Technovator

TECHNOVATOR INTERNATIONAL LIMITED
同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2017 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board (the "**Board**") of directors ("**Directors**") of Technovator International Limited (the "**Company**" or "**Technovator**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016. These results have been reviewed by the Company's audit committee, which comprises three independent non-executive Directors.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017
(Expressed in Renminbi ("RMB"))

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*2, 3*	**1,979,970**	1,786,341
Cost of sales		**(1,485,861)**	(1,357,747)
Gross profit		**494,109**	428,594
Other revenue		**38,329**	40,162
Other net gain		**2,822**	27,999
Selling and distribution costs		**(81,949)**	(66,183)
Administrative and other operating expenses		**(133,432)**	(131,647)
Profit from operations		**319,879**	298,925
Finance costs	*4(a)*	**(13,500)**	(30,897)
Profit before taxation		**306,379**	268,028
Income tax	*5(a)*	**(43,488)**	(36,303)
Profit for the year		**262,891**	231,725
Profit attributable to:			
Equity shareholders of the Company		**259,358**	234,127
Non-controlling interests		**3,533**	(2,402)
Profit for the year		**262,891**	231,725
Earnings per share	*6*		
– Basic (RMB)		**0.3269**	0.2935
– Diluted (RMB)		**0.3269**	0.2870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017
(Expressed in Renminbi ("RMB"))

	Note	**31 December 2017** ***RMB'000***	31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**284,644**	232,556
Lease prepayment		**2,848**	2,958
Intangible assets		**271,957**	263,616
Other financial assets		**414,328**	320,307
Deferred tax assets		**17,604**	13,504
		991,381	832,941
Current assets			
Trading securities		**–**	5,896
Inventories		**375,525**	302,950
Trade and other receivables	7	**1,438,201**	1,345,417
Gross amounts due from customers for contract work		**899,324**	676,584
Cash and cash equivalents		**521,262**	665,822
		3,234,312	2,996,669
Current liabilities			
Trade and other payables	8	**1,512,632**	1,292,923
Gross amounts due to customers for contract work		**15,507**	6,138
Loans and borrowings		**242,306**	290,354
Obligations under finance leases		**169**	178
Income tax payable		**30,613**	18,293
		1,801,227	1,607,886
Net current assets		**1,433,085**	1,388,783
Total assets less current liabilities		**2,424,466**	2,221,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2017
(Expressed in Renminbi ("RMB"))

	Note	**31 December 2017** **RMB'000**	31 December 2016 RMB'000
Non-current liabilities			
Obligations under finance leases		**–**	180
Deferred tax liabilities		**22,863**	15,133
Deferred income		**11,339**	12,293
		34,202	27,606
NET ASSETS		**2,390,264**	2,194,118
CAPITAL AND RESERVES			
Share capital	*9*	**1,191,209**	1,254,909
Reserves		**1,180,931**	933,518
Total equity attributable to equity shareholders of the Company		**2,372,140**	2,188,427
Non-controlling interests		**18,124**	5,691
TOTAL EQUITY		**2,390,264**	2,194,118

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017
(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– Financial instruments classified as trading securities

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements.

(b) 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 have had a material effect on how the Group's results and financial position for the current or prior year have been prepared or presented.

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

2 REVENUE

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

Revenue represents the sales value of goods sold to customers, income from provision of services and revenue from construction contracts. The amounts of each significant category of revenue recognised during the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of goods	**377,202**	588,908
Provision of services	**92,933**	78,782
Contract revenue	**1,509,835**	1,118,651
	1,979,970	1,786,341

3 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, and certain allocated head office and corporate expenses/(gains). Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

	STB		**SBB**		**SEB**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**534,792**	677,632	**918,161**	633,308	**527,017**	475,401	**1,979,970**	1,786,341
Reportable segment profit	**131,166**	142,372	**117,744**	87,784	**180,036**	146,938	**428,946**	377,094
Interest income	**5,304**	4,438	**6,739**	11,411	**19,274**	8,219	**31,317**	24,068
Impairment losses	**7,873**	7,243	**11,057**	7,610	**6,956**	5,081	**25,886**	19,934

(b) Reconciliations of reportable segment profit or loss

	2017	2016
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**428,946**	377,094
Depreciation and amortisation	**(97,148)**	(79,582)
Finance costs	**(13,500)**	(30,897)
Unallocated head office and corporate (expenses)/gains	**(11,919)**	1,413
Consolidated profit before taxation	**306,379**	268,028

(c) Geographic information

For the year ended 31 December 2017, as the Group does not have material operations outside the PRC from continuing operations, no geographic segment information is presented.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest on loans and borrowings	**13,500**	30,897

(b) Staff costs

	2017	2016
	RMB'000	*RMB'000*
Salaries and other benefits	**116,045**	110,397
Contributions to defined contribution retirement schemes	**12,368**	11,478
Equity settled share-based payment expenses	**–**	3,363
	128,413	125,238

5 INCOME TAX

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

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**37,830**	31,859
Under provision in respect of prior years	**2,028**	28
	39,858	31,887
Deferred tax		
Origination of temporary differences	**3,630**	4,416
	43,488	36,303

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

		2017	2016
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**306,379**	268,028
Expected tax calculated at the respective tax rates	*(i)/(ii)*	**77,565**	66,894
Tax effect on non-deductible expenses		**554**	494
Effect of tax concession	*(iii)*	**(38,649)**	(32,394)
Tax effect of non-taxable income		**(974)**	(4,517)
Tax effect of unused tax losses not recognised		**3,082**	5,808
Tax effect of utilisation of tax losses not recognised in prior years		**(118)**	(10)
Under provision in prior years		**2,028**	28
Actual income tax expense		**43,488**	36,303

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2017 and 2016. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2016 and 2017.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the years ended 31 December 2016 and 2017.

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

The subsidiary of the Group established in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the years ended 31 December 2016 and 2017.

(iii) Technovator Beijing is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2020.

Tongfang Energy Saving is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2019.

6 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 RMB259,358,000 (2016: RMB234,127,000) and the weighted average number of ordinary shares of 793,409,427 (2016: 797,698,020) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2017	2016
	Number of shares	*Number of shares*
Issued ordinary shares at 1 January	**801,652,189**	795,272,189
Effect of purchase of own shares	**(19,416,307)**	(5,350)
Effect of exercise of share option schemes	**11,173,545**	2,431,181
Weighted average number of ordinary shares at 31 December	**793,409,427**	797,698,020

(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 RMB259,358,000 (2016: RMB234,127,000) and the weighted average number of ordinary shares of 793,409,427 (2016: 815,748,131) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (diluted):

	2017	2016
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 December	**793,409,427**	797,698,020
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	**–**	18,050,111
Weighted average number of ordinary shares (diluted) at 31 December	**793,409,427**	815,748,131

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for the year ended 31 December 2017.

7 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade debtors due from related parties	**46,327**	33,064
Other trade debtors and bills receivable	**1,175,476**	1,127,108
Less: Allowance for doubtful debts	**(78,860)**	(53,933)
	1,142,943	1,106,239
Other receivables		
– amounts due from related parties	**32,875**	21,473
– amounts due from third parties	**138,239**	111,658
Less: Allowance for doubtful debts	**(3,581)**	(2,622)
Loans and receivables	**1,310,476**	1,236,748
Deposits and prepayments	**127,725**	108,669
	1,438,201	1,345,417

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

(a) Ageing analysis

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

	2017	2016
	RMB'000	*RMB'000*
Current	**727,979**	783,151
Less than 1 month past due	**3,080**	19,798
More than 1 month but less than 3 months past due	**93,943**	20,953
More than 3 months but less than 12 months past due	**133,040**	109,716
More than 12 months past due	**184,901**	172,621
	414,964	323,088
	1,142,943	1,106,239

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

8 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables due to related parties	**114,939**	58,992
Other trade and bills payables	**1,167,200**	995,163
	1,282,139	1,054,155
Other payables and accruals		
– amounts due to related parties	**31,383**	48,385
– amounts due to third parties	**115,255**	48,984
Financial liabilities measured at amortised cost	**1,428,777**	1,151,524
Receipts in advance	**83,855**	141,399
	1,512,632	1,292,923

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

	2017	2016
	RMB'000	*RMB'000*
By date of invoice:		
Within 3 months	**906,842**	741,993
More than 3 months but within 6 months	**44,006**	58,014
More than 6 months but within 12 months	**109,479**	78,648
More than 12 months	**221,812**	175,500
	1,282,139	1,054,155

9 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during 2017 and 2016:

	2017	2016
	RMB'000	*RMB'000*
Special dividend in respect of the previous financial year, no dividend approved and paid during 2017 (2016: RMB0.10)	**–**	79,712

(b) Share capital

	2017		2016	
	Number of shares	***Amounts***	*Number of shares*	*Amounts*
		RMB'000		*RMB'000*
Ordinary shares issued and fully paid:				
At 1 January	**801,652,189**	**1,254,909**	795,272,189	1,246,989
Shares repurchased and cancelled	**(35,530,000)**	**(82,685)**	–	–
Shares issued upon exercise of share options	**16,720,000**	**18,985**	6,380,000	7,920
At 31 December	**782,842,189**	**1,191,209**	801,652,189	1,254,909

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

During 2017, a total of 16,720,000 (2016: 6,380,000) shares were issued by the Company upon the exercise of shares options by certain grantees pursuant to the share option schemes at a consideration of HK$19,228,000 (RMB16,727,000 equivalent)(2016: HK$7,910,000 (RMB6,792,000 equivalent)) which was credited to share capital and HK$2,592,150 (RMB2,258,000 equivalent) (2016: HK$1,340,000 (RMB1,128,000 equivalent)) has been transferred from the share based compensation reserve to the share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 2017, Technovator entered into a new era of transformation in various aspects. Driven by technological upgrades and business model innovation, and integration of big data applications and cloud platform services, Technovator is building an urban energy service system with a wider vision to meet the demands of a more diversified customer base and the needs of a higher level of intelligence control and energy management.

Positioning itself as a leading urban smart energy saving service provider in China, Technovator focuses on the large future market and proactively adjusts its development pace by listening to customers' feedbacks continuously. The performance for 2017 was stable and the overall transformation achieved remarkable results. For the year 2017, the Group recognised revenue of approximately RMB1,980 million, representing a year-on-year increase of 10.8%, evidencing that income structure has effectively improved. Net profit was approximately RMB263 million during the same period, representing a year-on-year increase of 13.5%. Had the effect of the one-off exchange gain in 2016 been excluded, the year-on-year net profit would have increased by 29.3%, and the net profit margin would have increased significantly by 2.0 percentage points to 13.3%. The sustainable development strategy has been steadily implemented.

BUSINESS REVIEW

Smart Transportation Business: Business Transformation and Upgrade; Being the Leading Player in the Industry

The development of the Group's rail transit operations continued to benefit from the rapid construction of urban rail transit systems in China. Meanwhile, as the Group is entering into the transformation transition period, shifting from automatization and informatization to smart business, the Group continued to be the leading player in the industry under this era of smart movement. Under the backdrop of the temporary contraction of the market size of the China's rail transit in 2016, the segment revenue showed a downward adjustment accordingly in 2017. However, with the significant increase of awarded tenders and contracted orders during the year, the Group remained optimistic of the development of this segment.

The segment's core technology was integrated and upgraded in all aspects during the year. The Group rolled out a host of M+ urban rail transit solutions at the beginning of the year, which used cloud computing and big data platform as its core, connecting the upper-level smart application and integrating a dozen types of system solutions, including Network Command Center (NCC), Integrated Supervision and Control System (ISCS), Building Automation System (BAS), and Platform Screen Door (PSD) System, so as to build up an integrated one-stop solution for customers, to facilitate the full implementation transforming from the traditional automatization and informatization to smart intelligent network urban rail transport. In the meantime, the Group successfully developed a cloud platform for the integrated monitoring and control of rail transit system by fully integrating the current internet, big data, and cloud computing technology, so as to build up a more smart and effective high-ended integrated monitoring and control system for subway routes. When the big data analysis platform of rail transit energy consumption steps into post-development stage, the application of such platform will entirely turn to a new page for the management and control of energy consumption of the municipal subway network. In addition, during the year, the Group fulfilled its social responsibilities and shared its knowledge by participating in the drafting of the national standard of "The Technical Code for Engineering of Integrated Supervision System of Urban Rail Transit" (《城市軌道交通綜合監控系統工程技術規範》), which enabled the Group to use its own technology and experience as example to contribute its wisdom for green cities.

Various undertakings under the smart transportation segment achieved significant progress during the year. The municipal rail transportation network command center, which acted as an indicative operation shifting from automatization and informatization towards intelligence and smart upgrade of the sector, achieved another material progress during the year. The Group has successfully won bids for projects in Xi'an and Qingdao after those at Beijing, Guangzhou and Shenzhen, expanding the Group's advantages in those fields from first-tier cities to second-tier cities. With its proprietary software products, the Group anchored its leading position in the urban traffic control center market in China, which helped the increase of profit margin of the segment. The traditional and outstanding subway integrated supervision and control business has been developing smoothly. During the year, the Group continued to implement projects such as in Pakistan, and in Qingdao, Xi'an and Shenzhen in China, while successfully contracted for various subway lines such as in Wuhan, Harbin, Shenyang and Jinan in China. Meanwhile, as the highlight of the segment, subway station energy saving transformation business has made another breakthrough. The energy saving business in the trial city, Beijing, continued to achieve significant progress. We also successfully tapped into Ningbo market, establishing a typical energy-saving application project of subway in the southern region with extreme hot and wet weather. Through the strategy of connecting lines and networks, the Group has become the leader in China's rail transit energy-saving market and injected great momentum to the segment's sustainable development.

Smart Building and Complex Business: Targeting at High-End Projects and Expanding Business Areas and Models

The transformation of smart building and complex segment in 2017 achieved remarkable results. The segment has focused on solutions integration and proprietary products upgrades and application as its core driving force. By targeting at high-end projects, expanding its business areas and developing various new business models, the structure of business segments has shown substantial improvement whereas the revenue and profit of the segment has soared during the year.

Relying on the Group's entirely proprietary E-series energy-saving products, using the Internet to integrate the traditional energy-saving equipment, system and service, "E+ energy-saving building" solution system was launched during the year, providing customers with green building solutions throughout the full life cycles of energy management solutions, while allowing the city administrators to effectively control building energy consumption and operations. The launch of the system was not only the promotion of technical concepts, but also a symbol of the Group's brand new interpretation and innovation ideas in respect of the energy-saving building business. In addition, during the year, the Group comprehensively upgraded the IBS 4.0 smart information integration system. As a result, the subsystem integration was more comprehensive, and the data processing and updating speed has greatly enhanced. The upgraded system has been successfully applied to various Huiyun System Construction Projects for Wanda Plazas. With solid technical foundation and continuous research and development innovation, the Group continued to hold the "Top Ten Building Automation Control Brands" in 2017 in China and won several honors such as "Top Ten Brands in China's Energy-Saving and Power-Saving Industry".

During the year, with technological innovation as a driving force, intelligent building and building complex business made a great breakthrough in terms of the scale of individual projects, service area and business model. The urban intelligent building project contracted for a Northern China first-tier city during the year has become the single largest project undertaken by the Group to date, and such project attaches great significance. The Group continued to focus on high-end area such as high-end office buildings, data centers and chained commercial real estate with the goal of enhancing profit margin of the segment. Also, during the year, the Group expanded its business to major transport hubs such as airports and railway stations, as well as emerging sectors including urban green utility tunnels, successfully contracted several energy-saving projects such as Beijing China Central Place and Hefei Xinqiao Airport, and continued to cooperate with Wanda, Jinmao and Evergrande groups to assist in the technological transformation among the high-end commercial real estate in China by starting from energy monitoring and management. Meanwhile, the successful signing of entrusted energy operation project of Zhichun Plaza in Beijing, the smooth progress of Hengqin Integrated Smart Energy Station and the winning of bids for the Chongqing Xiantao Data Valley Regional Energy Station project have symbolized the successful innovative transformation strategy of the segment's business model and become a strong guarantee for the Group's sustainable operation strategy.

Smart Energy Business: Seizing the Energy Saving Opportunity and Arranging the Layout of Application at Municipal Level

Enhancing urban heating quality, reducing energy consumption, reducing carbon emission and achieving heating intelligence and cleaning heating were the core targets of the Group in smart energy segment technology development and business expansion. During the year, various breakthroughs in technological research and development has been used in the industry, promoting the project applications of smart energy business at municipal level. During the year, the revenue and profit of the segment have enjoyed continuous and steady growth.

In respect of technology research and development, during the year, the Group has successfully developed the smart heating information service platform, which integrated avant-garde technology from various academics in different fields. With the advanced geographic information system as a fundamental framework structure, coupled with the IoT, the internet and big data technology, it was the first time to achieve an unified display, a centralized management, cross-analysis and integrated application for various types of data of heating source, heating network and users. The "One City, One Map" has effectively enhanced the management level, energy efficiency and economic benefits in respect of heating supply of a city, and has formed the foundation for big data analysis in respect of urban heating supply. At the same time, the Group actively responded to the national policy of "utilization of waste heat for people" (餘熱暖民) by cooperating with Tsinghua University in the research and development of heating exchange units through huge temperature difference absorption (吸收式大溫差換熱機組) and put into operation. By enlarging the temperature difference between supply and return of water via network, the units enhanced the transportation and distribution capability of urban heating network, achieved high utilization of clean residual heat across the city to reduce the consumption of heat supply from traditional energy sources and helped achieve China's heat supply revolution.

The smart energy segment business has fully benefited from the development of China's urbanization, the "Separation and transfer of water, power and gas supply and property management business" reform policy of state-owned enterprises and the technological revolution of the segment. During the year, we also entered into agreements with Karamay, Xinjiang and with Anshan, Liaoning to develop the regional cooperation. At the same time, the smart heating information service platform has successfully been launched in Taiyuan, Shanxi and Shihezi, Xinjiang, turning a new page for municipal level application of the Group's renovation in energy-saving of centralized heating supply. EMC model continued to be the key contract mode of energy-saving reform for the segment during the year. With various new EMC projects signed in Fushun, Liaoning, Shihezi, Xinjiang, Heze and Linyi, Shandong, such model has become the core driver for smart energy segment to enhance profit margin and achieve sustainable development. Moreover, the Group continued to actively explore the business model of heating supply entrusted operation, using Youyi Heating Company (友誼熱力公司) in Heilongjiang as its role model, to promote and replicate such business model to facilitate the sustainability of this segment.

OUTLOOK

Currently, urban construction in China has entered a "smart" era. The urban energy-saving industry is also developing fast towards technology, smart and ecology. Adhering to the principle of "technology as core", Technovator, leveraging on its solid experience accumulated for over 20 years, has worked closely with university research institutes. Along with the new and advanced technology methods, such as the Internet, big data, cloud computing, artificial intelligence, and interdisciplinary applications, the Group continue to realize leap-forward upgrade on core technologies in various fields and elevate the industrial application, providing a high-end "Smart + Energy Saving" integrated solutions for areas such as urban buildings, rail transit and energy, and continue to lead the industry in this digital age.

Looking ahead, the Group will continue to stick to its strategic transformation. Internally, it will streamline the structure and enhance efficiency. Externally, it will innovate the models and integrate the industrial chain. It will timely seize the urban energy-saving opportunities in China and its favorable policies, continue to explore new potential customers and partners with high quality, strategically promote the existing market for energy-saving in all areas, and proactively seek for a more stable and efficient financial support system and service. While adjusting our income structure and increasing our profit margins, the Group will build a more comprehensive commercial system and step into the track of sound development for long-term sustainable operation as soon as practicable, so as to create higher value for Shareholders and make greater contributions to the green urban construction.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately RMB1,980.0 million for 2017, representing a year-on-year increase of 10.8%. During the year, the Company fully entered into a new era of transformation with outstanding results. Smart building and complex business effectively improved the revenue structure, and together with the successful signing of high-end projects, it has driven the revenue growth of the segment significantly. Meanwhile, benefitted from China's intensive development of energy-saving industry and with its stronger comprehensive strength, the Company undertook certain smart energy EMC projects, providing continuous and steady growth of the smart energy business. Under the influence of the temporary contraction of the industry's market scale in 2016, the revenue of the smart transportation business has experienced a downward adjustment in 2017.

Revenue by business segment

The table below sets out the breakdown of the Group's revenue by business segments for the year indicated:

	2017		2016		
	Revenue ***(RMB'000)***	**% of revenue**	Revenue *(RMB'000)*	% of revenue	Comparison
Smart transportation	**534,792**	**27%**	677,632	38%	–21.1%
Smart building and complex	**918,161**	**46%**	633,308	35%	45.0%
Smart energy	**527,017**	**27%**	475,401	27%	10.9%
Total	**1,979,970**	**100%**	1,786,341	100%	10.8%

Smart transportation

Revenue from the smart transportation business segment decreased by 21.1%, from approximately RMB677.6 million for 2016 to approximately RMB534.8 million for 2017. During the year, the Group promoted the implementation of various subway intelligent projects including Pakistan Orange Line, Qingdao Subway Line No. 2, Xi'an Subway Line No. 4 as well as Shenzhen rail NOCC Project, and successfully signed the contracts and smoothly implemented the construction of Wuhan Subway Line No. 11. However, the new rail transit projects awarded and contracted this year, such as in Harbin and Shenyang, were still in the preparation stage, with no settlement taking place. This, together with the influence of a temporary contraction of the industry's market scale in 2016, has resulted in a year-on-year revenue decline of the smart transportation segment for the year. However, the technological innovation and upgrade of rail transit business, the successful development of the strategy of connecting lines and networks for subway energy saving business by the Company for the year, as well as the success in bidding the projects including Xi'an and Qingdao network command center, have provided a more solid base for future development of the smart transportation business of the Company during the year.

Smart building and complex

During the year, revenue from the smart building and complex segment significantly increased by 45.0% from approximately RMB633.3 million for 2016 to approximately RMB918.2 million for 2017. During the year, the Group successfully signed and implemented certain intelligent building project for a first-tier city in the North China, and projects such as Museum of Kaifeng and Yujiapu Financial District of Tianjin, while continuing to deepen cooperation with large-scale business groups which included installing the "Huiyun" system for Wanda Plazas, as well as installing the asset and energy management platform for the Jinmao Group. At the same time, 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 and focused on exploring new business growth points such as regional power stations.

Smart energy

Revenue from smart energy business segment recorded an increase of 10.9%, from approximately RMB475.4 million for 2016 to approximately RMB527.0 million for 2017. Benefitted from the continuous increase in urban energy-saving demands and supported by China's favorable policies on energy-saving, the smart energy segment business continued to show a steady and rapid growth. During the year, the Group signed and successfully promoted the EMC energy transformation projects for Xingjiang Tianfu Energy and Linyi City Hengyuan Thermal and drove the revenue growth of the energy business. Three heating supply projects signed in succession by the Company and Taiyuan City Thermal Company have successfully commenced in the year, generating income while enabling the Company to strengthen its brand awareness in the energy business in Shanxi market. In addition, the Group signed heating supply improvement projects of Karamay Thermal Company and successfully opened up another market in Xinjiang.

Cost of sales

Cost of sales increased by approximately 9.4%, from approximately RMB1,357.7 million for 2016 to approximately RMB1,485.9 million for 2017. The increase was driven by the increase in revenue. Meanwhile, thanks to further improvement in gross profit margin of the projects (as further discussed in the section headed "Gross profit" below), the increase in cost of sales was lower than the increase in revenue.

Gross profit

Gross profit increased by 15.3%, from approximately RMB428.6 million for 2016 to approximately RMB494.1 million for 2017. Gross profit margin increased by 1.0 percentage point, from approximately 24.0% for 2016 to approximately 25.0% for 2017. The increase in overall gross profit margin was mainly driven by higher gross profit margins in the business segments of smart energy.

Other revenue

Other revenue decreased by approximately RMB1.9 million, from approximately RMB40.2 million for 2016 to approximately RMB38.3 million for 2017.

Other net gain

Other net gain decreased substantially by RMB25.2 million, from approximately RMB28.0 million for 2016 to approximately RMB2.8 million for 2017. As the foreign cash exchange in 2016, which brought a one-off foreign exchange gain of approximately RMB28.4 million for the Group, was not subsisted in 2017, other net gains has seen a significant decrease during the year.

Selling and distribution costs

Selling and distribution costs for 2017 were approximately RMB81.9 million, representing an increase of 23.8% as compared to that for 2016. Selling and distribution costs as a percentage of revenue was 4.1%, representing an increase of approximately 0.4 percentage point as compared to 3.7% in 2016, the increase was mainly attributable to the increase of staff costs and travel expenses as the Group's businesses developed.

Administrative and other operating expenses

Administrative and other operating expenses increased by 1.4%, from approximately RMB131.6 million for 2016 to approximately RMB133.4 million for 2017. Administrative and other operating expenses as a percentage of revenue was 6.7% for the year, representing a decrease of approximately 0.7 percentage point as compared to that in 2016.

Finance costs

Finance costs decreased by 56.3% to approximately RMB13.5 million for 2017 from approximately RMB30.9 million for 2016, which was mainly due to the corresponding increase in finance costs of approximately RMB12.3 million for 2016 as the consideration payable increased due to the acquisition of the Intelligent Rail Transit Business, the Intelligent Building Business and Intelligent Urban Heating Network Business from Tsinghua Tongfang Co, Ltd., a controlling shareholder of the Company during the second half of 2015, and such consideration payable was fully settled in the second half of 2016. Since such finance expenses did not recur in 2017, finance costs for the year declined significantly.

Income tax

Income tax increased by 19.8%, from approximately RMB36.3 million for 2016 to approximately RMB43.5 million for 2017. The effective tax rate increased from 13.5% for last year to 14.2% for the current year.

Profit for the Year

During the year, profit for the year increased by approximately 13.5%, from approximately RMB231.7 million for 2016 to approximately RMB262.9 million for 2017. Net profit margin increased by approximately 0.3 percentage point, from 13.0% for 2016 to approximately 13.3% for 2017. Had the effect of such one-off exchange gain in 2016 been excluded, the profit for the year would have increased year-on-year by 29.3% or approximately RMB59.6 million for the year. The net profit margin increased year-on-year by approximately 2.0 percentage points (the net profit margin after excluding the effect of such one-off exchange gain for 2016 was 11.3%).

The basic earnings per share of the Group increased by 11.6% year-on-year to RMB0.3276 (2016: RMB0.2935), while diluted earnings per share increased by 14.1% year-on-year to RMB0.3276 (2016: RMB0.2870).

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

	As at 31 December 2017 *(RMB'000)*	As at 31 December 2016 *(RMB'000)*
Inventories	**375,525**	302,950
Trade and other receivables	**1,438,201**	1,345,417
Trade and other payables	**1,512,632**	1,292,923
Average inventories turnover days	**62**	59
Average trade receivables turnover days	**212**	208
Average trade payables turnover days	**266**	226

* 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 RMB375.5 million as at 31 December 2017, mainly due to the Group's business expansion which increased the corresponding inventories. The inventory turnover days increased from approximately 59 days for 2016 to approximately 62 days for 2017.

The Group's trade and other receivables increased from approximately RMB1,345.4 million as at 31 December 2016 to approximately RMB1,438.2 million as at 31 December 2017. The average trade receivables turnover days increased from approximately 208 days for 2016 to 212 days for 2017. The increase in trade receivables was driven by the Group's continuous business expansion.

The Group's trade and other payables increased by approximately RMB219.7 million from approximately RMB1,292.9 million as at 31 December 2016 to approximately RMB1,512.6 million as at 31 December 2017. The Group's average trade payables turnover days increased from approximately 226 days for 2016 to approximately 266 days for 2017, mainly attributable to the increase in the Group's purchase of goods and the negotiation with suppliers for favorable payment terms, thus the payment process was slowed down which resulted in an increase of trade payables.

Liquidity and financial resources

In 2017, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2017, the Group had approximately RMB521.3 million in cash and cash equivalents, which accounted for 21.8% of the Group's net assets (31 December 2016: cash of approximately RMB665.8 million). Depending on the financial costs in the market and the requirements of the Group, the Group will reasonably allocate the funds to the normal working capital purposes, and/or for future acquisitions and/or repayment of loans, so as to maximize the utilization and efficiency of financial resources to facilitate the business development and to achieve the transformation of the Group. 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 31 December 2017, the Group's indebtedness consisted of short-term bank loans of approximately RMB175.7 million with an average annual interest rate of 4.7%, and a borrowing of approximately RMB66.6 million. The Group's indebtedness decreased as at 31 December 2017 as compared to the indebtedness as at 31 December 2016, mainly because the Group repaid part of its bank loans and borrowings during the year 2017.

As at 31 December 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, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 31 December 2017, the net cash of the Group was approximately RMB279.0 million. Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 5.7% (2016: approximately 7.6%).

Pledge of assets

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

	As at 31 December 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Within 1 year	**15,758**	11,883
After 1 year but within 5 years	**8,327**	5,730
	24,085	**17,613**

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

	As at 31 December 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Contracted for	**131,121**	188,641

Contingent liabilities

As at 31 December 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.

Employment, training and development

As at 31 December 2017, the Group had a total of 779 employees compared to the 735 employees as at 31 December 2016. Total staff costs for 2017 slightly increase from approximately RMB125.2 million for the year ended 2016 to approximately RMB128.4 million.

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

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

Material acquisitions and disposals

For the year ended 31 December 2017, the Group did not make any material acquisition or disposal of subsidiaries or associates.

Significant investment

For the year ended 31 December 2017, the Group had no significant investment.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 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 ("**Listing Rules**").

Between 7 February 2018 and 15 March 2018, due to Mr. Seah Han Leong's resignation as an executive director and a member of the remuneration committee of the Company (the "**Remuneration Committee**"), the number of members of the Remuneration Committee fell below the minimum number prescribed under the Terms of Reference of the Remuneration Committee adopted by the Board on 21 March 2012 (the "**Terms of Reference**"). With the appointment of Mr. Huang Yu as member of the Remuneration Committee by the Board on 16 March 2018, the number of members of the Remuneration Committee was restored to three in compliance with the Terms of Reference. Hence, the Company has complied with Rule 3.27 of the Listing Rules by meeting the requirements under the Terms of Reference within three months after falling below the minimum number of members prescribed under the Terms of Reference.

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

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2017 as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the year ended 31 December 2017.

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

During the year ended 31 December 2017, the Company repurchased its own 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$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *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
July 2017	5,914,000	2.56	2.34	14,392,460
August 2017	Nil	N/A	N/A	N/A
September 2017	1,800,000	2.41	2.34	4,288,640
October 2017	Nil	N/A	N/A	N/A
November 2017	Nil	N/A	N/A	N/A
December 2017	1,950,000	2.37	1.91	4,129,500
	35,546,000			95,388,400

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

For the year ended 31 December 2017, the Company has cancelled 35,530,000 shares of the Company (the "**Shares**"), being shares repurchased during the year. As at 31 December 2017, a total of 16,000 Shares repurchased during FY2017 were not yet cancelled.

Except as disclosed in the above paragraph, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

DIVIDENDS

During 2017, the Company has not declared any dividend in respect of the financial year ended 31 December 2016. The Board does not recommend any final dividend for the year ended 31 December 2017.

BOOK CLOSURE

In order to determine the entitlement to attend and vote at the annual general meeting ("**AGM**"), the transfer books and register of members of the Company will be closed from Thursday, 10 May 2018 to Tuesday, 15 May 2018, both days inclusive, during which period no transfer of Shares in the Company will be effected. The record date for entitlement to attend and vote at the AGM is Thursday, 10 May 2018. In order to be eligible to attend and vote at the forthcoming AGM of the Company to be held on Tuesday, 15 May 2018, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 9 May 2018.

AGM

The AGM of the Company will be held in Hong Kong on Tuesday, 15 May 2018. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") (www.hkexnews.hk) and the Company (www.technovator.com.sg). The annual report for the year ended 31 December 2017 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.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company, who are of the opinion that the annual results comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

By Order of the Board of
Technovator International Limited
Huang Yu
Chairman

Hong Kong, 16 March 2018

As at the date of this announcement, the executive Directors are Mr. Zhao Xiaobo and Mr. Qin Xuzhong; the non-executive Directors are Mr. Huang Yu, Mr. Liu Tianmin and Mr. Wang Yinghu; and the independent non-executive Directors are Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua.