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TECHNOVATOR INTERNATIONAL LIMITED

科諾威德國際有限公司

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2012 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the “Board”) of Technovator International Limited (the “Company”) is pleased to announce the interim results and the unaudited consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011. These results have been reviewed by the Company’s audit committee, comprising solely the independent non-executive directors of the Company. The unaudited interim financial statements for the six months ended 30 June 2012 have been reviewed by the Company’s external auditor.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2012 – unaudited
(Expressed in United States dollars)

		Six months ended 30 June	
		2012	2011
	<i>Note</i>	'000	'000
Revenue	3, 4	49,289	40,062
Cost of sales		<u>(29,535)</u>	<u>(23,991)</u>
Gross profit		19,754	16,071
Other revenue		100	177
Other net gain/(loss)		61	(139)
Selling and distribution costs		(4,715)	(4,398)
Administrative and other operating expenses		(6,225)	(4,975)
Research and development expenses		<u>(1,465)</u>	<u>(1,346)</u>
Profit from operations		7,510	5,390
Finance costs	5(a)	<u>(231)</u>	<u>(381)</u>
Profit before taxation		7,279	5,009
Income tax	6	<u>(1,586)</u>	<u>(1,025)</u>
Profit for the period		<u>5,693</u>	<u>3,984</u>
Attributable to:			
Equity shareholders of the Company		4,785	3,632
Non-controlling interests		<u>908</u>	<u>352</u>
Profit for the period		<u>5,693</u>	<u>3,984</u>
Earnings per share	7		
Basic (US\$)		0.010	0.010
Diluted (US\$)		<u>0.010</u>	<u>0.010</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 – unaudited

(Expressed in United States dollars)

	Six months ended 30 June	
	2012 '000	2011 '000
Profit for the period	5,693	3,984
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(755)</u>	<u>2,039</u>
Total comprehensive income for the period	<u>4,938</u>	<u>6,023</u>
Attributable to:		
Equity shareholders of the Company	4,053	4,997
Non-controlling interests	<u>885</u>	<u>1,026</u>
Total comprehensive income for the period	<u>4,938</u>	<u>6,023</u>

CONSOLIDATED BALANCE SHEET

at 30 June 2012 – unaudited

(Expressed in United States dollars)

		At 30 June 2012 '000	At 31 December 2011 '000
Non-current assets			
Property, plant and equipment	8	4,596	3,431
Intangible assets		14,689	14,125
Goodwill		15,548	15,914
Deferred tax assets		304	287
		<u>35,137</u>	<u>33,757</u>
Current assets			
Inventories		13,731	14,807
Trade and other receivables	9	43,577	31,136
Gross amounts due from customers for contract work		254	508
Cash and cash equivalents	10	20,791	27,940
		<u>78,353</u>	<u>74,391</u>
Current liabilities			
Trade and other payables	11	26,182	26,562
Gross amounts due to customers for contract work		354	357
Loans and borrowings		5,956	3,591
Obligations under finance leases		30	60
Income tax payable		1,007	1,064
		<u>33,529</u>	<u>31,634</u>
Net current assets		<u>44,824</u>	<u>42,757</u>
Total assets less current liabilities		<u>79,961</u>	<u>76,514</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*at 30 June 2012 – unaudited**(Expressed in United States dollars)*

		At 30 June	At 31
		2012	December
	<i>Note</i>	'000	2011
			'000
Non-current liabilities			
Loans and borrowings		2,134	3,382
Obligations under finance leases		185	27
Deferred income		–	87
Deferred tax liabilities		1,931	2,290
		<u>4,250</u>	<u>5,786</u>
NET ASSETS		<u>75,711</u>	<u>70,728</u>
CAPITAL AND RESERVES			
Share capital	12	33,786	33,786
Reserves		<u>35,325</u>	<u>31,227</u>
Total equity attributable to equity shareholders of the Company		69,111	65,013
Non-controlling interests		<u>6,600</u>	<u>5,715</u>
TOTAL EQUITY		<u>75,711</u>	<u>70,728</u>

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars 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 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company’s registered office. The auditors expressed an unqualified opinion on those financial statements in their report dated 21 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets* is relevant to the Group’s financial statements.

Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments. This development has had no material impact on the contents of this interim financial report.

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

3 REVENUE

The principal activities of the Group are the manufacture and distribution of building automation and management products, construction of building automation system and provision of related design, consulting and after sales warranty services.

Revenue represents the sales value of goods sold to customers, income from provision of services and revenue from construction contracts. The amounts of each significant category of revenue recognised during for the six months ended 30 June 2011 and 2012 are as follows:

	Six months ended 30 June	
	2012 '000	2011 '000
Sales of goods	41,486	35,446
Provision of services	5,156	2,485
Contract revenue	2,647	2,131
	<hr/>	<hr/>
	49,289	40,062

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments. No operating segments have been aggregated to form the following reportable segments.

Building Automation Systems ("BAS") (PRC/North America/Europe/Other countries): This is a control and management system that provides intelligent control over various electrical systems in buildings, including air-conditioning, lighting, elevators, ventilation systems, water supply and discharge systems and power supply systems. The Group's BAS business is segregated further into four operating segments on a geographical basis. All four operating segments primarily derive their revenue from the sales of BAS products. The products are generally a combination of items sourced externally and manufactured in the Group's manufacturing facilities.

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

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

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

(a) **Information about reportable segments**

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2012 and 2011 is set out below:

	BAS - PRC		BAS - North America		BAS - Europe		BAS - Other countries		CSS - PRC		FAS - PRC		EMS - PRC		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Revenue from external customers	13,895	12,657	14,142	10,412	5,678	6,927	3,060	1,283	4,325	3,701	99	164	8,090	4,918	49,289	40,062
Inter-segment revenue	3,670	2,364	75	177	-	-	-	-	-	-	-	-	-	-	3,745	2,541
Reportable segment revenue	17,565	15,021	14,217	10,589	5,678	6,927	3,060	1,283	4,325	3,701	99	164	8,090	4,918	53,034	42,603
Reportable segment profit/(loss)	2,751	2,485	2,768	2,548	1,102	731	594	(378)	(36)	51	(212)	9	2,944	2,535	9,911	7,981

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

	Six months ended 30 June	
	2012	2011
	'000	'000
Revenue		
Reportable segment revenue	53,034	42,603
Elimination of inter-segment revenue	(3,745)	(2,541)
	<hr/>	<hr/>
Consolidated revenue	49,289	40,062
	<hr/>	<hr/>
Profit		
Reportable segment profit	9,911	7,981
Elimination of inter-segment profits	(64)	(284)
	<hr/>	<hr/>
Reportable segment profit derived from		
Group's external customers	9,847	7,697
Depreciation and amortisation	(1,890)	(1,812)
Finance costs	(231)	(381)
Unallocated head office and corporate expenses	(447)	(495)
	<hr/>	<hr/>
Consolidated profit before taxation	7,279	5,009
	<hr/>	<hr/>

(c) **Geographic information**

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

	Six months ended 30 June	
	2012	2011
	'000	'000
Revenue derived from:		
PRC	26,409	21,440
United States	11,972	8,922
France	3,198	4,244
Canada	2,170	1,490
Switzerland	937	935
The Netherlands	333	576
Other countries	4,270	2,455
	<hr/>	<hr/>
	49,289	40,062
	<hr/>	<hr/>

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2012 '000	2011 '000
Interest on loans and borrowings	229	369
Other financial costs	2	12
	<u>231</u>	<u>381</u>

(b) Other items

	Six months ended 30 June	
	2012 '000	2011 '000
Amortisation of intangible assets	1,449	1,468
Depreciation	441	344
Interest income	(22)	(54)
	<u>(22)</u>	<u>(54)</u>

6 INCOME TAX

Income tax in the consolidated income statements represents:

	Six months ended 30 June	
	2012 '000	2011 '000
Current tax	1,943	1,124
Deferred tax	(357)	(99)
	<u>1,586</u>	<u>1,025</u>

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2012 (six months ended 30 June 2011: 17%). No provision for Singapore income tax was made because the Company sustained tax losses for the period.
- (ii) Tongfang Technovator Int (Beijing) Co., Ltd. (同方泰德國際科技(北京)有限公司) (“Technovator Beijing”) and Tongfang Technovator Intelligence Technology (Shanghai) Co., Ltd. (同方泰德智能科技(上海)有限公司) (“Technovator Shanghai”) are subject to PRC corporate income tax. The PRC’s statutory income tax rate is 25%.

Distech Controls Inc. (“Distech Controls”) and e2 Solutions Inc. are subject to Canadian corporate income tax at 28.4% for the six months ended 30 June 2012 (six months ended 30 June 2011: 28.4%). Corporate income tax comprises of federal and provincial taxes which also apply to investment income earned by general corporations other than capital gains and dividends received from Canadian corporations. The rate that applies to capital gains is half of the Canadian corporate income tax rate.

Distech Europe is subject to the Netherlands corporate income tax at progressive rates ranging from 20% to 25.5% for the six months ended 30 June 2012 (six months ended 30 June 2011: progressive rates ranging from 20% to 25.5%), depending on the amount of taxable income.

Distech Controls LLC (“Distech U.S.”) is a single member limited liability company and was structured as a disregarded entity for United States Federal, state and local income tax purpose. Accordingly, no provision for United States corporate income tax was made for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil). Distech U.S. was incorporated in the United States on 17 February 2010.

- (iii) Distech Controls S.A.S. (formerly known as Société Comtec Technologies S.A.S.) (“Comtec”), Acelia S.A.S. (“Acelia”) and Distech France Holding S.A.S. (“Distech France”) are subject to French corporate income tax at rate of 33.33% for the six months ended 30 June 2012 (six months ended 30 June 2011: 33.33%). Distech France, Comtec and Acelia formed a tax-consolidated group under the French tax law effective from 1 January 2011, whereby the tax-consolidated group is taxed as a single entity headed by Distech France. Tax losses brought forward that were incurred before the formation can only be utilised by the individual entities that incurred the tax losses and cannot be utilised by the tax-consolidated group.
- (iv) Technovator Beijing was recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% during these years.
- (v) The Group is not subject to Hong Kong corporate income tax during the six months ended 30 June 2011 and 2012.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of US\$4,785,000 (six months ended 30 June 2011: US\$3,632,000) and the weighted average number of ordinary shares of 485,200,000 (six months ended 30 June 2011: 363,320,000, after adjusting the subdivision of shares in 2011) in issue during the 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 US\$4,785,000 (six months ended 30 June 2011: US\$3,632,000) and the weighted average number of ordinary shares of 499,430,596 (six months ended 30 June 2011: 376,811,310, after adjusting the subdivision of shares in 2011) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2012	2011
	Number of shares	Number of shares
Weighted average number of ordinary shares	485,200,000	363,200,000
Effect of deemed issue of ordinary shares under the Company’s option scheme for nil consideration	14,230,596	13,611,310
Weighted average number of ordinary shares (diluted)	<u>499,430,596</u>	<u>376,811,310</u>

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired certain items of property, plant and equipment with costs of US\$1,750,000 (six months ended 30 June 2011: US\$592,000).

9 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 balance sheet date:

	At 30 June 2012 '000	At 31 December 2011 '000
Current	25,196	17,838
Less than 1 month past due	4,456	4,758
1 to 6 months past due	9,073	2,431
6 months to 1 year past due	1,177	2,114
More than 1 year past due	1,097	980
	<hr/>	<hr/>
Trade debtors, net of allowance for doubtful debts	40,999	28,121
Other receivables	667	437
	<hr/>	<hr/>
Loans and receivables	41,666	28,558
Deposits and prepayments	1,911	2,578
	<hr/>	<hr/>
	43,577	31,136
	<hr/>	<hr/>

Trade debtors and bills receivable are due within 30–180 days from the date of billing.

10 CASH AND CASH EQUIVALENTS

	At 30 June 2012 '000	At 31 December 2011 '000
Deposit with banks and other financial institutions	62	62
Cash at bank and in hand	20,729	27,878
	<hr/>	<hr/>
Cash and cash equivalents	20,791	27,940
	<hr/>	<hr/>

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	At 30 June	At 31 December
	2012	2011
	'000	'000
Current	17,424	18,038
More than 3 months but within 6 months past due	438	228
More than 6 months but within 12 months past due	561	476
More than 12 months past due	1,189	1,173
	<hr/>	<hr/>
Trade creditors and bills payable	19,612	19,915
Other payables and accruals	5,715	5,881
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	25,327	25,796
Receipts in advance	823	734
Deferred income	32	32
	<hr/>	<hr/>
	26,182	26,562
	<hr/>	<hr/>

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

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Capital

There has been no exercise of stock option which impact share capital for the six months period ended 30 June 2012 (six months period ended 30 June 2011: Nil).

(b) Dividends

The Company has not declared any dividends for the six months period ended 30 June 2012 and 2011.

13 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this interim financial report, the Group entered into the following significant related party transactions during the period.

(a) Name and relationship with related parties

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

Name of party	Relationships
Tongfang Co., Ltd.* (同方股份有限公司)	Single largest shareholder with significant influence
Tsinghua Tongfang Artificial Environment Co., Ltd.* (同方人工環境有限公司)	Subsidiary of Tongfang Co., Ltd.
Liaoning Tongfang Security Technology Co., Ltd.* (遼寧同方安全技術有限公司)	Subsidiary of Tongfang Co., Ltd.
Tongfang Health and Technology (Beijing) Co., Ltd. * (同方健康科技(北京)有限公司)	Subsidiary of Tongfang Co., Ltd.

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

(b) Significant related party transactions

Particulars of significant related party transactions during the six months ended 30 June 2011 and 2012 are as follows:

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
Sales to Tongfang Co., Ltd.	9,113	4,420
Purchases from Tongfang Co., Ltd.	434	152
Purchases from Liaoning Tongfang Security Technology Co., Ltd.	52	224
Purchases from Tsinghua Tongfang Artificial Environment Co., Ltd.	35	–
Rental expenses paid to Tongfang Co., Ltd.	131	152
Machineries rental expenses paid to Tongfang Co., Ltd.	26	25

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

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

14 SUBSEQUENT EVENT

Subsequent to the balance sheet date, the board of directors (the “Board”) of the Company announces that on 23 July 2012 (the “Date of Grant”), the Company granted 48,500,000 share options (the “Share Options”) to subscribe for a total of 48,500,000 ordinary shares in the share capital of the Company (the “Shares”), subject to acceptance of the grantees (the “Grantees”), under the share option scheme adopted by the Company on 18 May 2012.

Among the 48,500,000 Share Options granted, 17,400,000 Share Options were granted to the directors (“Directors”) and chief executives of the Company, including Lu Zhicheng (Chairman and non-executive), Zhao Xiaobo (Chief executive officer and executive director), Seah Han Leong (Chief operating officer and executive director) and Leung Lok Wai (Chief financial officer). The granting of the Share Options to the above Directors and chief executives was approved by all the independent non-executive directors of the Company.

Each Share Option entitles the holder of the Share Option to subscribe for one Share upon exercise of such Share Option at an exercise price of HK\$1.15 per Share, which represents the closing price on the Date of Grant and the average closing price for the five business days immediately preceding the Date of Grant.

The Share 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The business environment during the six months ended 30 June 2012 (the “period”) was not easy due to certain adverse macro economic factors which impacted the global economy. During the period, the China’s economic growth momentum has gradually slowed down, the United States economic recovery has remained fragile and the European sovereign debt crisis has worsen. In spite of these adverse factors, Technovator International Limited (“Technovator” or the “Company”) still achieved stable growth during the period by strengthening sales and distribution network, intensifying marketing and business development efforts and continuing its brand enhancement initiatives. As a result, the revenue and net profit of the Company and its subsidiaries (the “Group”) attributable to equity shareholders increased by approximately 23.0% and 31.7% respectively for the six months ended 30 June 2012 compared with six months ended 30 June 2011.

On-going development of sales and distribution network has always been one of the key growth components for Technovator. During the period, we focused on strengthening the development and management of sales and distribution network for both the People’s Republic of China (the “PRC”) and overseas markets. With continuous investment with regards to marketing and business development, our competitiveness in these markets has strengthened among our peers.

Over the years, we have globalized our research and development capabilities and have collaborated with universities and research institutions so that our research and development team could closely monitor the development of the global technology trend. In conjunction with the continuous efforts in our brand establishment and promotion initiatives, we have enhanced our brand and product recognition which laid a solid foundation for long-term sustainable growth.

With our efforts above together with our effective tailor-made building energy management products and solutions services, we have gained trust from various municipal governments, sizable enterprises and maintained our close relationships with them as well as created more business opportunities and enlarged our customer base.

For the PRC market, the business environment is full of challenges and provides opportunities at the same time. In view of the slow down of its economic growth, the ongoing re-adjustment of its macro economy and the keen competition in its industries, the business environment is challenging. However, the building energy saving management is still a topic of interest as awareness of energy efficiency in the application of building energy saving solutions is increasing and the respective market in PRC is rapidly growing as a result of numerous governments’ energy policies and speedy urbanization of second and third tier cities. Nevertheless, we have proven that we are capable of grasping opportunities in this challenging market by investing in product and technology, tailoring our solutions and services to help customers to understand and take control of their energy usage and riding on our continuous efforts in sales and distribution channel expansion, research and development as well as brand recognition and promotion initiatives.

In our major overseas markets, namely the North American market and the European market, retrofitting old buildings is a key to have more efficient energy consumption in developed countries. We have demonstrated the importance of providing a high quality and responsive service for our customers, although customers' budgets are tighter, while at the same time operating as efficiently as possible. In addition, we have boarded and deepen the sales and distribution network in our overseas markets complementing the brand promotion there. As a result of our continuous sales and marketing efforts, recognition from more consumers has been received. The business in overseas markets performed well, despite the impact of the uncertain economic environment in these markets.

In building energy saving solutions business, including integrated building automation systems and energy management systems, we continued to provide high level of customer service and committed to remain competitive by controlling costs. During the period, we have prepared for a difficult period. We have proactively implemented our measures in sales and marketing to capture more business. The first emphasis was to further expand the PRC market and broaden our domestic customer base. In addition, we have dedicated to strengthen sales and marketing in the United States in order to focus more on larger-sized contracts, develop and commercialize our energy saving solutions for customers with multiple branches.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

Our total revenue increased by approximately US\$9.2 million from approximately US\$40.1 million for the six months ended 30 June 2011 to approximately US\$49.3 million for the six months ended 30 June 2012. The increase was mainly due to our continuous efforts in increasing our brand recognition, implementing intensive marketing and business development strategies, and developing strong and in-depth sales channel in our building energy saving solutions business (which includes two of our major product segments namely integrated building automation systems and energy management systems). In aggregate, revenue generated from our building energy saving solutions business increased by approximately US\$8.7 million from approximately US\$36.2 million for the six months ended 30 June 2011 to approximately US\$44.9 million for the six months ended 30 June 2012.

Revenue by business segments

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

	For the six months ended 30 June				2012 vs. 2011
	2011		2012		
	Revenue (US\$'000)	% of revenue	Revenue (US\$'000)	% of revenue	
<i>Building energy saving solution:</i>					
Integrated building automation systems	31,279	78.1%	36,775	74.6%	17.6%
Energy management systems	4,918	12.3%	8,090	16.4%	64.5%
<i>Others:</i>					
Control security systems	3,701	9.2%	4,325	8.8%	16.9%
Fire alarm systems	164	0.4%	99	0.2%	(39.6%)
Total	<u>40,062</u>	<u>100.0%</u>	<u>49,289</u>	<u>100.0%</u>	<u>23.0%</u>

Integrated building automation systems

Revenue from integrated building automation systems increased by approximately US\$5.5 million from approximately US\$31.3 million for the six months ended 30 June 2011 to US\$36.8 million for the six months ended 30 June 2012 which was contributed by both our PRC and overseas markets. For the PRC market, we recorded revenue from integrated building automation systems of approximately US\$13.9 million for the six months ended 30 June 2012, representing an increase of 9.4% over the same period in 2011. For the overseas markets, we recorded revenue from integrated building automation systems of approximately US\$22.9 million for the six months ended 30 June 2012, representing an increase of 23.1% over the same period in 2011.

The increase was primarily due to (i) the increasing global awareness of energy efficiency products for buildings, (ii) the increasing recognition of our brands and our product's quality, (iii) the continuing efforts in implementing marketing and business development strategies in China in order to gain a larger market share, and (iv) the strengthening our sales and marketing strategies in overseas markets in order to focus more on larger-sized contracts, developing and commercializing our energy-saving products and solutions for customers with multiple branches.

Energy management systems

Revenue from energy management systems increased by approximately US\$3.2 million from approximately US\$4.9 million for the six months ended 30 June 2011 to approximately US\$8.1 million for the six months ended 30 June 2012. The increase was primarily due to (i) the increasing awareness of building energy management solution, (ii) the increasing recognition of our brands and our product's quality, (iii) our continuing investment in research and development to enhance the competitiveness of our energy management system, and (iv) the increasing recognition of our products in terms of energy saving effectiveness.

Control security systems and fire alarm systems

Control security systems and fire alarm systems are two non-core old business segments which revenue in aggregate represented 9.0% of the Company's revenue and slightly increased approximately by US\$0.6 million for the six months ended 30 June 2012.

Revenue by Geographical Region

The table below sets out our revenue by geographical region for the periods indicated.

	For the six months ended 30 June				2012 vs. 2011
	2011	% of	2012	% of	
	Revenue	revenue	Revenue	revenue	
	(US\$'000)		(US\$'000)		
The PRC	21,440	53.5%	26,409	53.6%	23.2%
North America	10,412	26.0%	14,142	28.7%	35.8%
The rest of the world	8,210	20.5%	8,738	17.7%	6.4%
Total	<u>40,062</u>	<u>100.0%</u>	<u>49,289</u>	<u>100.0%</u>	<u>23.0%</u>

Revenue from the PRC market increased by approximately US\$5.0 million to approximately US\$26.4 million for the six months ended 30 June 2012 from approximately US\$21.4 million for the six months ended 30 June 2011. This increase was mainly attributable to the increasing awareness of building energy efficiency and the respective market in the PRC is rapidly growing as a result of numerous governments' policies and speedy urbanization of its second and third tier cities together with our strong and in-depth sales and distribution networks, intensive marketing and business development strategies and strong brand recognition among our peers.

Revenue from North American market (including Canada and United States) increased by approximately US\$3.7 million to approximately US\$14.1 million for the six months ended 30 June 2012 from approximately US\$10.4 million for the six months ended 30 June 2011. The increase was mainly attributable to our strengthening sales and distribution network in our overseas markets and our achievement in focusing on larger-sized contracts, develop and commercialize our energy saving products and solutions for customers with multiple branches.

Apart from the above major region, as a result of our continuous efforts in expanding the building energy saving business, revenue generated from the rest of the world had also slightly increased by approximately US\$0.5 million to approximately US\$8.7 million for the six months ended 30 June 2012 as compared with the same period in 2011.

Cost of sales

Cost of sales increased by approximately 22.9%, or approximately US\$5.5 million, from approximately US\$24.0 million for the six months ended 30 June 2011 to approximately US\$29.5 million for the six months ended 30 June 2012. The increase was primarily due to the increase in cost of raw materials from approximately US\$22.7 million for the six months ended 30 June 2011 to approximately US\$27.8 million for the six months ended 30 June 2012, mainly as a result of an overall increase in sales for the period. The remaining increase in cost of sales was primarily due to the increase in manufacturing staff cost.

Gross profit

As a result of the foregoing factors, gross profit increased by approximately US\$3.7 million from approximately US\$16.1 million for the six months ended 30 June 2011 to approximately US\$19.8 million for the six months ended 30 June 2012. Gross profit margin remained steady at about approximately 40.1% for the six months ended 30 June 2011 and the six months ended 30 June 2012.

Other revenue

Other revenue for the six months ended 30 June 2012 decreased by approximately US\$0.1 million from approximately US\$0.2 million for the six months ended 30 June 2011. The decrease was primarily due to the one-off government subsidy received in the six months ended 30 June 2011.

Other net (loss)/gain

Other net (loss)/gain increased by approximately US\$0.2 million from approximately US\$0.14 million loss for the six months ended 30 June 2011 to approximately US\$0.06 million in gains for the six months ended 30 June 2012. The increase was primarily due to an approximately US\$0.18 million increase in foreign exchange gain and an approximately US\$0.02 million decrease in net loss on disposal of fixed assets during the period.

Selling and distribution costs

Selling and distribution costs increased by approximately US\$0.3 million, from approximately US\$4.4 million for the six months ended 30 June 2011 to approximately US\$4.7 million for the six months ended 30 June 2012. The increase was primarily due to the increase of staff costs associated with the expansion of our sales and marketing sales force and the increase of business development expenses associated with additional advertising efforts and related exhibition and marketing costs, which was partially offset by our efforts on the improvement of cost efficiency among the sales and marketing forces.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately US\$1.2 million, from approximately US\$5.0 million for the six months ended 30 June 2011 to approximately US\$6.2 million for the six months ended 30 June 2012. The increase was primarily due to an increase of expenses incurred for professional bodies, senior management and directors, and administrative staffs for ongoing compliance related expenses after the shares of the Company have successfully listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in October 2011.

Research and development expenses

Research and development expenses increased from approximately US\$1.3 million for the six months ended 30 June 2011 to approximately US\$1.5 million for the six months ended 30 June 2012, mainly due to our continuous efforts in research and development activities.

Finance costs

Finance costs decreased by approximately 39.5%, from approximately US\$0.38 million for the six months ended 30 June 2011 to approximately US\$0.23 million for the six months ended 30 June 2012. The decrease was primarily due to the average loans and borrowings balance during the six months ended 30 June 2012 was lower than that during the same period in the previous year as a result of the Group gradually repayment of debts.

Income tax

Income tax increased from approximately US\$1.0 million for the six months ended 30 June 2011 to US\$1.6 million for the six months ended 30 June 2012. The increase was mainly due to an increase in the Group’s profit before taxation. The effective tax rate was slightly increased from 20.5% for the six months ended 30 June 2011 to 21.8% for the six months ended 30 June 2012.

Profit for the period

As a result of the foregoing factors, profit attributable to equity holders for the period increased by approximately 31.7% from approximately US\$3.6 million for the six months ended 30 June 2011 to approximately US\$4.8 million for the six months ended 30 June 2012. Net profit margin increased from approximately 10.0% for the six months ended 30 June 2011 to 11.6% for the six months ended 30 June 2012.

Working capital and financial resources

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

	As at	
	31 December 2011 (US\$'000)	30 June 2012 (US\$'000)
Inventories	14,807	13,731
Trade and bills receivables	26,243	32,819
Trade payables	18,968	19,285
Inventories turnover days	75	87
Trade and bills receivables turnover days	85	108
Trade payables turnover days	98	117

Inventories decreased from approximately US\$14.8 million as at 31 December 2011 to approximately US\$13.7 million as at 30 June 2012, which was primarily due to our proactive approach to maintain a low level of inventory.

Average inventory turnover days increased from approximately 75 days for the twelve months ended 31 December 2011 to 87 days for the six months ended 30 June 2012. The increase of inventory turnover days was due to a higher average inventory balance during the current six months period ended despite a lower ending inventory balance.

Trade and bills receivables amounted to approximately US\$26.2 million and approximately US\$32.8 million as at 31 December 2011 and 30 June 2012, respectively. Such increase in trade and bills receivables was mainly due to the increase in the revenue of the Group as a result of our global expansion.

Average trade receivable turnover days were approximately 85 days and 108 days for the year ended 31 December 2011 and six months ended 30 June 2012, respectively. The relatively higher trade receivable turnover days was primarily resulted from longer credit periods given to certain long-term customers in order to maintain close business relationships under the uncertain macro economic environment. Therefore, the average trade and other receivable turnover days were relatively higher as compared to the full year of 2011.

Trade payables slightly increased from approximately US\$19.0 million as at 31 December 2011 to approximately US\$19.3 million as at 30 June 2012 resulting primarily from our business growth.

The Group's average trade payable turnover days was approximately 98 days and 117 days for the year ended 31 December 2011 and six months ended 30 June 2012 respectively. The increase in trade payable turnover days was primarily attributable to a higher average accounts payable balance during the current six months period ended, and our capability to negotiate for longer credit periods, in particular, to cope with the longer credit periods provided to our customers and the increased volume of our business. Therefore, the average trade and other payable turnover days were relatively higher as compared to the full year of 2011.

Liquidity and financial resources

We maintained a healthy liquidity position during the first half of 2012. We have principally financed our operations by internal resources. As at 30 June 2012, we had approximately US\$20.8 million in cash and cash equivalents. Our 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 at 30 June 2012, our indebtedness consisted of short-term loans of approximately US\$6.0 million with an average annual interest rate of 5.4%, long-term loan of approximately US\$2.1 million with an average annual interest rate of 4.3% and obligations under finance lease of approximately US\$0.2 million. The short-term loans mainly represented an unsecured term loan of US\$1.2 million from Bank of China, an unsecured term loan of approximately US\$1.6 million from CMBC, a term loan of approximately US\$2.2 million and secured bank overdraft of approximately US\$1.0 million from banks overseas.

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

Gearing ratio as at 30 June 2012, defined as loans and borrowings divided by total assets, is 7.1% (as at 31 December 2011: 6.4%).

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions related. The currencies giving rise to this risk are primarily Euros, United States dollars and Hong Kong dollars. We had not used any financial instruments for hedging purposes during the period under review. Nevertheless, our management will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when conditions are so required.

Pledge of assets

As at 30 June 2012, certain of our interest-bearing bank borrowings were pledged by the Group's assets. The Group's pledged assets increased from approximately US\$9.2 million as at 31 December 2011 to approximately US\$12.3 million as at 30 June 2012 resulting primarily from the requirement of the bank.

Contractual obligation and capital commitments

The following table sets forth our non-cancellable operating lease commitments as at 31 December 2011 and 30 June 2012. Our operating lease commitments relate primarily to our leases of office spaces, workspaces and machineries.

	31 December 2011 (US\$'000)	30 June 2012 (US\$'000)
Within one year	965	992
After one year but within five years	1,714	1,428
Total	2,679	2,420

We had no capital commitments contracted for, and authorized but not contracted for, but not provided in the financial statements as at 30 June 2012.

Contingent liabilities

As at 30 June 2012, we did not have any material contingent liabilities.

Off-balance sheet arrangements

We do not have any special purpose entities that provide financing, liquidity, market risk or credit support to us or engage in leasing, hedging or research and development services with us. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholders' equity, or that are not reflected in our financial statements. Moreover, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that services as credit, liquidity or market risk support to such entity.

Employment, Training and Development

As at 30 June 2012, we had a total of 394 employees, an increase of 16.6% compared to 338 employees as at 30 June 2011. Total staff costs for the six months ended 30 June 2012 increased to approximately US\$8.3 million from approximately US\$6.6 million for the six months ended 30 June 2011, mainly due to employee and salary increments.

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

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

Use of proceeds from the global offering

The Company's shares were listed on the Main Board of the Stock Exchange on 27 October 2011 with a total of 122,000,000 offer shares. The net proceeds raised from the offering was approximately HK\$74.6million (equivalent to approximately US\$9.6 million) (the "Net Proceeds"). We intend to utilize the net proceeds from the offering in accordance with the proposed applications set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 7 October 2011. As at the date of this announcement, approximately US\$1.0 million has been used as general working capital. In addition, we are also gradually using approximately US\$2.0 million to further strengthen the research and development capabilities and sales and marketing forces. We have deposited the unused Net Proceeds with licensed banks in Hong Kong and Singapore, and are ready for use to pursue purchase opportunities, strategic alliances as well as mergers and acquisitions targets.

Merger and Acquisition

For the six months ended 30 June 2012, no acquisition or disposal of subsidiaries or associates was made by us.

Significant investment

For the six months ended 30 June 2012, we had no significant investment.

PROSPECTS

Buildings are becoming smarter and more environmental-friendly through the deployment of intelligent and energy efficient technologies that reduce energy consumption while making buildings easier and more cost efficient to manage and operate. Therefore, we believe the demand for building energy saving products and solutions are steadily growing as the value proposition for energy efficiency is proven again and again.

These trends are apparent worldwide. Spending on building energy saving products and solutions are steadily growing. According to a report prepared by Pike Research, the building energy management market will double over the next decade, therefore, the potential demand for building energy saving products and solutions deployments from these increases will create additional opportunities.

As one of the leading providers of building energy saving products and solutions in China with global footprint around the world, we plan to further capitalize on these strengths for future development by implementing the following business development strategies:

Strengthen and expand our global sales and distribution network

Our hard work and significant investments over the past few years have created a well-established market position. We will continue to invest resources in our sales and distribution network in order to strengthen our global reach.

Strong and in-depth distribution network is a key element of our growth. We will continue to maintain our sales and marketing team to be equipped with the requisite knowledge, expertise and experience in their sectors and market locations.

Pursue strategic acquisition and alliance opportunities

Currently and going forward, we are continuously and actively pursuing, evaluating and negotiating strategic acquisition and alliance opportunities. We plan to supplement our organic growth initiatives with strategic acquisitions and alliances of complementary product areas, sales and production capability as well as technological expertise.

We are pursuing strategic acquisition and alliance opportunities which would bring long-term value to the Group by, including but not limit to, expanding our product portfolio, strengthening our sales and distribution networks and expanding our geographic reach.

Continuous research and development to product and solutions portfolio

Currently, we have three research and development centers located in China, Canada and France. During the period, we have invested US\$2.4 million which represented 4.9% of its revenue in our research and development forces.

We will further enhance the cooperativeness among our three research and development centers in planning and implementing our short-term and long-term research and development pipelines so as to further strengthen our technical expertise and our product competitiveness in our global market.

We will continue to collaborate with universities and other research institutions to enhance and develop more product and technology.

Enhance its brand recognition and market position globally

We believe that brand recognition and reputation are instrumental to Technovator's success and growth and will continue to devote in brand building and marketing.

We will further enhance the recognition of our brands "Techcon" for the PRC market and "Distech Controls" for overseas markets by providing exceptional product quality and service reliability to our customers. Meanwhile, we will continue to focus on reinforcing and expanding our sales channels, and will enhance our market position by promoting our innovative, advanced and cost flexibility in building energy saving products and solutions.

Promote building energy saving concept

As one of the key players in the building energy management industry, we will continue to actively promote building energy saving concept, by participating industry academic forums, industry development committees and industry associations, so as to capitalize business opportunities and sustain business growth.

Throughout these activities, we will be able to keep abreast of market conditions and upcoming industry policies but also highlight the environmentally-friendly features and benefits of our building energy saving products and solutions.

Looking ahead, the global economy is still fragile with uncertainties in the United States and the European government debts situation remained unresolved. The Chinese Government continues to implement fiscal and monetary policies to slow down inflation as well as the economy growth momentum. However, as mentioned aforesaid, the building energy management is still a topic of interest as the awareness of building energy efficiency is increasing and the respective market is expected to be steadily growing in the future. We are confident in the outlook of the building energy management industry. Under these circumstances, we will continue to implement and enhance the above business strategies together with close monitoring cost control in order to migrate the challenges and capitalize the business opportunities. We are determined to create fruitful returns for shareholders and investors.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions contained in the code of corporate governance practice (“Old Corporate Governance Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) effective since its adoption by the Company from 8 September 2011 until 20 March 2012. The Company has complied with the code provisions contained in the Old Corporate Governance Code since 1 January 2012 until 20 March 2012.

For the purpose of complying with the new corporate governance code as set out in the Appendix 14 of the Listing Rules, which took effect from 1 April 2012, the Board has adopted a revised Old Corporate Governance Code (“New Corporate Governance Code”) on 21 March 2012. The Company has complied with the code provisions contained in the corporate governance code as set out in Appendix 14 to the Listing Rules since 21 March 2012 until 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has also adopted the Model Code as set out in Appendix 10 of the Listing Rules throughout the six months ended 30 June 2012 as its code of conduct regarding securities transactions by the directors of the Company (the “Directors”). Having made specific enquiry with all of the Directors, all of the 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 six months ended 30 June 2012.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2012.

DIVIDENDS

The board of Directors has not recommended the payment of any interim dividend for the six months ended 30 June 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.technovator.com.sg>). The interim report for the six months ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board of
Technovator International Limited
Lu Zhicheng
Chairman

Hong Kong, 28 August 2012

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