Technovator

Technovator International Limited
同方泰德国际科技有限公司

A Leading Provider of
Building Energy Saving Management Solutions & Services

2013 Interim Results

Aug 2013

(HKSE stock code: 1206)

1 **Business Overview of 1H2013**

2 Financial Highlights

3 Outlook

Business Overview of 1H2013

Opportunities:

- Continued rising global energy costs, depletion of energy reserves and climate change
- Related governments policies, laws and regulations of “energy saving & environmental protection” have been introduced worldwide
- A steady growth of demand for green building and building energy saving management in Southeast Asia Region
- With focus on energy-saving and emissions reduction under the “12th Five-Year Plan” of Chinese government. Many local governments have released a number of energy policies, including tax rebates and other financial incentives
- Statistics from “2013 Symposium of the Development of the Intelligent Building Industry” showed that the current market size of intelligent building industry in China is worth over RMB400 billion, and of which, the total investment on public construction and commercial properties amounted to RMB320 billion
- National Development & Reform Commission expected that new green buildings occupying 1billion sq.m will be constructed during the period of “12th Five-Year Plan” and the existing buildings of 570million sq.m will undergo energy saving retrofit. 20% of the new buildings in urban area will meet the standard requirement of green buildings
- The State Council targeted the annual growth of building energy saving industry will be more than 15% under “12th Five-Year Plan”. Total production value for China’s energy saving and environment protection industry is forecasted to be around RMB4,500billion by 2015
- The State Council introduced a contract-based energy management system: By 2015, to establish around 20 professional contract-based energy management companies and 50 green service companies with total production value of RMB1 billion a year. Sales of energy saving services under contract-based energy management system segment to annually increase by 30%

Business Overview of 1H2013

Business development:

Continuous growth in PRC market

- Participated in the Karamay Project and was responsible for financing & supplying intelligence energy saving products and equipment. It will bring more business opportunities for the Group in the region and further expand the market share in PRC
- Energy-saving reform of central heating engineering in Taiyuan was launched for operation, helping property owners save over RMB8 million in the first heat supplying season during the period
- Energy Management Contract (EMC) business model implemented smoothly with good recognition in Chongqing's project and many other cities planned to launch their own energy saving projects with Technovator

Expanded overseas markets

- Devoted to enhance and expand global sales & distribution network, enhance brand recognition and international market position in order to win mega-size contracts
- Developed and commercialized our energy saving products and solutions for customers with a number of branches
- Expanded its business in the Southeast Asia market and enlarged distribution network

R&D breakthrough

- R&D centres in Beijing, Canada & France, supplementing each others, increases the likeilhood to cooperate with well-known international organisations & R&D institutions so as to improve the R&D capabilities and product development methodology
- Beijing Building Energy Saving Research Institute, focusing on the research of core theories and calculation on building energy saving, as well as the development and upgrade of the Energy Managing System software, possesses few patents including the patent of Techcon-EMS, Energy Management System
- Developed E-Cloud, the cloud-based service system, which combined the usage of internet and data integration. The system is the first-ever in the PRC and is operational

Introduction of strategic shareholders & improved shareholding structure

- Technovator's subsidary, Distect Controls, introduced strategic investment partners, including Fonds, CDPQ, Samsung Group and EnterTech, etc
- Expanded the shareholding structure, benefiting the long-term development

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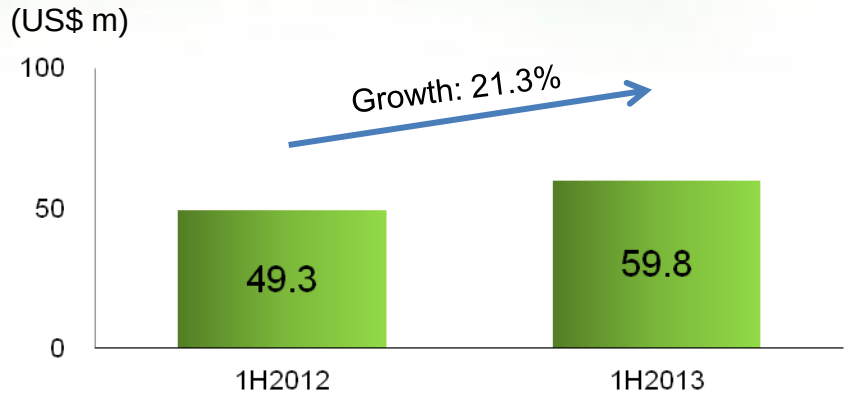
Financial Highlights

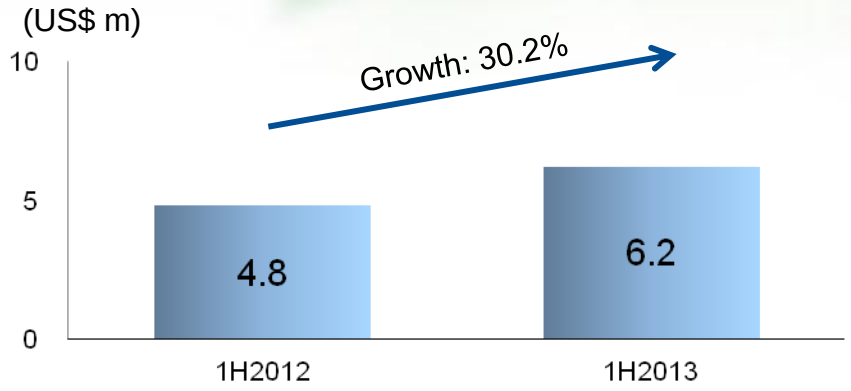
For the six months ended 30 June (unaudited)	1H2012 *(US$ m)*	**1H2013** *(US$ m)*	**Change**
Revenue	49.3	**59.8**	↑ 21.3%
Gross Profit	19.8	**24.2**	↑ 22.6%
Net Profit	5.7	**7.3**	↑ 27.5%
Profit Attributable to Equity Shareholders of the Company	4.8	**6.2**	↑ 30.2%
Gross Profit Margin (%)	40.1	**40.5**	↑ 0.4ppt
Net Profit Margin (%)	11.6	**12.1**	↑ 0.5ppt
Basic Earnings per Share (US$)	0.010	**0.012**	↑ 0.002

Strong Profitability

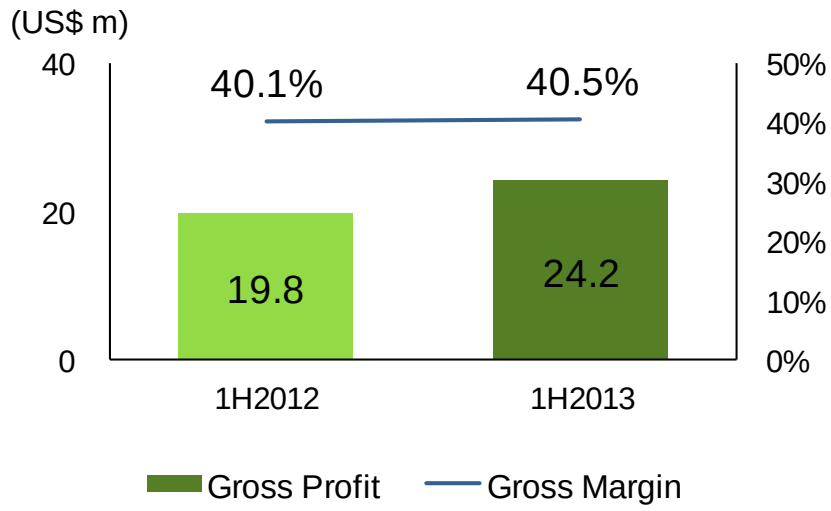
Revenue



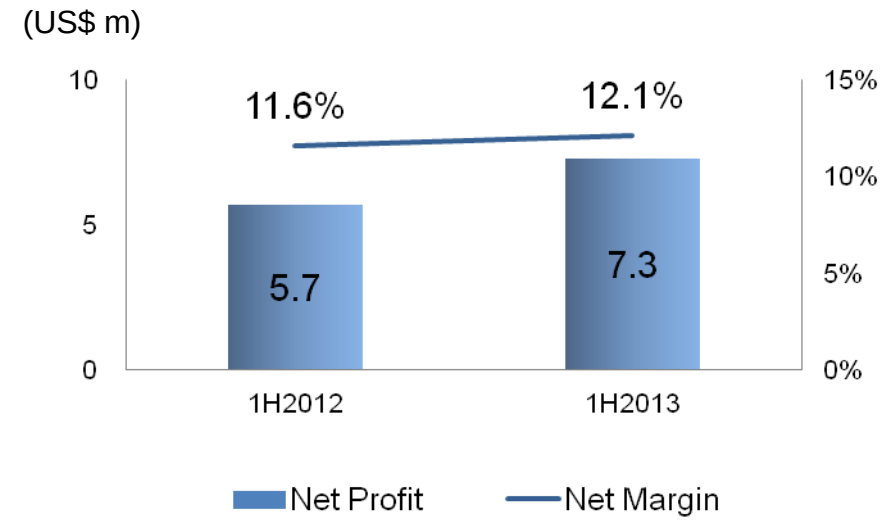
Profit Attributable to Equity Holders of the Company



Gross Profit & Margin

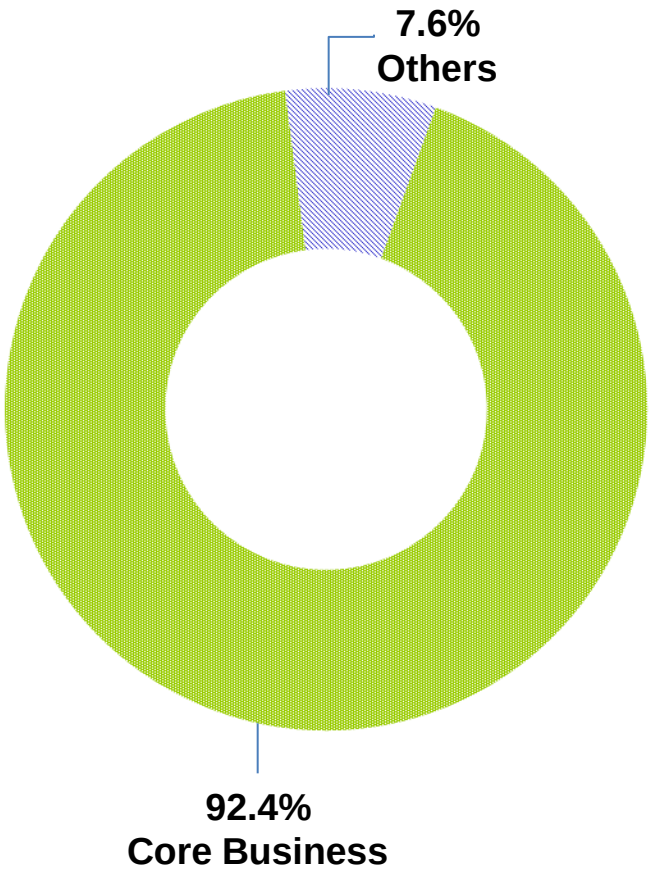


Net Profit & Margin

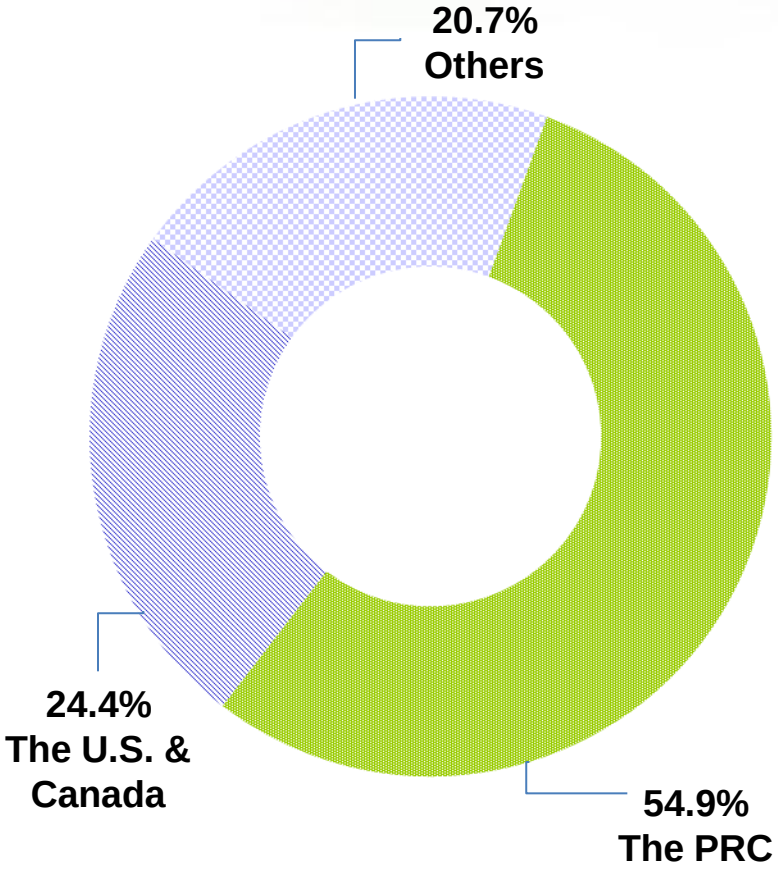


Revenue Breakdown

Revenue Breakdown by Business Segment

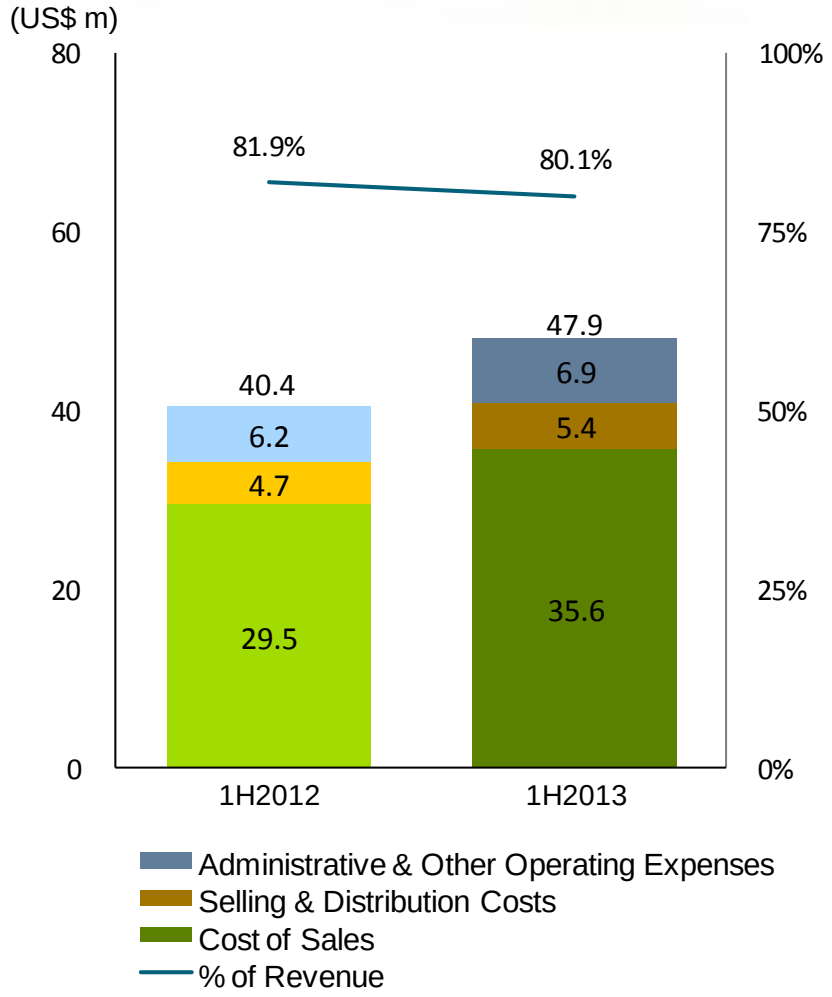


Revenue Breakdown by Region

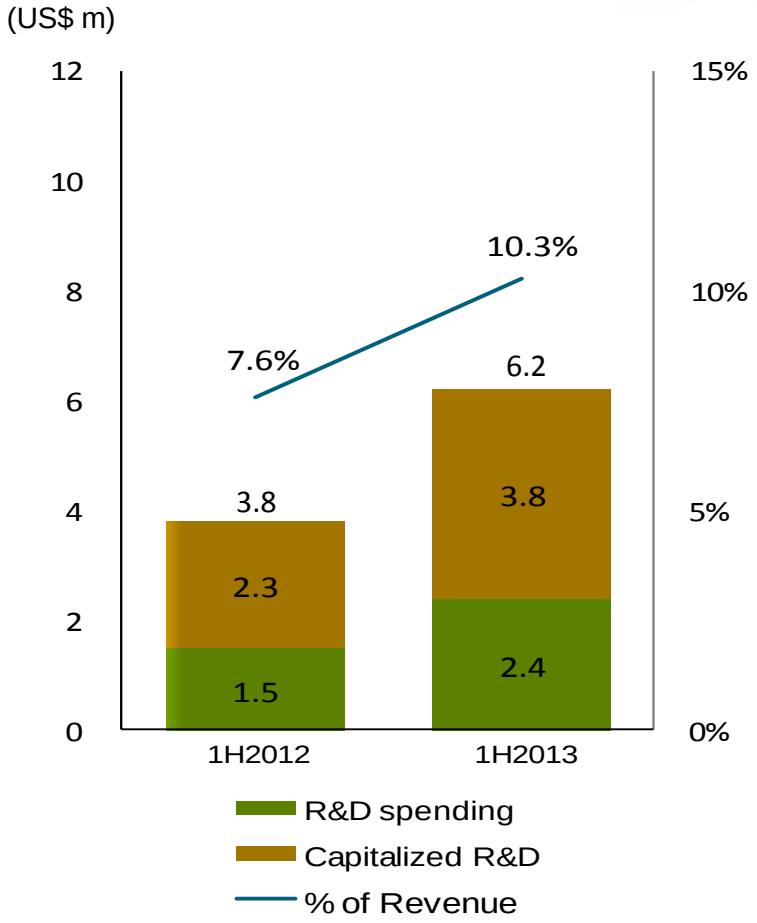


Cost Structure & R&D Investment of Company

Cost Structure of Company



R&D Investment



Other Financial Figures

For the six months ended 30 June (unaudited)	As at 31 Dec 2012	As at 30 June 2013
Net Assets *(US$ m)*	84.5	**82.1**
Total Assets *(US$ m)*	147.5	**184.9**
Cash & Cash Equivalents (US$ m)	40.5	**49.1**
Current Ratio (Current Assets divided by Current Liabilities)	1.9x	**2.1x**
Loan & Borrowings Ratio (%) (Loans and Borrowings divided by Total Assets）	10.2%	**7.6%**
Inventory Turnover (days)	62	**70**
Trade Receivables Turnover (Days)	116	**164**
Trade Payables Turnover (Days)	162	**235**

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3 **Outlook**

Outlook

Market Trends & Prospects

With roaring energy costs globally, increasing government regulations, corporate awareness, and favorable government supporting policy, the market should witness steady growth for the next few years:

PRC market

- ✓ The current market size of intelligent building industry in China is worth over RMB400 billion, and of which, the total investment on public construction and commercial properties amounted to RMB320 billion
- ✓ By 2015, it is expected to save 116 million tons of coal & 20% new buildings in urban area will meet green building requirement, leading to the growth of market demand of building energy saving in PRC
- ✓ Annual growth of building energy saving industry will be more than 15% under "12th Five-Year Plan". Total production value for China's energy saving and environment protection industry is forecasted to be around RMB4,500billion by 2015
- ✓ The State Council introduced a contract-based energy management system: by 2015, to establish around 20 professional contract-based energy management companies and 50 green service companies with total production value of [RMB]1 billion a year. Sales of energy saving services under contract-based energy management system segment to annually increase by 30%

Overseas market

- ✓ With the rising awareness of energy saving globally, this booming energy saving market is full of opportunities
- ✓ Demand for energy monitoring and management in the Southeast Asia region, such as Singapore, Malaysia & Thailand, is increasing

Favorable Economic Policies

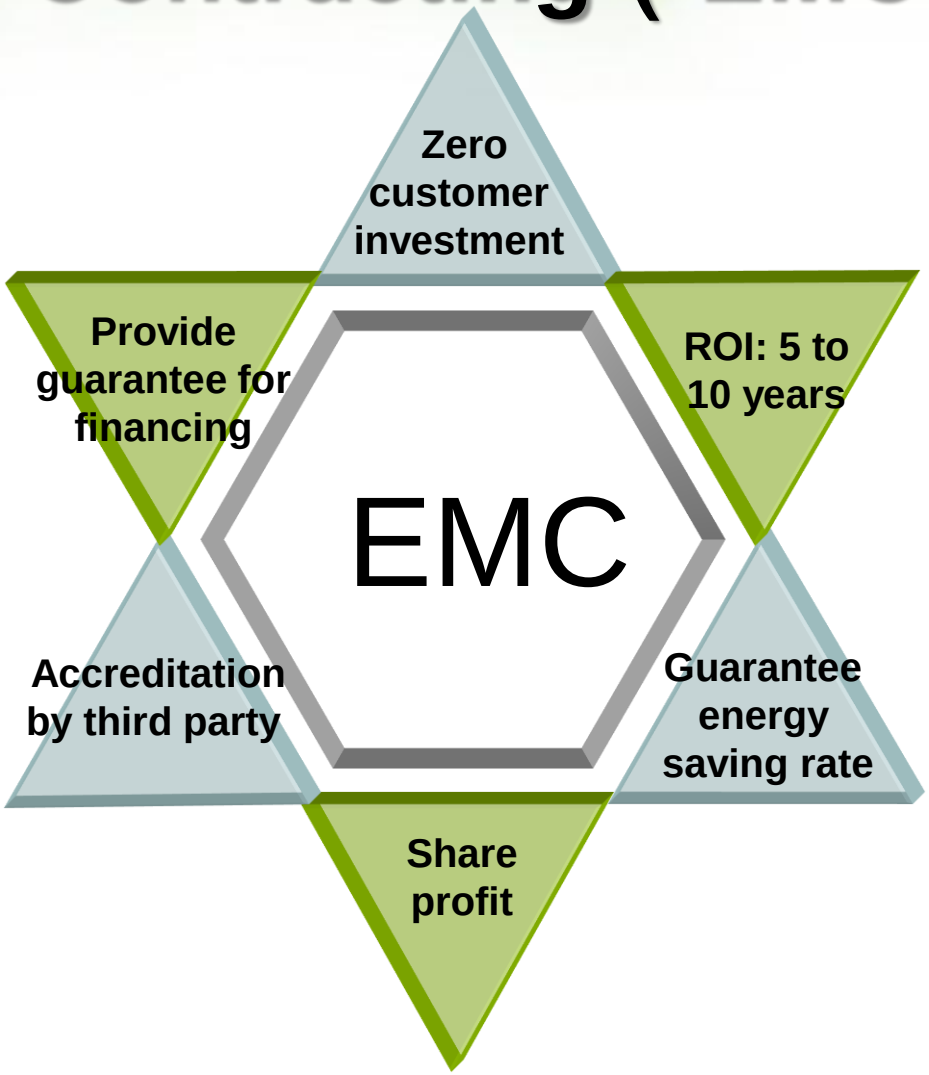
Subsidies

- National and provincial incentive funds
- Regional incentive funds (Beijing, Chongqing, Shanxi, Shanghai, Jilin, Zhejiang, Fujian, Hainan, etc.)

Tax Relief

- Waive business tax and value-added tax
- Waive corporate income tax for the first 3 years and a 50% exemption in the following 3 years (3-year exemption and 3-year half rate)

Outlook - Energy Management Contracting (EMC)



EMC System —

All the costs needed for the energy saving project are funded by the saved energy fees resulting from the project

Technovator EMC Model

- To sign service contract with users; provide project investment and financing, adopt various models to provide one-stop service including energy efficiency audit, energy saving project design, construction, supervision and management; and share the profit and development with users resulting from energy saving after project completion

Development Strategies

1 Sales and distribution channel expansion & seize the opportunities in the PRC

- Lead local small and mid-sized enterprise to help the business expansion of the Group promote the Group's technology, local application of product and service through co-operation and technical support,
- Pitch for landmark project in 1st tier cities, speedy energy saving process in 2nd and 3rd tier cities

2 Continuous develop overseas market

- Continue to focus on exploring large-scale chain customers, providing tailor-made building energy management solutions and supporting services
- Business development in Southeast Asia areas

3 Strengthen R&D & maintain leading position

- Continuous enhancement of R&D capabilities & improvement of existing products and services to provide innovative products and solutions for satisfying local demand
- Expand and strengthen the partnership with leading international corporations and organisations

4 Explore M&A opportunities

- Continue to seek for M&A & alliance opportunities to accelerate development
- Enhance the strength of the company

5 Enhance brand recognition

- Develop as a leading corporation of global building energy saving industry
- Promote building energy saving concept to increase market share globally

Thank you

Q&A