**11,672**	10,153
Auditors' remuneration	**6,490**	4,721

7 INCOME TAX

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

	2015 RMB'000	2014 RMB'000 (Restated)
Current tax		
Provision for the year	**32,661**	34,100
Over provision in respect of prior years	**(780)**	(983)
Tax refund	**(6,167)**	–
	25,714	33,117
Deferred tax		
(Reversal)/origination of temporary differences (note 25(a))	**(4,363)**	8,686
	21,351	41,803

7 INCOME TAX *(Continued)*

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

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Profit before taxation		**206,646**	197,880
Notional tax expense calculated at the corporate tax rate of the Company	(i)	**35,130**	33,640
Effect of rate differential of entities operating in different tax jurisdictions	(ii)	**18,753**	17,539
Tax effect on non-deductible expenses		**3,090**	2,345
Effect of tax concession	(iii)/(iv)	**(33,993)**	(14,745)
Tax effect of unused tax losses not recognised		**5,318**	4,007
Tax refund	(iv)	**(6,167)**	–
Over provision in prior years		**(780)**	(983)
Actual income tax expense		**21,351**	41,803

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2015 and 2014. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2014 and 2015.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the years ended 31 December 2014 and 2015.

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 established in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the years ended 31 December 2014 and 2015.

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

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

(iv) During 2015, Tongfang Technovator Software (Beijing) Co., Ltd. ("Software Beijing") obtained the certificate of Software and Integrate Circuit Enterprise issued by the local authorities and the local tax bureau approved its entitlement to a preferential tax rate of tax free for two years from the first year of profit making and 12.5% for the third to fifth years. Upon the approval of the preferential tax policy, the local tax bureau agreed the refund of income tax of RMB 6,167,000 paid by Software Beijing for 2014, which is deemed to be the first profit making year of Software Beijing.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the new Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2014						
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note (v)) RMB'000	Total RMB'000
Executive directors							
Zhao Xiaobo	–	696	1,723	–	2,419	336	2,755
Seah Han Leong	–	715	1,723	55	2,493	336	2,829
Non-executive directors							
Lu Zhicheng	244	–	–	–	244	654	898
Li Jisheng (note (i))	43	–	–	–	43	104	147
Ng Koon Siong	208	–	–	–	208	764	972
Liu Tianmin	171	–	–	–	171	379	550
Fan Xin (note (ii))	128	–	–	–	128	–	128
Independent non-executive directors							
Fan Ren Da Anthony	281	–	–	–	281	379	660
Chia Yew Boon	281	–	–	–	281	379	660
Chen Hua	220	–	–	–	220	379	599
	1,576	1,411	3,446	55	6,488	3,710	10,198

8 DIRECTORS' REMUNERATION *(Continued)*

	Year ended 31 December 2015						
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors							
Zhao Xiaobo	–	650	2,134	–	2,784	144	2,928
Seah Han Leong	–	262	2,134	61	2,457	144	2,601
Non-executive directors							
Fan Xin	186	–	–	–	186	–	186
Lu Zhicheng (note (iii))	219	–	–	–	219	505	724
Ng Koon Siong	209	–	936	–	1,145	–	1,145
Liu Tianmin	177	–	–	–	177	–	177
Wang Yinghu (note (iv))	22	–	–	–	22	–	22
Independent non-executive directors							
Fan Ren Da Anthony	290	–	–	–	290	–	290
Chia Yew Boon	290	–	–	–	290	–	290
Chen Hua	225	–	–	–	225	–	225
	1,618	912	5,204	61	7,795	793	8,588

Notes:

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

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

(iii) The non-executive director resigned on 16 November 2015.

(iv) The non-executive director was appointed on 16 November 2015.

(v) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(u)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 24.

During the 2014 and 2015, 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.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	**3,042**	4,167
Discretionary bonuses	**1,493**	3,237
Share-based payments	**88**	526
	4,623	7,930

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015 Number of Individuals	2014 Number of individuals
HKD 1,500,001 – HKD 2,000,000	**2**	–
HKD 2,000,001 – HKD 2,500,000	**1**	–
HKD 2,500,001 – HKD 3,000,000	**–**	–
HKD 3,000,001 – HKD 3,500,000	**–**	2
HKD 3,500,001 – HKD 4,500,000	**–**	1

10 DISCONTINUED OPERATION

On 1 September 2015, the Group completed the disposal of all of its equity interests in Distech Controls Inc. ("Distech Controls") for a total consideration of CAD133 million (equivalent to RMB642 million). At 31 December 2015, the Company has received the consideration in cash of CAD117 million (equivalent to RMB569 million), and the escrow amount of CAD16 million (equivalent to RMB73 million) is recorded in other receivables. Upon the completion of the transaction, Distech Controls ceased to be a subsidiary of the Company.

Due to the disposal of Distech Controls during the year ended 31 December 2015, which represents a discontinuance of operation of a separate major geographical area of operations, the comparative figures have been re-presented to reclassify the operation of Distech Controls as discontinued operation for the year ended 31 December 2014.

A. Results of discontinued operation:

	2015 RMB'000	2014 RMB'000
Revenue	**284,805**	389,007
Net expenses	**(252,146)**	(319,175)
Finance costs	**(9,451)**	(8,716)
Results from discontinued operating activities	**23,208**	61,116
Income tax	**(9,140)**	(20,149)
Results from discontinued operating activities, net of tax	**14,068**	40,967
Gain of disposal of shares of Distech Controls	**585,250**	–
Profit for the year from discontinued operation	**599,318**	40,967
Basic earnings per share (RMB)	**0.8156**	0.0444
Diluted earnings per share (RMB)	**0.7707**	0.0306

The calculation of basic earnings per share from discontinued operation are RMB 0.8156 (2014: RMB0.0444), based on the profit for the year from discontinued operation attributable to the equity shareholders of the Company of RMB594,815,000 (2014: RMB27,701,000) and the weighted average number of ordinary shares for basic earnings per share as disclosed in note 11(a).

The calculation of diluted earnings per share from discontinued operation are RMB0.7707 (2014: RMB0.0306), based on the profit for the year from discontinued operation of RMB594,815,000 (2014: RMB20,270,000) and the weighted average number of shares for diluted earnings per share as disclosed in note 11(b).

10 DISCONTINUED OPERATION *(Continued)*

B. Cash flows generated from/(used in) discontinued operation:

	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities	**41,708**	68,110
Net cash generated from/(used in) investing activities	**513,367**	(36,019)
Net cash (used in)/generated from financing activities	**(121,488)**	8,038
Net cash inflow for the year	**433,587**	40,129

C. Effect of disposal on the financial position of the Group is:

	2015 RMB'000
Assets	
Property, plant and equipment	**45,300**
Intangible assets	**59,466**
Inventories	**30,074**
Goodwill	**80,983**
Trade and other receivables	**118,443**
Cash and cash equivalent	**22,968**
	357,234
Liabilities	
Trade and other payables	**124,929**
Loan and borrowings	**24,492**
Deferred tax liabilities	**11,578**
Other non-current liabilities	**157,342**
	318,341
Non-controlling interests	**2,445**
Net assets disposed of	**36,448**
Total cash consideration	**641,574**
Cash to be received	**(73,121)**
Cash and cash equivalent disposed of	**(22,968)**
Net cash inflows	**545,485**

11 EARNINGS PER SHARE

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

From continuing and discontinued operations

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB778,919,000 (2014: RMB184,510,000 (as restated)) and the weighted average number of ordinary shares of 729,345,866 (2014: 623,550,209) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2015 Number of shares	2014 Number of shares
Issued ordinary shares at 1 January	644,228,189	611,226,142
Issuance of shares	82,344,115	–
Shares issued upon acquisition of Excel Perfect	–	11,387,355
Effect of exercise of Share Option Scheme 2012	2,773,562	936,712
Weighted average number of ordinary shares at 31 December	729,345,866	623,550,209

(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 RMB778,919,000 (2014: RMB177,079,000 (as restated)) and the weighted average number of ordinary shares of 771,801,407 (2014: 661,387,532) in issue during the year, calculated as follows:

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

	2015 RMB'000	2014 RMB'000 (Restated)
Profit attributable to ordinary equity shareholders	778,919	184,510
Diluted effects of redeemable preference shares	–	(7,431)
Profit attributable to ordinary equity shareholders (diluted)	778,919	177,079

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

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares at 31 December	729,345,866	623,550,209
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	42,455,541	37,837,323
Weighted average number of ordinary shares (diluted) at 31 December	771,801,407	661,387,532

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations is based on profit for the year attributable to the ordinary equity shareholders of the Company from continuing operations of RMB184,104,000 (2014: RMB156,809,000 (as restated)), and the denominators used are the same as those detailed above for basic and diluted earnings per share, respectively.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fittings RMB'000	Computers and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Land and buildings held for own use RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2014 (as previously reported)	19,524	4,340	13,489	206,591	6,687	36,726	95,448	382,805
Adjusted for the business combination under common control	–	60	2,511	25	–	–	–	2,596
At 1 January 2014 (as restated)	19,524	4,400	16,000	206,616	6,687	36,726	95,448	385,401
Additions	1,028	550	3,926	1,556	415	142	54,021	61,638
Transfer of CIP	–	–	–	116,683	–	–	(116,683)	–
Disposals	(686)	(21)	(125)	(33,188)	(367)	–	(592)	(34,979)
Exchange adjustments	(1,070)	(332)	(942)	(795)	4	(2,895)	–	(6,030)
At 31 December 2014 (as restated)	18,796	4,597	18,859	290,872	6,739	33,973	32,194	406,030
At 1 January 2015 (as restated)	18,796	4,597	18,859	290,872	6,739	33,973	32,194	406,030
Additions	455	208	3,805	3,041	93	433	40,977	49,012
Transfer of CIP	–	–	–	54,054	–	–	(54,054)	–
Disposal of a subsidiary	(945)	(3,133)	(13,705)	(9,236)	–	(31,544)	–	(58,563)
Disposals	–	–	(12)	–	–	–	–	(12)
Exchange adjustments	127	(271)	(593)	(422)	73	(2,862)	–	(3,948)
At 31 December 2015	18,433	1,401	8,354	338,309	6,905	–	19,117	392,519
Accumulated depreciation and impairment:								
At 1 January 2014 (as previously reported)	439	658	5,759	20,916	1,992	1,050	–	30,814
Adjusted for the business combination under common control	–	29	1,591	5	–	–	–	1,625
At 1 January 2014 (as restated)	439	687	7,350	20,921	1,992	1,050	–	32,439
Charge for the year	1,327	724	3,054	30,714	669	1,555	–	38,043
Written back on disposal	(552)	–	(69)	(5,061)	–	–	–	(5,682)
Exchange adjustments	(44)	(85)	(399)	(244)	1	(146)	–	(917)
At 31 December 2014 (as restated)	1,170	1,326	9,936	46,330	2,662	2,459	–	63,883
At 1 January 2015 (as restated)	1,170	1,326	9,936	46,330	2,662	2,459	–	63,883
Charge for the year	1,440	525	2,196	41,621	705	925	–	47,412
Impairment loss	–	–	–	28,108	–	–	–	28,108
Disposal of a subsidiary	(109)	(1,140)	(5,772)	(3,078)	–	(3,164)	–	(13,263)
Written back on disposals	–	–	(8)	–	–	–	–	(8)
Exchange adjustments	275	(28)	(574)	(97)	87	(220)	–	(557)
At 31 December 2015	2,776	683	5,778	112,884	3,454	–	–	125,575
Net book value:								
At 31 December 2014 (as restated)	17,626	3,271	8,923	244,542	4,077	31,514	32,194	342,147
At 31 December 2015	15,657	718	2,576	225,425	3,451	–	19,117	266,944

At 31 December 2014, certain items of property, plant and equipment with net book value of RMB38,046,000 were pledged as securities for the loans and borrowings (note 23(c)).

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In 2015, due to the cautious anticipation that as certain waste energy recovery EMC projects of the smart energy business segment will maintain at a low level of business operation rate under the current economic condition in the future, the Group assessed the recoverable amounts of related assets and resulted in a provision of impairment loss on assets of RMB28,108,000 (2014: nil) which has been included in administrative and other operating expenses. The recoverable amounts of these projects have been estimated based on their value in use, which is derived at by discounting the expected future cash flows using a discount rate of 7.36%.

13 INTANGIBLE ASSETS

	Trade name RMB'000	Patents and technology know-how RMB'000	Customer relationship RMB'000	Non-compete agreements RMB'000	Total RMB'000
Cost:					
At 1 January 2014 (as previously reported)	16,288	145,263	13,452	2,688	177,691
Adjusted for the business combination under common control	–	132,176	–	–	132,176
At 1 January 2014 (as restated)	16,288	277,439	13,452	2,688	309,867
Additions through internal development	–	98,446	–	–	98,446
Disposals	–	(8,590)	–	(2,370)	(10,960)
Exchange adjustments	(354)	(5,750)	(1,279)	(318)	(7,701)
At 31 December 2014 (as restated)	15,934	361,545	12,173	–	389,652
At 1 January 2015 (as restated)	15,934	361,545	12,173	–	389,652
Additions through internal development	–	102,333	–	–	102,333
Disposals of a subsidiary	(14,883)	(62,456)	(11,744)	–	(89,083)
Disposals	–	(6,553)	–	–	(6,553)
Exchange adjustments	(1,047)	(2,458)	(429)	–	(3,934)
At 31 December 2015	4	392,411	–	–	392,415

13 INTANGIBLE ASSETS *(Continued)*

	Trade name RMB'000	Patents and technology know-how RMB'000	Customer relationship RMB'000	Non-compete agreements RMB'000	Total RMB'000
Accumulated amortisation:					
At 1 January 2014 (as previously reported)	–	37,470	5,765	2,688	45,923
Adjusted for the business combination under common control	–	54,880	–	–	54,880
At 1 January 2014 (as restated)	–	92,350	5,765	2,688	100,803
Charge for the year	–	39,976	1,189	–	41,165
Written back on disposals	–	(8,590)	–	(2,370)	(10,960)
Exchange adjustments	–	(2,381)	(584)	(318)	(3,283)
At 31 December 2014 (as restated)	–	121,355	6,370	–	127,725
At 1 January 2015 (as restated)	–	121,355	6,370	–	127,725
Charge for the year	–	44,749	676	–	45,425
Written back on disposals of a subsidiary	–	(22,770)	(6,847)	–	(29,617)
Written back on disposals	–	(6,553)	–	–	(6,553)
Exchange adjustments	–	(808)	(199)	–	(1,007)
At 31 December 2015	–	135,973	–	–	135,973
Net book value:					
At 31 December 2014 (as restated)	15,934	240,190	5,803	–	261,927
At 31 December 2015	4	256,438	–	–	256,442

14 GOODWILL

	2015 RMB'000	2014 RMB'000
Cost and carrying value:		
At 1 January	85,451	94,796
Exchange adjustments	(4,468)	(9,345)
Disposal of a subsidiary (note 10)	(80,983)	–
At 31 December	–	85,451

15 OTHER FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Long-term receivables	271,910	305,508
Less: current portion of long-term receivables	(30,029)	(21,638)
	241,881	283,870

At 31 December 2015, long-term receivables included receivables of Karamay construction contract of RMB101,611,000 (2014: RMB166,284,000). Karamay construction contract ("Karamay contract") is a construction contract entered into among Karamay Construction Management Co., Ltd. ("Karamay Construction"), THTF and Technovator Beijing in 2013. Pursuant to Karamay contract, Karamay Construction engaged THTF 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 9 years period.

(Expressed in RMB unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the Company's principal subsidiaries at 31 December 2015.

			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 83,000,000	100%	100%	–	Design, manufacturing and marketing of building automation solutions
Tongfang Energy Saving	Beijing, PRC 21 June 2002	RMB231,812,167	100%	–	100%	Energy management services, marketing of heating power equipment
Software Beijing	Beijing, PRC 22 November 2013	RMB10,000,000	100%	-	100%	Software development, technology development, marketing, service and consulting

* On 1 September 2015, the Company completed the disposal of shares of Distech Controls. Distech Controls ceased to be a subsidiary of the Company (see note 10).

17 TRADING SECURITIES

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

18 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2015 RMB'000	2014 RMB'000 (Restated)
Raw materials	23,558	36,270
Work in progress	3,243	3,059
Finished goods	256,961	146,671
	283,762	186,000

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

	2015 RMB'000	2014 RMB'000 (Restated)
Carrying amount of inventories sold	1,304,026	1,008,443
Write-down of inventories	–	263
	1,304,026	1,008,706

At 31 December 2014, inventory of RMB14,799,000 was pledged as securities for the loans and borrowings (note 23(c)).

19 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade debtors due from related parties	**69,885**	86,430
Other trade debtors and bills receivable	**911,349**	713,129
Less: Allowance for doubtful debts (note 19(b))	**(35,505)**	(30,172)
	945,729	769,387
Other receivables		
– amounts due from related parties	**20,441**	12,036
– amounts due from third parties	**95,700**	22,539
Less: Allowance for doubtful debts (note 19(b))	**(1,116)**	(1,116)
Loans and receivables	**115,025**	33,459
Deposits and prepayments	**152,063**	123,737
	1,212,817	926,583

At 31 December 2014, trade debtors and bills receivable of RMB69,339,000 were 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.

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 end of the reporting period:

	2015 RMB'000	2014 RMB'000 (Restated)
Current	**469,754**	485,881
Less than 1 month past due	**114,156**	23,562
More than 1 month but less than 3 months past due	**12,052**	79,229
More than 3 months but less than 12 months past due	**190,260**	99,945
More than 12 months past due	**159,507**	80,770
	475,975	283,506
	945,729	769,387

Trade debtors and bills receivable are due within 0–180 days from the date of billing. Further details of the Group's credit policy are set out in note 28(a).

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables 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 and other receivables directly (see note 2(m)).

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

	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January	31,288	21,271
Impairment loss recognised	6,090	10,338
Disposal of subsidiary	(757)	–
Uncollectible amounts written off	–	(235)
Exchange adjustment	–	(86)
At 31 December	36,621	31,288

At 31 December 2015, 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 and other receivables 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

	2015 RMB'000	2014 RMB'000 (Restated)
Deposit with banks and other financial institutions	**4,379**	13,481
Cash at bank and in hand	**1,257,474**	441,217
Cash and cash equivalents in the statement of financial position	**1,261,853**	454,698
Restricted deposit	**(4,379)**	(13,100)
Cash and cash equivalents in the consolidated cash flow statements	**1,257,474**	441,598

21 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade payables due to related parties	**91,229**	57,313
Other trade and bills payable	**684,983**	561,368
	776,212	618,681
Other payables and accruals		
– amounts due to related parties (note)	**479,324**	21,559
– amounts due to third parties	**40,034**	68,856
Financial liabilities measured at amortised cost	**1,295,570**	709,096
Receipts in advance	**163,964**	146,761
Deferred income	**–**	18
	1,459,534	855,875

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 end of reporting period:

	2015 RMB'000	2014 RMB'000 (Restated)
By date of invoice:		
Within 3 months	**560,376**	376,828
More than 3 months but within 6 months	**81,934**	46,114
More than 6 months but within 12 months	**61,334**	98,127
More than 12 months	**72,568**	97,612
	776,212	618,681

Note: At 31 December 2015, the other payables due to related parties include a balance of RMB478,017,000 payable to THTF, representing the remaining balance of the consideration for the acquisition of the Target Businesses (see note 32). The amount shall be settled before 31 October 2016 and is interest bearing at the loan interest rate stipulated by People's Bank of China for the corresponding period.

22 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000 (Restated)
Direct costs incurred to date on contract plus attributable profits less recognised losses	**2,445,697**	1,462,577
Less: Progress payments received	**(2,023,084)**	(1,108,118)
Gross amounts due from customers for contract work	**422,613**	354,459
Direct costs incurred to date on contract plus attributable profits less recognised losses	**6,413**	15,698
Less: Progress payments received	**(7,870)**	(20,176)
Gross amounts due to customers for contract work	**(1,457)**	(4,478)

23 LOANS AND BORROWINGS

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

	2015 RMB'000	2014 RMB'000
Secured bank overdrafts	**–**	245
Bank loans		
– Secured	**20,240**	138,568
– Guaranteed by related parties	**6,705**	96,671
– Unsecured and unguaranteed	**249,757**	248,720
	276,702	484,204
Loans from related parties (note 30(c))	**168,699**	140,927
Other borrowings	**–**	228
	445,401	625,359

(b) At the end of reporting period, loans and borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	**276,702**	390,049
After 1 year but within 2 years	**168,699**	23,542
After 2 years but within 5 years	**–**	211,768
	445,401	625,359

23 LOANS AND BORROWINGS *(Continued)*

(c) The amounts of banking facilities and the utilisation at the end of reporting period are set out as follows:

	2015 RMB'000	2014 RMB'000
Banking facilities		
– Secured	–	192,732
– Unsecured	650,000	631,109
	650,000	823,841

At 31 December 2015, the facilities were utilised to the extent of RMB227,002,000 (2014: RMB327,052,000).

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

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	–	38,046
Inventories	–	14,799
Trade debtors and bills receivable	–	69,339
Restricted deposit	–	13,100
	–	135,284

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). At 31 December 2015 and 2014, none of the covenants relating to drawn down facilities had been breached.

(Expressed in RMB unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) 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 RMB unless otherwise indicated)

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

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

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

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HK$1.15	45,400,000	HK$1.15	48,500,000
Exercised during the year	HK$1.15	(22,050,000)	HK$1.15	(3,100,000)
Outstanding at the end of the year	HK$1.15	23,350,000	HK$1.15	45,400,000
Exercisable at the end of the year		23,350,000		21,150,000

The options outstanding at 31 December 2015 had an exercise price of HK$1.15 (2014: HK$1.15) and weighted average remaining contractual life of 1.56 years (2014: 2.56 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 RMB unless otherwise indicated)

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

(b) 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

(Expressed in RMB unless otherwise indicated)

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

(b) 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 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
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:

	2015 Weighted average exercise price	2015 Number of options	2014 Weighted average exercise price	2014 Number of options
Outstanding at the beginning of the year	**HK$3.06**	**52,100,000**	HK$3.06	52,100,000
Granted during the year		**–**		–
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		**26,950,000**		–

The options outstanding at 31 December 2015 had an exercise price of HK$3.06 (2014: HK$3.06) and weighted average remaining contractual life of 2.68 years (2014: 3.68 years).

(Expressed in RMB unless otherwise indicated)

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

(b) 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.

(c) 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 RMB unless otherwise indicated)

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

(c) 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 RMB unless otherwise indicated)

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

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

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

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$3.64**	**14,300,000**		–
Granted during the year		**–**	HK$3.64	14,300,000
Outstanding at the end of the year	**HK$3.64**	**14,300,000**	HK$3.64	14,300,000
Exercisable at the end of the year	**HK$3.62**	**6,500,000**	HK$3.83	3,000,000

The options granted in 2014 outstanding at 31 December 2015 had a weighted average exercise price of HK$3.64 (2014: HK$3.64) and weighted average remaining contractual life of 3.71 years (2014: 4.87 years).

(Expressed in RMB unless otherwise indicated)

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

(c) Share Option Scheme 2014 *(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.

	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 STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised

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

	Depreciation in excess of the related depreciation allowances RMB'000	Amortisation of intangibles RMB'000	Research and development tax credits RMB'000	Impairment and provision RMB'000	Unrealised profit for inventories RMB'000	Unused tax losses RMB'000	Receipts by Instalment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014 (as previously reported)	396	6,877	4,673	(3,140)	(982)	(3,378)	–	427	4,873
Adjusted for the acquisition of businesses under common control	–	–	–	(602)	–	–	–	–	(602)
At 1 January 2014 (as restated)	396	6,877	4,673	(3,742)	(982)	(3,378)	–	427	4,271
Charged/(credited) to the consolidated income statement (note 7(a))	–	–	(582)	(1,551)	202	3,622	6,995	–	8,686
Charged/(credited) to results from discontinued operation	336	(501)	2,420	92	–	(354)	–	(617)	1,376
Exchange adjustments	(96)	(289)	(560)	44	(1)	(219)	–	(54)	(1,175)
At 31 December 2014 (as restated)	636	6,087	5,951	(5,157)	(781)	(329)	6,995	(244)	13,158
At 1 January 2015 (as restated)	636	6,087	5,951	(5,157)	(781)	(329)	6,995	(244)	13,158
Charged/(credited) to the consolidated income statement (note 7(a))	–	–	–	(4,813)	450	–	–	–	(4,363)
Charged/(credited) to results from discontinued operation	184	(1,847)	1,624	(75)	253	(49)	–	(94)	(4)
Disposal of a subsidiary	(820)	(4,240)	(7,575)	341	–	378	–	338	(11,578)
At 31 December 2015	–	–	–	(9,704)	(78)	–	6,995	–	(2,787)

	2015 RMB'000	2014 RMB'000 (Restated)
Represented by:		
Deferred tax assets	(9,782)	(5,672)
Deferred tax liabilities	6,995	18,830
	(2,787)	13,158

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets not recognised

At 31 December 2015, in accordance with the accounting policy set out in note 2(v), the Company did not recognise deferred tax assets in respect of unused tax losses of RMB105,851,000 (2014: RMB75,032,000) and the Group did not recognise deferred tax assets in respect of unused tax losses of RMB108,320,000 (2014: RMB87,251,000), 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 RMB2,469,000 will not expire until after 2018.

(c) Deferred tax liabilities not recognised

At 31 December 2015, 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 RMB554,090,000 (2014: RMB460,981,000), 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 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.

26 DEFERRED INCOME

Deferred income of the Group mainly represents subsidies relating to the construction of property, plant and equipment, which would be recognised in other income on a straight-line basis over the expected useful life of the relevant assets.

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 RMB'000 Note 27(c)	Share-based compensation reserve RMB'000 Note 27(d)(iii)	Translation reserve RMB'000 Note 27(d)(ii)	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2014	259,412	6,990	(24,669)	(28,213)	213,520
Shares issued for the acquisition of TFRH Investments and Excel Perfect	366,680	–	–	–	366,680
Equity settled share-based transactions	–	11,883	–	–	11,883
Share issued under Share Option Scheme 2012	3,452	(621)	–	–	2,831
Loss for the year	–	–	–	(26,178)	(26,178)
Other comprehensive income	–	–	(2,405)	–	(2,405)
At 31 December 2014	629,544	18,252	(27,074)	(54,391)	566,331
At 1 January 2015	**629,544**	**18,252**	**(27,074)**	**(54,391)**	**566,331**
Issuance of shares	**592,097**	**–**	**–**	**–**	**592,097**
Equity settled share-based transactions	**–**	**9,388**	**–**	**–**	**9,388**
Share issued under Share Option Scheme 2012	**25,348**	**(4,249)**	**–**	**–**	**21,099**
Profit for the year	**–**	**–**	**–**	**583,231**	**583,231**
Other comprehensive income	**–**	**–**	**83,195**	**–**	**83,195**
At 31 December 2015	**1,246,989**	**23,391**	**56,121**	**528,840**	**1,855,341**

(b) Dividends

The Board proposed the payment of a special dividend of RMB0.10 per share (2014: nil) to equity shareholders of the Company after the end of the reporting period, and the special dividend has not been recognised as a liability at the end of the reporting period.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2015 Number of shares	2015 Amounts RMB'000	2014 Number of shares	2014 Amounts RMB'000
Ordinary shares issued and fully paid:				
At 1 January	**644,228,189**	**629,544**	521,520,000	259,412
Issuance of shares (i)	**128,994,000**	**592,097**	–	–
Shares issued for the acquisition of TFRH Investments and Excel Perfect (ii)	**–**	**–**	119,608,189	366,680
Shares issued under Share Option Scheme 2012 (iii)	**22,050,000**	**25,348**	3,100,000	3,452
At 31 December	**795,272,189**	**1,246,989**	644,228,189	629,544

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.

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

(ii) 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 and Excel Perfect by the Company.

(iii) During 2015, a total of 22,050,000 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 RMB21,099,000 which was credited to share capital and RMB4,249,000 has been transferred from the share based compensation reserve to the share capital in accordance with policy set out in note 2(u)(ii).

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(iv) Terms of unexpired and unexercised share options under the Share Option Scheme 2012, 2013 and 2014 at the end of reporting periods are as follows:

	2015		2014	
Exercise period	**Exercise price**	**Number of options**	Exercise price	Number of options
23 July 2014 to 22 July 2017	**HK$1.15**	**2,650,000**	HK$1.15	21,150,000
23 July 2015 to 22 July 2017	**HK$1.15**	**20,700,000**	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
15 August 2014 to 14 August 2019	**HK$3.83**	**3,000,000**	HK$3.83	3,000,000
15 August 2016 to 14 August 2019	**HK$3.83**	**4,300,000**	HK$3.83	4,300,000
17 October 2015 to 16 October 2019	**HK$3.444**	**3,500,000**	HK$3.444	3,500,000
17 October 2016 to 16 October 2019	**HK$3.444**	**3,500,000**	HK$3.444	3,500,000
		89,750,000		111,800,000

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.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(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(y).

(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(u)(ii).

(iv) Other reserves

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

(v) Distributable reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB528,840,000 (2014: nil). After the end of the reporting period the directors proposed a special dividend of RMB0.1 per share (2014: nil), amounting to RMB79,527,000 (2014: nil) (note 27(b)). This special dividend has not been recognised as a liability at the end of the reporting period.

(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 2015, the amount of capital employed was RMB2,452,198,000 (2014: RMB1,805,917,000 (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 0-180 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 2015, 7.0% (2014: 10.7% (as restated)) and 20.8% (2014: 20.2% (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 statement of financial position 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 end of reporting periods 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 end of reporting period) and the earliest date the Group can be required to pay:

	2015 Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables measured at amortised costs	1,312,898	–	–	–	1,312,898	1,295,570
Loans and borrowings	284,075	175,425	–	–	459,500	445,401
Obligations under finance leases	167	167	168	–	502	502
	1,597,140	175,592	168	–	1,772,900	1,741,473

	2014 (restated) Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables measured at amortised costs	709,096	–	–	–	709,096	709,096
Loans and borrowings	411,544	26,008	224,299	–	661,851	625,359
Obligations under finance leases	182	195	316	–	693	693
Redeemable preference shares	–	–	411,062	–	411,062	207,547
	1,120,822	26,203	635,677	–	1,782,702	1,542,695

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing long-term receivables, obligations under finance leases, loans and borrowings and other payables 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 end of reporting period:

	2015 Effective interest rate %	2015 Amounts RMB'000	2014 Effective interest rate %	2014 Amounts RMB'000
Fixed rate instruments:				
Loans and borrowings	4.42	153,652	5.86	234,320
Obligations under finance leases	3.57	502	4.05	693
		154,154		235,013
Variable rate instruments:				
Loans and borrowings	5.30	291,749	6.16	391,039
Other payables	4.35	478,017	–	–
Less: interest bearing long-term receivables	6.65	(101,611)	8.40	(166,284)
		668,155		224,755
Total net borrowings		822,309		459,768
Fixed rate borrowings as a percentage of total net borrowings		18.7%		51.1%

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after tax and retained profits by approximately RMB5,679,000 (2014: RMB1,898,000).

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 2014.

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, Canadian 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 RMB 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.

	2015 Exposure to foreign currencies (expressed in RMB)		
	Canadian Dollars RMB'000	**United States Dollars RMB'000**	**Hong Kong Dollars RMB'000**
Trade and other receivables	**73,121**	**3,995**	**387**
Cash and cash equivalents	**618,880**	**188,143**	**44,104**
Trade and other payables	**–**	**–**	**(1,650)**
Net exposure arising from recognised assets and liabilities	**692,001**	**192,138**	**42,841**

	2014 (Restated) Exposure to foreign currencies (expressed in RMB)		
	Euros RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	28,698	38,886	190
Cash and cash equivalents	2,919	11,149	1,383
Trade and other payables	(20,774)	(19,520)	(257)
Net exposure arising from recognised assets and liabilities	10,843	30,515	1,316

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 end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2015		2014 (Restated)	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Euros	N/A	N/A	5%	379
	N/A	N/A	(5)%	(379)
Canadian Dollars	5%	28,718	N/A	N/A
	(5)%	(28,718)	N/A	N/A
United States Dollars	5%	8,230	5%	1,144
	(5)%	(8,230)	(5)%	(1,144)
Hong Kong Dollars	5%	1,788	5%	55
	(5)%	(1,788)	(5)%	(55)

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 RMB at the exchange rate ruling at the end of reporting period 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 end of reporting period, 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 2014.

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 end of reporting periods 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.

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

	Fair value at 31 December 2014 RMB'000	Fair value measurements at 31 December 2014 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
The Group				
Recurring fair value measurements				
Assets:				
Trading securities	12,218	12,218	–	–
Liabilities:				
Other non-current liabilities	207,547	–	–	207,547

(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 at 31 December 2015.

29 COMMITMENTS

(a) Capital commitments

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

	2015 RMB'000	2014 RMB'000 (Restated)
Contracted for	304,461	210,170

(b) Operating lease commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within 1 year	10,808	12,018
After 1 year but within 5 years	13,599	21,554
	24,407	33,572

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 at 31 December 2014 and 2015.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the years ended 31 December 2014 and 2015, transactions with the following parties are considered as related party transactions:

Name of parties

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

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

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

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

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

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

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

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

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

NUCTECH Co., Ltd.* (同方威視技術股份有限公司)

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

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

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

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

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Particulars of significant related party transactions during the years ended 31 December 2014 and 2015 are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Sales to THTF and its subsidiaries	108,314	190,555
Purchases from THTF and its subsidiaries	49,472	31,962
Purchases from Tongfang Kawasaki	43,690	23,684
Payment for miscellaneous products and services from THTF and its subsidiaries	18,111	6,569
Proceeds from loans from Tongfang Artificial	27,772	64,464
Repayment of loans to Tongfang Artificial	–	16,498
Corporate overhead allocations from THTF	41,536	43,222
Payments transferred by THTF to the Group	298,797	N/A
Payments transferred by the Group to THTF	112,478	N/A

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

The directors consider that the above related party transactions during the years ended 31 December 2014 and 2015 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 2014 and 2015, the Group had the following balances with THTF and its subsidiaries:

	2015 RMB'000	2014 RMB'000 (Restated)
Trade and other receivables	90,326	98,466
Trade and other payables	(570,553)	(78,872)
Loans from related parties	(168,699)	(140,927)

The loans from related parties bear interest at loan interest rate stipulated by People's bank of China for the corresponding period, and are unsecured.

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(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:

	2015 RMB'000	2014 RMB'000 (Restate)
Short term employee benefits	6,881	10,250
Post-employment benefits	80	79
Share-based payments	375	1,179
	7,336	11,508

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

(e) The related party transactions in respect of sales, purchases, payments transferred by THTF to the Group, payments transferred by the Group to THTF, 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 THTF 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, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in note 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 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		1,678	1,953
Intangible assets		4	4
Investments in subsidiaries		1,130,913	573,876
		1,132,595	575,833
Current assets			
Trading securities		6,211	12,218
Inventories		–	148
Trade and other receivables		76,527	2,570
Cash and cash equivalents		671,592	4,247
		754,330	19,183
Current liabilities			
Loans and borrowings		20,237	12,226
Trade and other payables		10,845	15,828
Obligations under finance leases		167	157
		31,249	28,211
Net current assets/(liabilities)		723,081	(9,028)
Total assets less current liabilities		1,855,676	566,805
Non-current liabilities			
Obligations under finance leases		335	474
NET ASSETS		1,855,341	566,331
CAPITAL AND RESERVES	27		
Share capital		1,246,989	629,544
Reserves		608,352	(63,213)
TOTAL EQUITY		1,855,341	566,331

Approved and authorised for issue by the board of directors on 22 March 2016.

Zhao Xiaobo	)	
	)	*Directors*
Seah Han Leong	)	

32 BUSINESS COMBINATION UNDER COMMON CONTROL

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

The acquisition of the Target Businesses has been accounted for under merger accounting for business combination under common control in accordance with the accounting policy as set out in note 2(i) and the comparative amount in the consolidated financial statements are restated accordingly.

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

	RMB'000
Intangible assets	124,145
Other non-current assets	778
Other current assets	983,213
Current liabilities	(658,887)
Total identifiable net assets acquired	449,249

The reconciliation of the effect arising from the business combinations under common control on the consolidated financial statements of the Group for the year ended 31 December 2014 is as follows:

	The Group (as previously reported) RMB'000	**Target businesses (including elimination)** RMB'000	**The Group (as restated)** RMB'000
Results of operations for the year ended 31 December 2014:			
Profit for the year	162,258	34,786	197,044
Profit attributable to:			
– Equity shareholders of the Company	149,724	34,786	184,510
– Non-controlling interests	12,534	–	12,534
Financial position as at 31 December 2014:			
Non-current assets	873,943	108,302	982,245
Current assets	1,342,659	591,299	1,933,958
Current liabilities	928,759	339,918	1,268,677
Non-current liabilities	466,968	–	466,968
Total equity attributable to the equity shareholders of the Company	790,959	359,683	1,150,642
Non-controlling interests	29,916	–	29,916

33 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) *Impairment losses of non-current assets*

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments, and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and amount of operating costs.

(iv) *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.

(v) *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.

33 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(vi) Development costs

Critical judgement 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. Judgements 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.

(vii) Construction contracts

As explained in policy notes 2(o) and 2(x)(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.

(viii) 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 end of reporting period.

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

(Expressed in RMB unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE DURING THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and 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
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	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 2018
HKFRS 9, *Financial instruments (2014)*	1 January 2018
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	Unspecified

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 consolidated financial statements.