Technovator

Technovator International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

INTERIM REPORT **2017**

A Leading Smart Energy Saving Services Provider

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

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

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

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Mr. Teo Meng Keong

AUTHORISED REPRESENTATIVES

Mr. Zhao Xiaobo
Mr. Seah Han Leong

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISER AS TO HONG KONG LAWS

Luk & Partners
in Association with Morgan, Lewis & Bockius

AUDITORS

KPMG
KPMG LLP

SINGAPORE PRINCIPAL SHARE REGISTRAR

Tricor Barbinder Share Registration Services
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PWC Building
Singapore 048424

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
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Hong Kong

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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MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 2017, Technovator International Limited (the "Company", together with its subsidiaries, the "Group" or "Technovator") moved forward with its strategic transformation in all aspects. Having steadily completed the initial stage of its strategic transformation, Technovator successfully introduced the business model of entrusted operation, actively tapped into the business of regional power stations, and continued to expand its industrial blueprint, paving the way for strategic transformation. Through years of experience and improvement, the Company has gradually anchored its leading position in the industry. With the collaborated operations of multiple business models in energy saving arena, the synergetic development of traditional energy-saving business and innovative business is starting to take shape.

For the six months ended 30 June 2017, the Company's revenue amounted to RMB642.3 million, representing a 19.6% growth as compared with the corresponding period of 2016, whereas profit for the period reached RMB62.2 million, representing a year-on-year increase of 2.3%. During the interim period of 2016, as the Group recorded an exchange gain of RMB29.3 million arising from foreign currency cash translation, if adjustment was made to such one-off gain, profit for the period would increase by 97.5% as compared with the corresponding period of last year. As such, the Company realized growth in both revenue and profit.

BUSINESS REVIEW

Smart transportation business: continuous service expansion into more regions, with innovative upgrades of applied technology

In the first half of 2017, the rail transit business sustained its high-growth momentum. On one hand, the business segment benefited from China's intensive development of urban rail transit construction and the spillover effect of the policies emphasizing the energy-saving industry under the "13th Five-Year" strategic plan. On the other hand, high growth also resulted from the fact that the Company has been continuously improving its capabilities through its own research and development, and implementation capability of carrying out large and complicated construction projects.

During the period, the Company successfully finished constructing the ventilation system for Beijing Subway Line No.9, made progress in the rail transit projects such as the Orange Line (Lahore Metro) in Pakistan, and in Qingdao, Changchun and Shijiazhuang. Still emulating the project of Beijing Subway, the Company continued to build smart urban transportation networks for provincial capitals such as Wuhan, Chongqing and Harbin, leading the development of smart, information-based urban rail transit systems. Furthermore, the Company won successful bids for the projects of Wuhan Subway Line No.11, Harbin Subway Line No.3 and Jinan Metro Line R1, thus fully covering the rail transit business in Shandong Province.

To meet market demand and better grasp the historic opportunities brought by the rapid development of urban rail transit construction, the Company continued to innovate, increase investment and improve its own research and development capabilities in order to avoid remaining in situ. Technovator innovated and upgraded its service application in respect of comprehensiveness and cyclical aspect. On one hand, urban rail transit has been evolving from traditional automation to smart eco-transit. In response, the Company rolled out a host of M+ urban rail transit solutions during the Period, with efforts to prepare integrated solutions that cater to individual customer's demand. On the other hand, Technovator sought to maximize the value for its customers. Starting from mastering core technology, the Company provided integrated services that encompass the entire lifecycle, from solutions design, equipment package, installation and commissioning to aftersales services.

Given that the Group's comprehensive capabilities continue to improve and the market environment benefited from favorable policies, the Company is expected to forge the absolute advantage in smart transportation through a combination of "Internal Efforts + External Support", to help the Group in its strategic transformation.

Smart building and complex business: successful exploration of entrusted operation and reinforced industrial leadership

Against the backdrop of slowing economic growth and a saturated construction industry, the Company adapted to such situation, and steadily passed a bottleneck period of the market by attaining stable income and building a brand in the industry. In addition, Technovator delivered innovative business models at appropriate timing, going beyond the traditional business landscape. To enhance its leading position in the industry, the Company strived to maintain its core competitiveness in scale and quality, tradition and innovation.

In respect of the traditional smart business, the Company focused on selecting high-quality EPC projects, while enabling its business segments to gain stable income despite a sluggish market. During the Period, the Company provided services to Beijing Tongzhou IDC Data Research and Development Center (北京通州IDC數據研發中心), Beijing Economic Development Zone (北京經濟開發區) and Yujiapu Financial District (于家堡金融區), to meet their smart building demand under the national plan for new areas. At the present, the aforesaid projects have been successfully contracted and executed. Long-term strategic cooperation with large commercial conglomerates remains a key business to the smart building segment. By leveraging its customized Huiyun System (慧雲系統), the Group continued to provide Huiyun-based smart management service for Wanda Plazas in Jiangxi, Guangxi and Shandong, to serve as an industrial model on smart, energy-saving operation and management. Meanwhile, through collaborations with HIFETE Plaza (宏帆巴人廣場), Zhongdi New Century Plaza (中迪創世紀廣場), Chongqing Technology and Business University (重慶工商大學) and Chongqing Jiangbei Hospital of Traditional Chinese Medicine (重慶江北中醫院), the Group applied the Techcon series of building control systems, proprietary products, and smart operation and maintenance to providing customers with overall management services. By providing such services, Technovator aims to develop smart energy-saving buildings in cities.

In respect of the energy-saving building business, apart from long-term cooperation with its existing customers, the Group was also active in exploring new customers. By entering into the Phase-II energy-saving renovation project with China Central Place (華貿中心), Technovator designed a customized solution of “Green Operation”, which laid a solid foundation for the long-term strategic cooperation between both parties. During the reporting period, the Group adopted the business model of “Energy Saving + Entrusted Operation” for the first time, to build an energy management system for Zhichun Plaza (知春大廈). This is ground-breaking for the Group in its application of the entrusted-operation business model. This also signifies a historic step for the Group in its strategic transformation through innovative business models, as Technovator remains a leading player in the industry and it continues to lead the trend in developing smart buildings.

Smart energy business: striving to become an industry model and opening up markets through strategic innovation

The Group actively optimized the structure and reorganized the resources of its business relating to smart energy, and strived to fully tap into the business synergy of energy production, transportation and distribution, and consumption in the field of urban central heating. At the same time, Technovator explored continuous operation models, such as entrusted operation for heating networks and franchised operation, so as to lay a foundation for improving the overall revenue of the smart energy business.

In respect of smart central heating, the Group has entered into multiple smart heating network projects in Taiyuan, Zhangjiakou, Shenyang and Weihai, promoting green and sustainable urban development in line with the principle of "safe, intelligent, high efficiency and energy saving". Recognized by customers for its professional energy-saving technology and first-class project implementation capabilities, the Company also entered into a project with Taiyuan Taigu (太原太古) in relation to the trunk line of its heating project and relay energy stations during the Period. The project is designed to be a model project of integrated energy management that connects energy sources, networks and users seamlessly.

Meanwhile, the Group entered into a strategic framework agreement with Xinjiang Tianfu Group (新疆天富集團) during the Period. Under the agreement, contribution will be made to help customers save energy and reduce consumption in heating supply, based on the construction of an energy consumption control platform for the subsidiary in heating supply. Through its strategic cooperation with Tianfu Group, the Group has not only brought its smart energy services to the Xinjiang market, but also delivered a new business model of promoting energy-saving services for heating supply. In addition,Tongfang Energy Saving Engineering Technology Co., Ltd. (同方節能工程技術有限公司), a subsidiary of the Group, will jointly establish the Inner Mongolia Technical Center for Heating Supply Engineering (內蒙古自治區供熱工程技術中心), with four organizations, including Chifeng Fulong Group (赤峰富龍集團) and Tsinghua University Building Energy Conservation Research Center (清華大學建築節能研究中心). Based in Inner Mongolia and targeting the heating supply regions in northern China, the Center focuses on treating winter haze, reducing the energy consumption of heating supply systems, and renovating heating supply sources with clean energy and processes. This aims to fully open up the heating supply market of northern China and address the issues on urban and rural energy systems. With the initial success in expanding its smart energy markets through long-term strategic cooperation, the Group will benefit from new growth points and continuous, stable revenue brought by the business segment.

OUTLOOK

As pointed out in the national "13th Five-Year" strategic plan, China will strenuously develop the high-efficiency energy-saving industry, promote system integration and pilot exercise for energy-saving technology, and help the energy-saving services to grow larger and stronger. By 2020, the high-efficiency energy-saving industry is expected to reach RMB3 trillion in output[1]; approximately 3% of the gross domestic product will come from the added value of the energy-saving and environmental-friendly industry[2], a pillar industry in domestic economy. From the perspective of subdivided sectors, developing green and low-carbon eco-cities is the development direction of Chinese cities under the "13th Five-Year Plan". Along with the speedy development of technology such as the Internet, cloud computing and big data, urban construction has entered a digital era. It has become an irreversible trend to apply cloud-based control to smart urban management and operation.

Based on its extensive experience and top professional expertise in energy saving, Technovator carefully observes the market and engages itself in long-term and close communication with customers. As such, the Group is able to meet market demand with targeted approaches, design and develop products and technology that satisfy the demand of different customers. Based on customization, Technovator then prepares smart energy-saving solutions to subdivided sectors. As a pioneer in supporting urban digital revolution, Technovator is one of the earliest domestic businesses engaged in urban cloud-based control. With years of experience, the Company has achieved its leading position, and its unremitting hard work and exploration has helped establish its good reputation in the industry.

Looking ahead, with the market condition benefitting from favorable policies, the Group will capitalize on such historic opportunities, adhere to the service concept of "Internet + Energy Saving", and maintain the strategic plan of "Selection + Promotion + Exploration" through the growth model of "Internal Efforts + External Support" to become an industry pioneer, targeting to be a top Chinese provider of smart urban energy-saving services, fulfilling its responsibility and mission of green development and energy saving, and steering the development in the fields of building, rail and energy for the country.

FINANCIAL REVIEW

Revenue

The Group recorded net revenue of approximately RMB642.3 million for the first half of 2017, representing a year-on-year increase of 19.6%. On one hand, leveraging on the continuously growing demands for intelligence and energy saving as well as unique policy advantages, the smart transportation and smart energy business segments recorded a remarkable year-on-year increase in revenue of 28.8% and 53.1%, respectively. On the other hand, affected by the slowdown of construction-related industries, the revenue from the smart building and complex business recorded a small contraction of 1.6%, as compared to that of the previous period.

1 Source: The "Guideline on Emerging Sectors of Strategic Importance during the 13th Five-year Plan Period" (《「十三五」國家戰略性新興產業發展規劃》), issued by the State Council in 2016.

2 Source: The "Guideline on the Energy-saving and Environmentally Friendly Sector during the 13th Five-year Plan Period" (《「十三五」節能環保產業發展規劃》), issued jointly by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, and the Ministry of Environmental Protection in 2016.

Revenue by business segment

The table below sets forth the Group's revenue by business segment for the indicated periods.

For the six months ended 30 June

	2017		2016		
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue	Comparison
Smart transportation	**238,559**	**37%**	185,226	34%	28.8%
Smart building and complex	**242,849**	**38%**	246,898	46%	(1.6%)
Smart energy	**160,854**	**25%**	105,055	20%	53.1%
Total	**642,262**	**100%**	537,179	100%	19.6%

Smart transportation

Revenue from the smart transportation business segment increased substantially by 28.8% from approximately RMB185.2 million for the first half of 2016 to approximately RMB238.6 million for the first half of 2017, with the percentage of revenue increasing from 34% to 37%. The smart transportation business segment achieved stable growth, owing to continuously growing market demands for smart rail transit, favorable policies to the energy conservation industry, and the Group's continuously improving capability in implementing large-scale subway projects. During the Period, the Group carried out smart urban subway projects, including Orange Line (Lahore Metro) in Pakistan, Qingdao Subway Line No.2 and Shijiazhuang Subway Line No.1. Furthermore, the Group continued to expand its market by successfully signing contracts or winning bids for smart subway projects in cities such as Wuhan (Hubei Province), Jinan (Shandong Province) and Harbin (Heilongjiang Province).

Smart building and complex

Revenue from the smart building and complex business segment declined sightly as compared to the corresponding period of last year, with a slight decline of 1.6% from approximately RMB246.9 million for the first half of 2016 to approximately RMB242.8 million for the first half of 2017. During the Period, the Group successfully signed and promoted the implementation of various smart urban projects. including Beijing Tongzhou IDC Data Research and Development Center, the Management Committee of Beijing Economic-Technological Development Area (北京經濟技術開發區管委會), Tianjin Yujiapu Financial District, and the EMC energy-saving renovation project for the offices in China Central Place. Meanwhile, the Group adopted for the first time the new business model of "Energy-saving Renovation + Entrusted Energy Operation" and contracted for and proceeded with the project for the entrusted energy operation of Zhichun Plaza.

Smart energy

Revenue from the smart energy business segment grew from approximately RMB105.1 million for the first half of 2016 to approximately RMB160.9 million for the first half of 2017, representing a substantial increase of 53.1%. The growth of the smart energy business segment was attributable to the continuous increase in demands for energy conservation in the urban area and corresponding policy support. During the Period, the Group continued to implement its smart heating network projects in Taiyuan (Shanxi Province), Wuwei (Gansu Province) and Dezhou (Shandong Province). At the same time, the Group made great progress in implementing its EMC energy-saving projects in such places as Wuhai (Inner Mongolia), Heze (Shandong Province) and Xiaoyi (Shanxi Province). During the first half of the year, the Group entered into contracts or won the bids for smart heating network projects in Shanghai, Taiyuan (Shanxi Province) and Weifang (Shandong Province) as well as the EMC energy-saving project for heating networks in Fushun (Liaoning Province).

Cost of sales

Cost of sales increased by approximately 17.8%, from approximately RMB408.6 million for the first half of 2016 to approximately RMB481.2 million for the first half of 2017. The increase was due to extra project revenue which resulted in the corresponding increase in costs. The growth in cost of sales was lower than revenue growth, due to higher gross profit margin (as further discussed in the section headed "Gross profit" below).

Gross profit

Gross profit increased by 25.3%, from approximately RMB128.5 million for the first half of 2016 to approximately RMB161.0 million for the first half of 2017. Gross profit margin increased by 1.2 percentage points, from approximately 23.9% for the first half of 2016 to approximately 25.1% for the first half of 2017. The increase in overall gross profit margin was driven by higher gross profit margins in the business segments of smart transportation and smart energy.

Other revenue

Other revenue increased by approximately RMB2.7 million, from approximately RMB15.6 million for the first half of 2016 to approximately RMB18.3 million for the first half of 2017. The increase was mainly attributable to the interest revenue growth from the Group's EMC projects in 2017.

Other net gain

Other net gain decreased substantially by RMB31.3 million, from approximately RMB34.2 million for the first half of 2016 to approximately RMB2.9 million for the first half of 2017, mainly because of the Group's gains from the exchange of foreign currency cash in 2016 through translation into USD.

Selling and distribution costs

Selling and distribution costs for the first half of 2017 were approximately RMB36.5 million, representing an increase of 33.4% as compared to the first half of 2016. Selling and distribution costs as a percentage of revenue increased from 5.1% for the first half of 2016 to 5.7% for the first half of 2017, mainly because the Group's business model transformation and greater market expansion led to increased staff costs and travel expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by 4.7%, from approximately RMB65.1 million for the first half of 2016 to approximately RMB68.2 million for the first half of 2017. Such increase was primarily derived from more amortization of intangible assets. Administrative and other operating expenses as a percentage of revenue decreased by 1.5 percentage points, from 12.1% for the first half of 2016 to 10.6% for the first half of 2017.

Finance costs

Finance costs decreased by 74.2% to approximately RMB5.1 million for the first half of 2017 from approximately RMB19.8 million for the first half of 2016, which was mainly due to the corresponding decrease in finance costs of RMB12.3 million as the remaining consideration payable for the acquisition of related business from parent company during the second half of 2015 was settled in the second half of 2016. As a result, the finance costs decreased in the first half of 2017 as the Group no longer incurred any finance costs on the outstanding consideration payable for such acquisition.

Income tax

Income tax increased by 96.2%, from approximately RMB5.3 million for the first half of 2016 to approximately RMB10.4 million for the first half of 2017. The effective tax rate increased from 8.0% for the first half of 2016 to 14.3% for the first half of 2017, which was primarily due to the non-taxable exchange gains realized by the Group in the first half of 2016. With the effect of such non-taxable income excluded, the effective tax rate decreased by 0.1% as compared with the previous year.

Profit for the Period

Profit for the Period increased by approximately 2.3%, from approximately RMB60.8 million for the first half of 2016 to approximately RMB62.2 million for the first half of 2017. Net profit ratio declined by 1.6 percentage points, from 11.3% to approximately 9.7%. Excluding the considerable gains from the exchange of foreign currency cash in 2016, the profit for the Period would have increased by 97.5% compared with the corresponding period of last year, as driven by the growth in both revenue and gross profit margin.

The basic earnings per share of the Group increased by 2.3 percentage points year on year to RMB0.0798 (the first half of 2016: RMB0.0780), while diluted earnings per share increased by 3.7 percentage points year on year to RMB0.0796 (the first half of 2016: RMB0.0767).

Working capital and financial resources

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

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	As at 30 June 2016 (RMB'000)
Inventories	**339,475**	302,950	387,034
Trade and other receivables	**1,556,879**	1,345,417	1,288,806
Trade and other payables	**1,091,745**	1,292,923	1,470,900
Average inventories turnover days	**120**	59	148
Average trade receivables turnover days	**334**	208	319
Average trade payables turnover days	**333**	226	308

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

The Group's inventories increased from approximately RMB303.0 million as at 31 December 2016 to approximately RMB339.5 million as at 30 June 2017, or by 12.0%, mainly because of the growth from the business segments of smart transportation and smart energy which increased the inventories; the inventory turnover days decreased from approximately 148 days for the first half of 2016 to approximately 120 days for the first half of 2017, which was attributable to the Group's current inventory management policy to better manage inventories.

The Group's trade and other receivables increased from approximately RMB1,345.4 million as at 31 December 2016 to approximately RMB1,556.9 million as at 30 June 2017, or by 15.7%; the average trade receivables turnover days increased from approximately 319 days for the first half of 2016 to 334 days for the first half of 2017. On one hand, such increase was due to the continuous expansion of the Group's business resulting in the corresponding increase in trade receivables; on the other hand, it was due to the increase in the age of receivables caused by the slower progress of engineering projects in light of the growth slowdown of construction-related industries.

The Group's trade and other payables decreased from approximately RMB1,292.9 million as at 31 December 2016 to approximately RMB1,091.7 million as at 30 June 2017, or by 15.6%. The Group's average trade payables turnover days increased from approximately 308 days for the first half of 2016 to approximately 333 days for the first half of 2017. On one hand, the increase for the first half of this year was due to the Group's centralized procurement settlement in 2016, which resulted in the decrease in the balance of payables as compared to that of 2016; on the other hand, as agreed in the contract between the Group and the suppliers, the payment progress of engineering payables by the Group to the suppliers was consistent with the progress of engineering receivables from customers to the Group. In view of the slower progress of engineering projects, the Group adjusted its payment progress of trade payables accordingly.

Liquidity and financial resources

In the first half of 2017, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2017, the Group had approximately RMB348.9 million in cash and cash equivalents, which accounted for 15.8% of the Group's net assets (31 December 2016: net cash of approximately RMB665.8 million). The Group will consider factors such as prevailing financial costs in the market and the funding needs of the Group to use such funds, as its general working capital and/or for future acquisition and/or repayment of loans, as appropriate. The Group's cash and cash equivalents primarily consisted of cash in banks and on hand and deposits that are readily convertible into known amounts of cash.

As at 30 June 2017, the Group's indebtedness consisted of short-term bank loans of approximately RMB208.0 million (31 December 2016: RMB217.0 million) with an average annual interest rate of 4.42%. In the first half of 2017, the Group's indebtedness decreased mainly because the Group repaid part of its short-term bank loans.

As at 30 June 2017, the Group's debts were primarily bank loans and borrowings denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2017, the net cash of the Group was approximately RMB66.0 million (31 December 2016: net cash of approximately RMB375.5 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 7.8% (2016: approximately 7.6%).

For the six months ended 30 June 2017, the Group did not use any financial instrument for hedging purposes.

Pledge of assets

As at 30 June 2017, 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 30 June 2017 and 31 December 2016. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	As at 30 June 2017	As at 31 December 2016
Within 1 year	**16,491**	11,883
After 1 year but within 5 years	**12,688**	5,730
	29,179	17,613

Capital commitments outstanding at 30 June 2017 and 31 December 2016 not provided for in the financial statements are as follows:

	As at 30 June 2017	As at 31 December 2016
Contracted for	**135,823**	188,641

Contingent liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

The Group did not have any special purpose entities that provided financing, liquidity, market risk or credit support to it or were engaged in leasing, hedging or research and development services with it. The Group did not enter into any derivative contracts that were indexed to the shareholders of the Group (the "Shareholders") and classified as Shareholders' equity, or that were not reflected in its financial statements. Moreover, the Group did not have any retained or contingent interest in such assets that were transferred to unconsolidated entities to serve as credit, liquidity or market risk support to such entities.

Employees, training and development

As at 30 June 2017, the Group had a total of 769 employees (30 June 2016: 744). Total staff costs decreased marginally from approximately RMB64.0 million in the first half of 2016 to approximately 63.5 million in the first half of 2017.

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

The Group provides regular training for its employees to keep them abreast of the Group's products, technology developments, and the market conditions of its industry. The Group also offers additional training for each new product launch, so as to help the frontline sales staff deliver more effective sales and promotion. In addition, the Group's senior management attends conferences and exhibitions to further their understanding of the industry.

Material acquisitions and disposals

For the six months ended 30 June 2017, the Group had no other material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2017, the Group had no significant investment.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules throughout the six months ended 30 June 2017 as its code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2017.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Directors confirm that disclosure of financial information in this interim report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited consolidated interim financial statements for the six months ended 30 June 2017. The interim financial report is unaudited.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ISSUE OF SECURITIES

During the six months ended 30 June 2017, the Company did not conduct any fund raising activities through issue of equity securities.

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

During the six months ended 30 June 2017, the Company repurchased a total of 25,882,000 ordinary shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are as follows:

Month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Total consideration paid(Note) HK$
January 2017	100,000	2.90	2.88	288,800
February 2017	Nil	N/A	N/A	N/A
March 2017	282,000	2.99	2.96	838,520
April 2017	5,094,000	2.99	2.93	15,087,820
May 2017	9,682,000	2.95	2.74	27,760,480
June 2017	10,724,000	2.85	2.50	28,602,180
Total	25,882,000			72,577,800

Note: The total consideration paid excludes expenses paid for the share repurchase.

For the six months ended 30 June 2017, the Company has cancelled a total of 22,216,000 Shares, of which, 234,000 Shares were repurchased in December 2016, and the remaining 21,982,000 Shares were repurchased during the six months ended 30 June 2017. As at 30 June 2017, a total of 3,900,000 Shares repurchased during the six months ended 30 June 2017 were not yet cancelled.

Except as disclosed in this paragraph, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CHANGES IN INFORMATION OF DIRECTORS

During the Period and up to the date of this report, Mr. Fan Re Da, Anthony, an independent non-executive Director, has retired as independent non-executive director of LT Commercial Real Estate Limited (stock code: 112) with effect from 30 June 2017 and Guodian Technology & Environment Group Corporation Limited (stock code:1296) with effect from 8 August 2017, all of which are listed on the Main Board of the Stock Exchange.

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

DIVIDENDS

The board of Directors has not recommended the payment of any interim dividend for the six months ended 30 June 2017.

DISCLOSURE OF INTERESTS

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

As at 30 June 2017, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Company

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[3]
Mr. Seah Han Leong	Interest in a controlled corporation[1]	8,000,000	1.01%
	Beneficial owner	14,920,000	1.88%
	Beneficial owner	1,000,000[2]	0.13%
Mr. Zhao Xiaobo	Beneficial owner	8,728,000	1.10%
	Beneficial owner	1,000,000[2]	0.13%
Mr. Leung Lok Wai	Beneficial owner	2,100,000	0.27%
	Beneficial owner	600,000[2]	0.08%
Mr. Liu Tianmin	Beneficial owner	500,000[2]	0.06%
Mr. Fan Ren Da Anthony	Beneficial owner	500,000[2]	0.06%
Mr. Chia Yew Boon	Beneficial owner	500,000[2]	0.06%
Ms. Chen Hua	Beneficial owner	500,000[2]	0.06%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2017, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

During the six months ended 30 June 2017, at no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' interests and short positions in shares and underlying shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2017, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner	92,000,000	11.62%
	Interest in a controlled corporation(1)	185,432,142	23.43%
Resuccess Investments Limited	Beneficial owner	185,432,142	23.43%

Notes:

(1) Tsinghua Tongfang Co., Ltd (同方股份有限公司) is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.

Save as disclosed above, as at 30 June 2017, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

As at 30 June 2017, there were no outstanding options under the Technovator Employee Share Option Scheme 2009.

No options granted under the Technovator Employee Share Option Scheme 2009 were exercised, lapsed or cancelled during the six months ended 30 June 2017.

Share Option Scheme

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

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

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

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

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

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

Details of such share options granted under the Share Option Scheme as at 30 June 2017 are as follows:

				Number of shares issuable under the share options			
Name	Date of Grant[1]	Exercise price per Share	Exercise period[2],[3],[4]	Outstanding as at 1 January 2017	Exercised during the six months ended 30 June 2017[5]	Lapsed during the six months ended 30 June 2017	Outstanding as at 30 June 2017
Director, chief executive or substantial shareholder							
Zhao Xiao bo	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	3,000,000	3,000,000	–	–
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,000,000	–	–	1,000,000
Liu Tianmin	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Fan Ren Da Anthony	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chia Yew Boon	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Chen Hua	15 August 2014	HK$3.83	15 August 2014–14 August 2019	500,000	–	–	500,000
Leung Lok Wai	23 July 2012	HK$1.15	23 July 2014–22 July 2017	1,500,000	1,500,000	–	–
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	600,000	–	–	600,000
Other Employees							
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	9,320,000	6,262,000	–	3,058,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	13,100,000	–	600,000	12,400,000
	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	–	200,000	5,700,000
Suppliers of goods or services							
In aggregate	5 September 2013	HK$3.06	5 September 2015–4 September 2018	1,800,000	–	–	1,800,000
Others							
In aggregate	23 July 2012	HK$1.15	23 July 2014–22 July 2017	2,900,000	1,378,000	–	1,522,000
	5 September 2013	HK$3.06	5 September 2015–4 September 2018	30,650,000	–	–	30,650,000
	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				79,170,000	12,140,000	800,000	66,230,000

The weighted average closing price of the Shares immediately before the respective dates on which the options were exercised during the six months ended 30 June 2017 was HK$2.88 per Share.

Notes:

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

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

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

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

(ii) For suppliers of goods or services:

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

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

(i) For the Directors:

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

(ii) For other employees:

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

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

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

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

Save as disclosed above, no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2017.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 40 which comprises the consolidated statement of financial position of Technovator International Limited as of 30 June 2017 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial* reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

21 August 2017

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Revenue	3,4	**642,262**	537,179
Cost of sales		**(481,233)**	(408,640)
Gross profit		**161,029**	128,539
Other revenue		**18,320**	15,587
Other net gain		**2,906**	34,191
Selling and distribution costs		**(36,495)**	(27,355)
Administrative and other operating expenses		**(68,158)**	(65,087)
Profit from operations		**77,602**	85,875
Finance costs	5(a)	**(5,074)**	(19,814)
Profit before taxation		**72,528**	66,061
Income tax	6	**(10,354)**	(5,297)
Profit for the period		**62,174**	60,764
Profit attributable to:			
Equity shareholders of the Company		**63,989**	62,172
Non-controlling interests		**(1,815)**	(1,408)
Profit for the period		**62,174**	60,764
Earnings per share	7		
– Basic (RMB)		**0.0798**	0.0780
– Diluted (RMB)		**0.0796**	0.0767

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit for the period	**62,174**	60,764
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(2,322)**	14,898
Total comprehensive income for the period	**59,852**	75,662
Attributable to:		
Equity shareholders of the Company	**61,667**	77,070
Non-controlling interests	**(1,815)**	(1,408)
Total comprehensive income for the period	**59,852**	75,662

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	8	**230,738**	232,556
Lease payment		**2,903**	2,958
Intangible assets		**263,325**	263,616
Other financial assets	9	**345,535**	320,307
Deferred tax assets		**15,587**	13,504
		858,088	832,941
Current assets			
Trading securities		**–**	5,896
Inventories		**339,475**	302,950
Trade and other receivables	10	**1,556,879**	1,345,417
Gross amounts due from customers for contract work		**545,481**	676,584
Cash and cash equivalents	11	**348,948**	665,822
		2,790,783	2,996,669
Current liabilities			
Trade and other payables	12	**1,091,745**	1,292,923
Gross amounts due to customers for contract work		**19,278**	6,138
Loans and borrowings		**282,943**	290,354
Obligations under finance leases		**173**	178
Income tax payable		**15,176**	18,293
		1,409,315	1,607,886
Net current assets		**1,381,468**	1,388,783
Total assets less current liabilities		**2,239,556**	2,221,724

The accompanying notes form part of this interim financial report.

At 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Obligations under finance leases		**90**	180
Deferred tax liabilities		**15,859**	15,133
Deferred income		**18,110**	12,293
		34,059	27,606
NET ASSETS		**2,205,497**	2,194,118
CAPITAL AND RESERVES			
Share capital	13	**1,213,185**	1,254,909
Reserves		**985,256**	933,518
Total equity attributable to equity shareholders of the Company		**2,198,441**	2,188,427
Non-controlling interests		**7,056**	5,691
TOTAL EQUITY		**2,205,497**	2,194,118

Approved and authorised for issue by the board of directors on 21 August 2017.

Zhao Xiaobo) Directors
Seah Han Leong)

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 13(a)	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000 Note 13(b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	1,246,989	69,354	24,330	23,391	(537,048)	1,171,694	1,998,710	8,086	2,006,796
Profit for the year	–	–	–	–	–	62,172	62,172	(1,408)	60,764
Other comprehensive income	–	–	14,898	–	–	–	14,898	–	14,898
Total comprehensive income for the period	–	–	14,898	–	–	62,172	77,070	(1,408)	75,662
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	7	7
Dividends to equity shareholders of the Company (note 13(c))	–	–	–	–	–	(79,712)	(79,712)	–	(79,712)
Equity settled share-based transactions	–	–	–	2,469	–	–	2,469	–	2,469
Share issued upon exercise of share options (note 13(a)(i))	2,276	–	–	(399)	–	–	1,877	–	1,877
Balance at 30 June 2016	1,249,265	69,354	39,228	25,461	(537,048)	1,154,154	2,000,414	6,685	2,007,099

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 Note 13(a)	Treasury shares RMB'000 Note 13(d)	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000 Note 13(b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	1,254,909	(581)	90,937	50,058	24,526	(537,048)	1,305,626	2,188,427	5,691	2,194,118
Profit for the year	–	–	–	–	–	–	63,989	63,989	(1,815)	62,174
Other comprehensive income	–	–	–	(2,322)	–	–	–	(2,322)	–	(2,322)
Total comprehensive income for the period	–	–	–	(2,322)	–	–	63,989	61,667	(1,815)	59,852
Purchase of own shares (note 13(d))	–	(64,014)	–	–	–	–	–	(64,014)	–	(64,014)
Cancellation of shares (note 13(d))	(55,753)	55,753	–	–	–	–	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	3,180	3,180
Forfeiture of share options	–	–	–	–	(144)	–	144	–	–	–
Share issued upon exercise of share options (note 13(a)(i))	14,029	–	–	–	(1,668)	–	–	12,361	–	12,361
Balance at 30 June 2017	1,213,185	(8,842)	90,937	47,736	22,714	(537,048)	1,369,759	2,198,441	7,056	2,205,497

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities			
Cash used in operations		**(200,253)**	(188,324)
Income tax paid		**(14,828)**	(19,518)
Net cash used in operating activities		**(215,081)**	(207,842)
Net cash used in investing activities		**(38,454)**	(26,932)
Financing activities			
Proceeds from issuance of shares		**12,361**	1,877
Purchase of own shares		**(64,014)**	–
Dividend paid to equity shareholders of the Company		**–**	(79,712)
Repayment of loans and borrowings		**(32,515)**	(223,682)
Other cash flows arising from financing activities		**23,115**	23,487
Net cash used in financing activities		**(61,053)**	(278,030)
Net decrease in cash and cash equivalents		**(314,588)**	(512,804)
Cash and cash equivalents at 1 January		**661,415**	1,257,474
Effect of foreign exchange rates changes		**(2,276)**	42,485
Cash and cash equivalents at 30 June	11	**344,551**	787,155

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

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 six months ended 30 June 2016 and 2017 are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales of goods	**295,154**	205,168
Provision of services	**46,873**	22,837
Contract revenue	**300,235**	309,174
	642,262	537,179

(Expressed in RMB unless otherwise indicated)

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.

(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.

4 SEGMENT REPORTING (CONTINUED)

(a) Information about reportable segments (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below:

	STB		SBB		SEB		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue from external customers	**238,559**	185,226	**242,849**	246,898	**160,854**	105,055	**642,262**	537,179
Inter-segment revenue	**-**	–	**-**	–	**-**	–	**-**	–
Reportable segment revenue	**238,559**	185,226	**242,849**	246,898	**160,854**	105,055	**642,262**	537,179
Reportable segment profit	**62,130**	33,736	**11,111**	30,579	**58,353**	43,174	**131,594**	107,489
Interest income	**2,884**	1,520	**2,889**	5,589	**9,173**	3,968	**14,946**	11,077
Impairment losses	**(5,375)**	(3,209)	**(6,248)**	(4,820)	**(3,624)**	(1,821)	**(15,247)**	(9,850)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Profit		
Reportable segment profit	**131,594**	107,489
Depreciation and amortisation	**(48,196)**	(37,395)
Finance costs	**(5,074)**	(19,814)
Unallocated head office and corporate (expenses)/revenue	**(5,796)**	15,781
Consolidated profit before taxation	**72,528**	66,061

(c) Geographic information

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
(a)	**Finance costs**		
	Interest on loans and borrowings	**5,074**	19,814
(b)	**Other items**		
	Amortisation	**31,254**	21,839
	Depreciation	**16,942**	15,556
	Interest income	**(15,012)**	(11,077)

6 INCOME TAX

Income tax in the consolidated income statements represents:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current tax	**11,711**	3,547
Deferred tax	**(1,357)**	1,750
	10,354	5,297

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2016 and 2017. No provision for Singapore income tax was made because the Company sustained tax losses for the period.

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

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

The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2016 and 2017.

(iii) Tongfang Technovator Int. (Beijing) Co., Ltd. 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 Engineering Technology Co., Ltd. is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2019.

(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 2014, which was the first year of profit making, and 12.5% for the third to fifth years until December 2018.

7 EARNINGS PER SHARE

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

(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 RMB63,989,000 (six months ended 30 June 2016: RMB62,172,000) and the weighted average of 801,769,310 ordinary shares (2016: 796,878,782 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB63,989,000 (six months ended 30 June 2016: RMB62,172,000) and the weighted average number of ordinary shares of 804,085,714 (2016: 810,291,002 shares).

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired certain items of property, plant and equipment with costs of RMB21,561,000 (six months ended 30 June 2016: RMB872,000).

9 OTHER FINANCIAL ASSETS

As at 30 June 2017, other financial assets included long-term receivables of Karamay construction contract of RMB65,611,000 (31 December 2016: RMB65,611,000) with an investment return charged at 140% of the then prevailing lending interest rate in respect of loans for the same term as quoted by the People's Bank of China which is expected to be repaid by the end of 2018.

The remaining balance of other financial assets represents long-term trade receivables of certain construction contracts which are repayable by instalments over a 2 to 8 years period.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current	**856,422**	783,151
Less than 1 month past due	**10,601**	19,798
More than 1 month but less than 3 months past due	**9,504**	20,953
More than 3 month but less than 12 months past due	**120,114**	109,716
More than 12 months past due	**227,235**	172,621
Trade debtors, net of allowance for doubtful debts	**1,223,876**	1,106,239
Other receivables	**136,948**	130,509
Loans and receivables	**1,360,824**	1,236,748
Deposits and prepayments	**196,055**	108,669
	1,556,879	1,345,417

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Deposits with banks and other financial institutions	**4,397**	4,407
Cash at bank and in hand	**344,551**	661,415
Cash and cash equivalents in the statement of financial position	**348,948**	665,822
Restricted deposit	**(4,397)**	(4,407)
Cash and cash equivalents in the consolidated cash flow statements	**344,551**	661,415

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
By date of invoice:		
Within 3 months	**484,283**	741,993
More than 3 months but within 6 months	**39,923**	58,014
More than 6 months but within 12 months	**88,456**	78,648
More than 12 months	**226,849**	175,500
Trade creditors and bills payable	**839,511**	1,054,155
Other payables and accruals		
– amounts due to related parties	**39,385**	48,385
– amounts due to third parties	**60,932**	48,984
Financial liabilities measured at amortised cost	**939,828**	1,151,524
Receipts in advance	**151,917**	141,399
	1,091,745	1,292,923

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2017		At 31 December 2016	
	Number of shares	Amounts RMB'000	Number of shares	Amounts RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**801,652,189**	**1,254,909**	795,272,189	1,246,989
Share repurchased and cancelled (Note 13(d))	**(22,216,000)**	**(55,753)**	–	–
Shares issued upon exercise of share options (i)	**12,140,000**	**14,029**	6,380,000	7,920
At 30 June/31 December	**791,576,189**	**1,213,185**	801,652,189	1,254,909

(i) During the six-month period ended 30 June 2017, a total of 12,140,000 (2016: 6,380,000) shares were issued by the Company upon the exercise of shares options by certain grantees at a total consideration of HK$13,961,000 (RMB12,361,000 equivalent) (2016: HK$7,910,000, RMB6,792,000 equivalent) which was credited to share capital and HK$1,891,000 (RMB1,668,000 equivalent) (2016: HK$1,340,000, RMB1,128,000 equivalent) has been transferred from the share-based compensation reserve to the share capital.

(b) Other reserves

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

(c) Dividends

The Company has not declared interim dividend attributable to the six months ended 30 June 2017 and 2016.

During the six months ended 30 June 2016, a special dividend of RMB79,712,000 (RMB0.10 per share) attributable to the previous financial year was approved and paid.

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Treasury shares

	Number of shares	Amounts RMB'000
Treasury shares		
At 1 January 2017	234,000	581
Shares repurchased to be cancelled	25,882,000	64,014
Shares cancelled (Note 13(a))	(22,216,000)	(55,753)
At 30 June 2017	3,900,000	8,842

During the six-month period ended 30 June 2017, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of share repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
January 2017	100,000	2.90	2.88	2.89
March 2017	282,000	2.99	2.96	2.98
April 2017	5,094,000	2.99	2.93	2.96
May 2017	9,682,000	2.95	2.74	2.87
June 2017	10,724,000	2.85	2.50	2.67
	25,882,000			2.80

The total amount paid on the repurchased shares of HK$72,577,800 (approximately RMB64,014,000 equivalent) was paid wholly out of capital. 22,216,000 shares out of the total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by HK$63,193,000 (approximately RMB55,753,000 equivalent).

(Expressed in RMB unless otherwise indicated)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3 valuations: Fair value measured using significant unobservable inputs.

As at 31 December 2016, the financial instruments of the Group carried at fair value are trading securities, which fall into Level 1 of the fair value hierarchy described above. The Group disposed all the trading securities during the six months end 30 June 2017.

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities	5,896	5,896	–	–

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 30 June 2017.

15 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2017 not provided for in the financial statements were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	135,823	188,641

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

Name of parties

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

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

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

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

NUCTECH Co., Ltd.* (同方威視技術股份有限公司)

Tongfang Energy-saving Equipment Co., Ltd.* ("Tongfang Kawasaki") (同方節能裝備有限公司)**

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

** Tongfang Kawasaki changed its Chinese name in May 2017.

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.

(Expressed in RMB unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

Particulars of significant related party transactions during the six months ended 30 June 2016 and 2017 are as follows:

	2017 RMB'000	2016 RMB'000
Sales to THTF and its subsidiaries	**28,353**	24,204
Purchases from THTF and its subsidiaries	**9,944**	3,608
Payment for miscellaneous products and services from THTF and its subsidiaries	**5,547**	1,071
Interest expenses to THTF and Tongfang Artificial	**1,603**	15,369
Repayment of loans to Tongfang Artificial	**–**	100,000
Payments transferred by THTF to the Group	**369,720**	228,163
Payments transferred by the Group to THTF	**383,363**	258,127

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

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

The controlling shareholder of the Company, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in Note 16(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.