



# Technovator International Limited 同方泰德国际科技有限公司 (1206.hk)

Leading integrated energy saving services provider

*Innovation, Transformation, Smart Energy Saving*

Sep 2016

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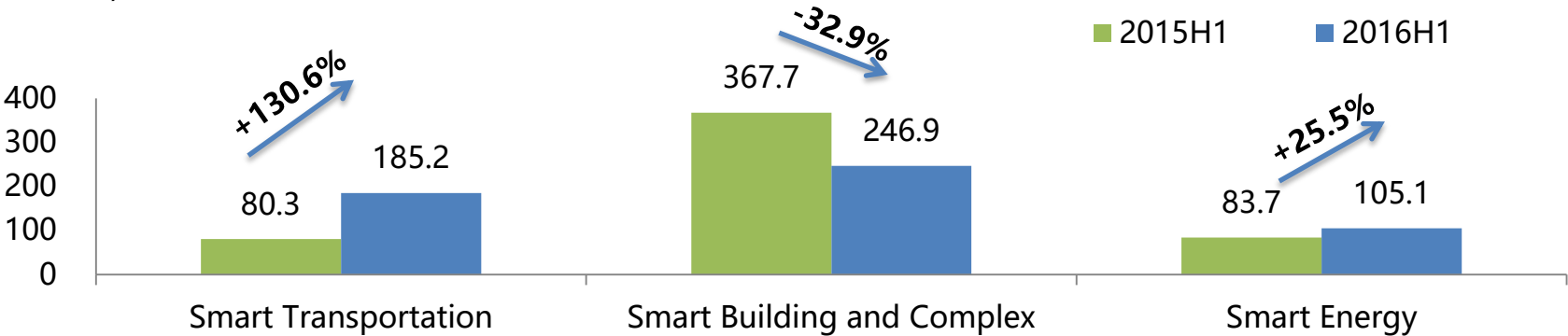
# Financial highlights

<i>For the 6 months ended 30 June</i>	<b>2016H1</b> (RMB mn)	2015H1 (restated) (RMB mn)	Chg
<b><i>Continuing operations</i></b>			
<b>Revenue</b>	<b>537.2</b>	531.5	1.1%
<b>Gross profit</b>	<b>128.5</b>	142.2	-9.6%
<b>EBITDA</b>	<b>123.3</b>	124.5	-0.9%
<b>Operating profit</b>	<b>85.9</b>	86.5	-0.8%
<b>Profit for the period</b>	<b>60.8</b>	62.0	-1.9%
<b>Profit attributable to equity shareholders</b>	<b>62.2</b>	62.0	0.2%
<b>Basic EPS (RMB)</b>	<b>0.0780</b>	0.0913	-14.6%
<b>Basic EPS (HKD equivalent)</b>	<b>0.0913</b>	0.1068	-14.6%
<b>Diluted EPS (RMB)</b>	<b>0.0767</b>	0.0840	-8.7%
<b>Diluted EPS (HKD equivalent)</b>	<b>0.0897</b>	0.0983	-8.7%

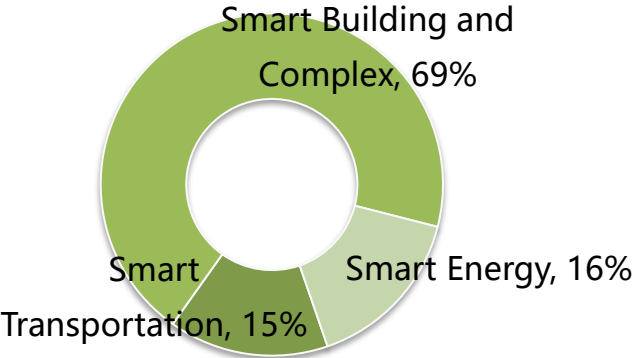
# Revenue analysis – business segments

## Revenue growth

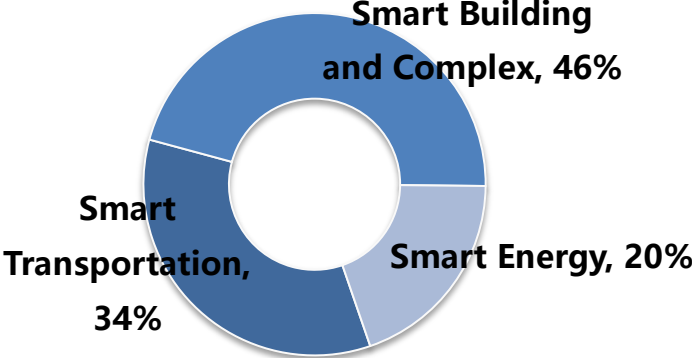
(RMB mn)



## Revenue breakdown – 2015H1



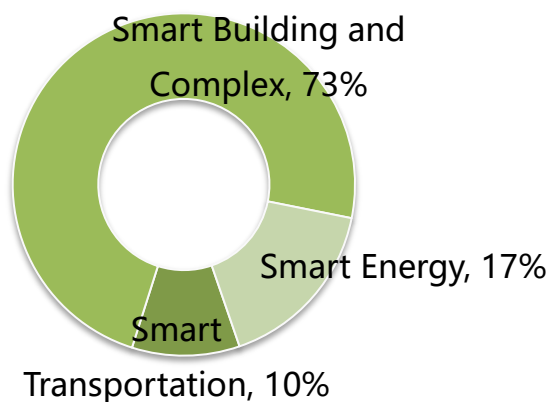
## Revenue breakdown – 2016H1



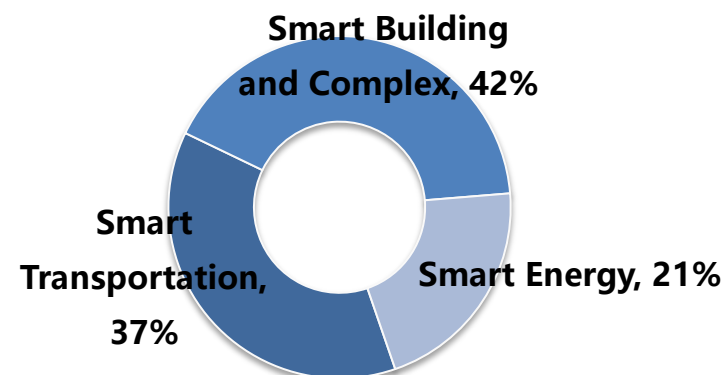
## Transform and optimize the business portfolio

<i>For the 6 months ended 30 June</i>	<b>2016H1</b>	2015H1 (restated)	Chg
<b>Gross margin(%)</b>	<b>23.9%</b>	<b>26.8%</b>	<b>-2.8%</b>
Smart Transportation	<b>26.0%</b>	18.0%	7.9%
Smart Building and Complex	<b>21.6%</b>	28.4%	-6.7%
Smart Energy	<b>25.7%</b>	28.2%	-2.4%

### Gross profit breakdown - 2015H1



### Gross profit breakdown - 2016H1

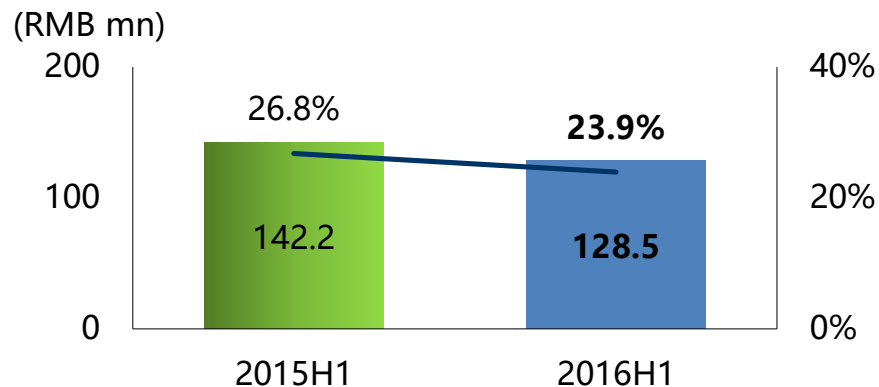


# P&L analysis

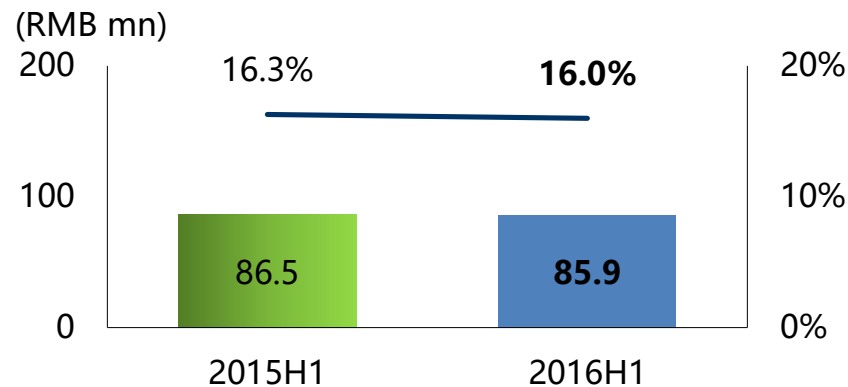
<i>For the 6 months ended 30 June</i>	<b>2016H1</b> (RMB mn)	2015H1 (restated) (RMB mn)	Chg
<b><i>Continuing operations</i></b>			
Revenue	537.2	531.5	1.1%
COGS	(408.6)	(389.3)	5.0%
Gross profit	128.5	142.2	-9.6%
Other revenue	15.6	22.7	-31.2%
Other net gain	34.2	2.3	1399.6%
Selling and distribution costs	(27.4)	(27.4)	-0.3%
Administrative and other operating expenses	(65.1)	(53.2)	22.3%
EBITDA	123.3	124.5	-0.9%
Profit from operations	85.9	86.5	-0.8%
Finance costs	(19.8)	(16.6)	19.5%
Profit before taxation	66.1	70.0	-5.6%
Income tax	(5.3)	(8.0)	-33.7%
Profit for the year	60.8	62.0	-1.9%
Attributable to minority	(1.4)	(0.1)	1828.8%
Attributable to equity shareholders	62.2	62.0	0.2%

# Profitability analysis

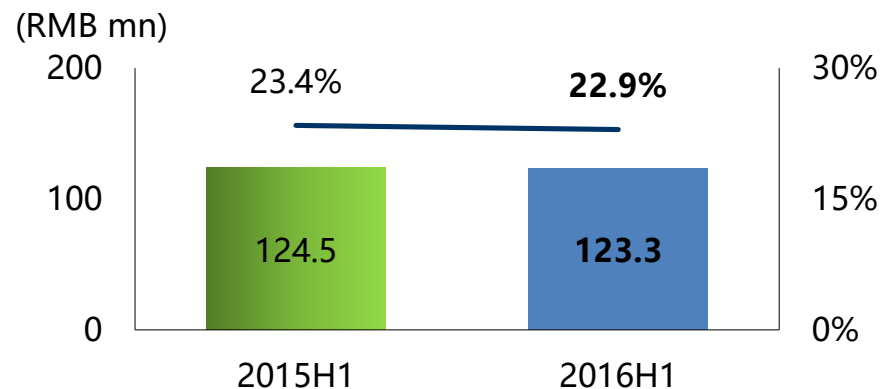
## Gross margin



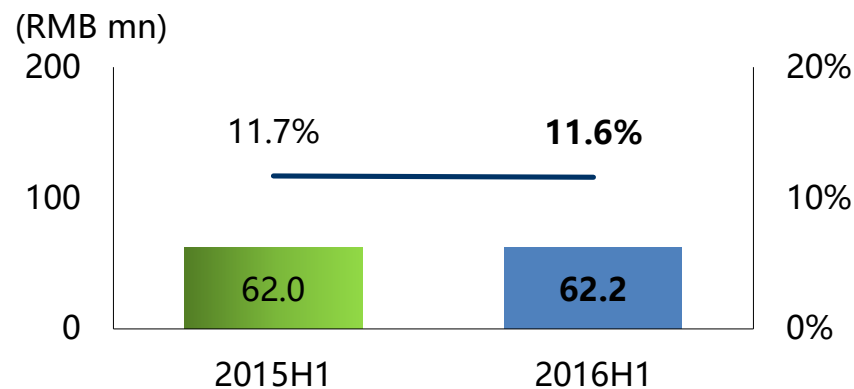
## Operating margin



## EBITDA margin



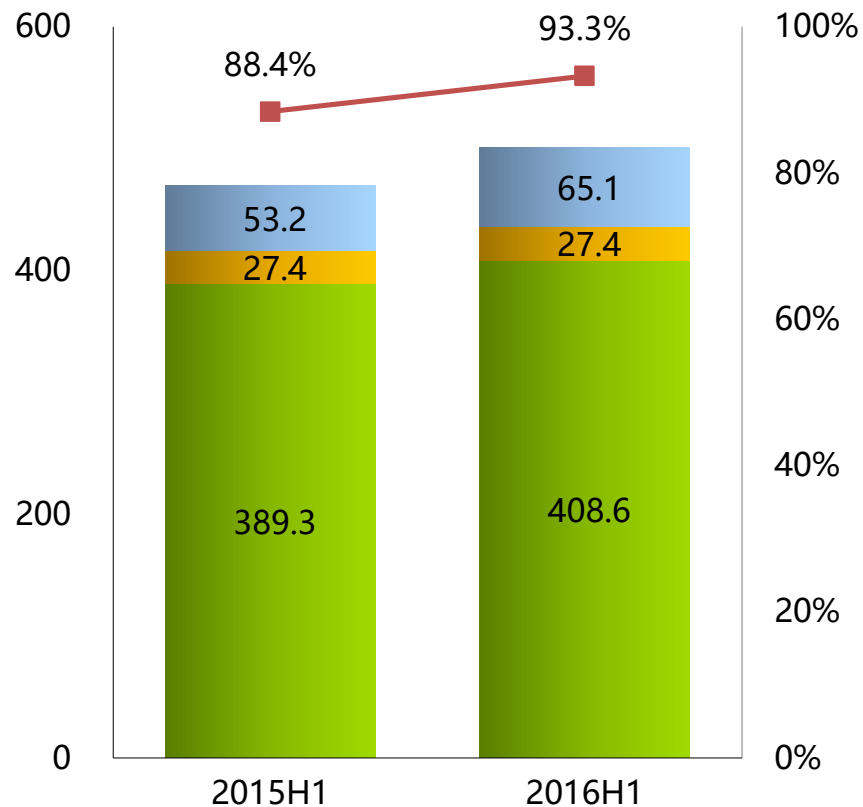
## Net margin



# Cost structure & R&D expenditure

## Cost Structure

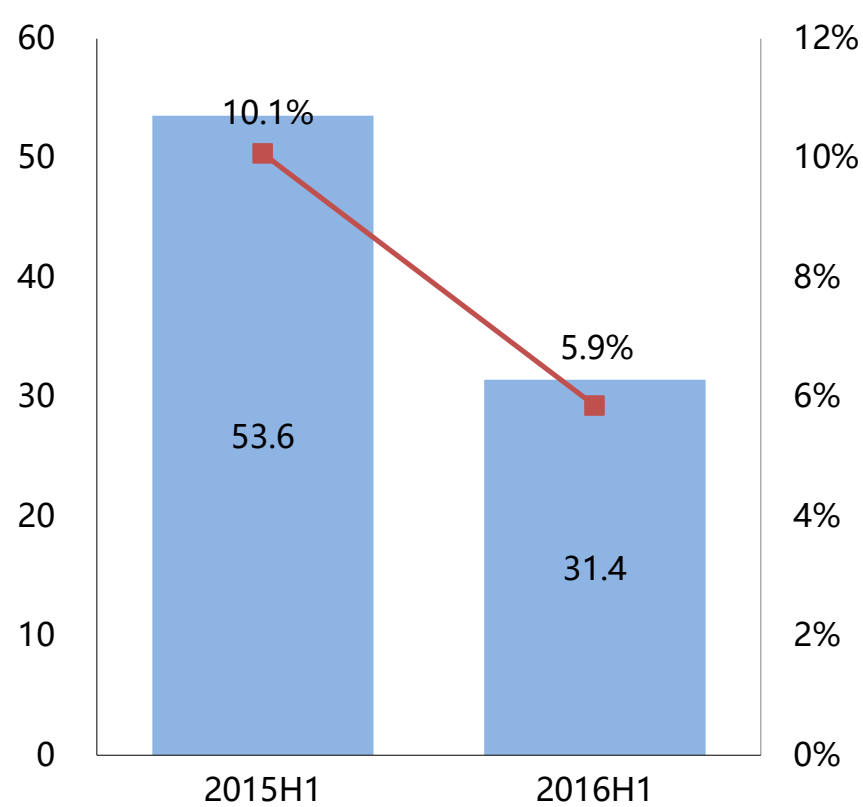
(RMB mn)



- Admin and other operating expenses
- Selling & distribution costs
- COGS

## R&D expenditure

(RMB mn)



- R&D expenditure
- % of revenue

# Other financial figures

	2016 June	2015 Dec
<b>Net assets (RMB mn)</b>	<b>2,007.1</b>	2,006.8
<b>Total assets (RMB mn)</b>	<b>3,776.4</b>	3,965.4
<b>Cash &amp; Cash Equivalents (RMB mn)</b>	<b>791.5</b>	1,261.9
<b>Loan &amp; Borrowings – short term (RMB mn)</b>	<b>181.0</b>	276.7
<b>Loan &amp; Borrowings – long term(RMB mn)</b>	<b>71.8</b>	168.7
<b>Net Cash/(Net Debt) (RMB mn)</b>	<b>538.8</b>	816.5
<b>Consideration payable for the acquisition from THTF (RMB mn)</b>	<b>490.3</b>	478.0
<b>Current Ratio (times)</b> (Current Assets divided by Current Liabilities)	<b>1.8</b>	1.8
<b>Loan &amp; Borrowings Ratio (%)</b> ( Loans and Borrowings divided by Total Assets)	<b>6.7%</b>	11.2%

	2016 June	2015 Dec	2015 June
<b>Inventory Turnover (Days)</b>	<b>148</b>	50	104
<b>Trade Receivables Turnover (Days)</b>	<b>319</b>	175	255
<b>Trade Payables Turnover (Days)</b>	<b>308</b>	175	259



**Smart transportation**

## Fast-growing segment emphasizing on intelligence and energy saving

- Entered into EMC project regarding energy-saving transformation for the ventilation and air-conditioning system of Beijing Subway Line No. 8 and 9.
- Smoothly promoted the implementation of projects in Suzhou, Shijiazhuang and Shenzhen and managed to sign contracts in respect of a number of rail transit routes in cities including Changchun, Qingdao, Chengdu, Nanjing and overseas.

## SUCCESSFUL EXPANSION OF ENERGY-SAVING EMC PROJECT OF BEIJING SUBWAY LINE NO. 8 AND 9

- EMC business model has been adopted in this project. Energy-saving retrofit in respect of the ventilation and air-conditioning system for a total of 28 subway stations, with the self-developed Techcon EEC, the energy-saving system for ventilation and air-conditioning in subway station, which is an energy-saving technology based on machine learning algorithms, to effectively reduce the energy consumption.
- It is expected that over 17 million KWh of electricity can be saved for each year. During the sharing period set forth in the contract, it is estimated that a total of over RMB120 million of electricity charges can be saved





Smart building  
and complex

## Transformation and upgrading of businesses to expand diversified services

- The Group is proactively transforming and optimizing its business portfolio. During the Period, the Group' s building intelligence business has been focusing on the expansion into the fields of the **data centers, high-end hotels, hospitals and smart complex**. With contracts in respect of the North Data Center of Agriculture Bank of China, Baidu Cloud Computing (Yangquan) Center and intelligence projects in respect of hotels and commercial complex in various cities successfully signed, a solid foundation has been made for further revitalization of customer resources and discovering the subsequent energy saving demand in depth.
- The Group follows the development trend of the industry and caters to the increasingly complicated and diversified demand from building energy saving market while striving to adjust its own business and service model to seek new growth point for the segment. During the period, the Group has also established building energy consumption supervision platform in various places including Zhuzhou, Wuhan and Ningbo, resulting in the continuous integration and upgrading of the big data collection, management and analysis for building energy consumption.

## SUCCESSFULLY SIGNED THE BUILDING INTELLIGENT PROJECT OF BAIDU CLOUD COMPUTING (YANGQUAN)



# Business review – Smart energy



Smart energy

## Offering “source, network and user” – integrated services through business integration and restructuring

- There were on-going projects in cities such as Datong, Baoding, Lanzhou and Xinxiang and various large-scale projects were signed successfully in Taiyuan, Baoding, Lanzhou and Wuwei.
- Continues to tap into “source, network and user” – integrated energy management services, while exploring sustainable operation model such as heating network hosting and franchise. A number of projects were under negotiations. It is believed that they will create new sources of growth for the future development of the smart energy business segment.

### SUCCESSFULLY SIGNED THE TAIYUAN TAIGU CENTRALIZED HEATING SUPPLY PROJECT

- During the period, the Taiyuan Taigu Centralized Heating Supply Project was the first closed cycle systems engineering with multiple pumping stations which have characteristics of long-distance transmission, large height difference and large temperature difference.
- The project fully integrated the core technologies in heating supply field, realized difficult transmission of heat source under safety and economic conditions, and demonstrated the achievements following the optimization and integration of the Group’ s Smart Energy Business.



# Prospects and future strategy

## *Innovation Transformation Smart energy-saving*

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

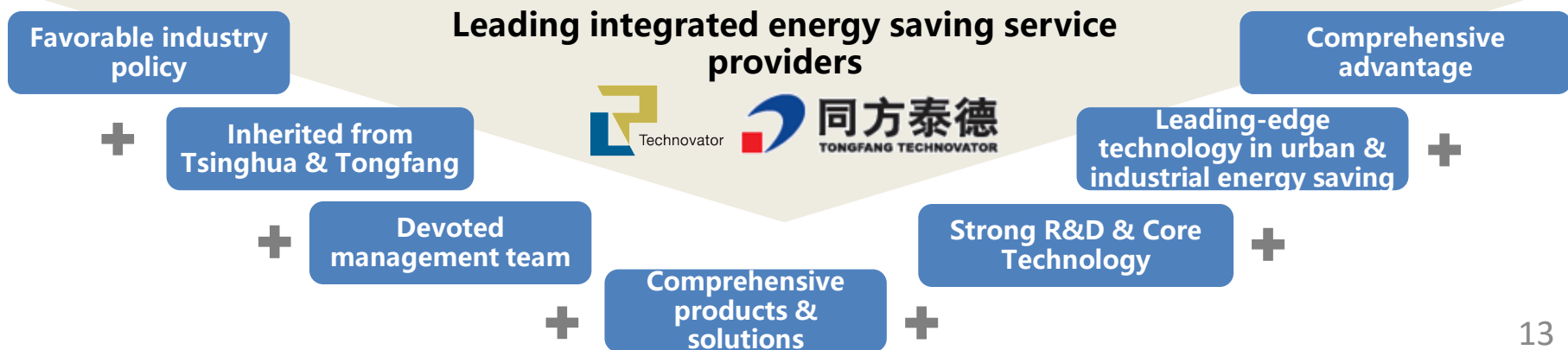
- expand the markets and enhance profit margin by efforts on developing energy saving EMC model, promoting pilot projects and enhancing market share of its proprietary products
- revitalize the existing market but also develop new major cities and more large-scale customers with quality
- explore scale-up development in mass projects with major breakthrough in landmark projects

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

- constantly upgrade the core control strategy in terms of its flexibility and versatility by leveraging on technologies edge, expand the market share and reduce the cost of the project
- strengthen the development in and upgrade of application software for major areas such as central air-conditioning control, E-Cloud, energy internet and regional power station so as to consolidating and enhancing the market leading position in respect of proprietary technologies and products
- work closely with top scientific research units in China including Tsinghua University and put more efforts on application-based research and development so as to apply the most advanced scientific and research achievements to the industry at a fast pace.

### Continuously seeking for Acquisition and Merger, Raising Shareholders' Value

- Seize the favourable historic opportunities brought by structural transformation and business adjustment of state-owned enterprises, will realize bilateral expansion in the industry chain and leaping development through effective M&A
- arms at achieving growth of overall revenue and raising profit margin so as to create greater value for shareholders



# THANK YOU



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# Case : transportation - energy saving EMC

## Energy Saving Retrofit for Forest Park South Gate Station of Beijing Subway Line No.8



### Project overview

- Completed in 2014, with the energy saving retrofit and control optimization for subway station's ventilation and air conditioning systems, applying **EnCs subway energy saving technology**, to dramatically reducing energy consumption without affecting comfortable level within station

### Energy saving effect

- EMC model with contract size of RMB 2.63 million
- With 90:10 benefit sharing within 8 years, with 1.5-year payback period
- Realized energy saving ratio of 60%+, annual electricity saving of 800,000 kWh



# Case : city-level building energy saving

Pilot city-level energy saving

## city-level - Chongqing

- energy-saving retrofit for approx. 2 million sq.
- Contract for over 39 projects
- Energy consumption monitoring platform operation and maintenance, covering 347 buildings



## city-level - Wuhan

- ADF finances the city-level E-cloud center located in Wuhan
- Itemised energy consumption measurement in 76 buildings

## Central-level E-Cloud

- Developed the “Central-level platform for public building energy consumption data analysis ” for the Ministry of housing research and development



### Project overview:



- Chongqing demonstration project;
- Located in the heart of the Jiefangbei CBD, covering 160K total sqm, with multiple indoor and outdoor performance spaces, 2 outdoor plaza and 5 commercial entrance, 62 escalators, 30 elevators, 1320 parking spaces;

### Energy-saving measures:

- EMC model with nominal investment cost of RMB10 million, 80:20 benefit sharing within 5-year period, with subsidy of RMB 4.48million(RMB 35 per sq meter)
- Achieved overall energy saving on AC systems, public areas lighting, and elevator systems, using Techcon EEC, LED products; comprehensive energy-saving ratio at 20%+
- Realized annual electricity saving of 4 million kWh and RMB 3.88 million, with payback period of 2.5 years.

Chongqing ASE plaza project



# Case : heat recovery - energy saving EMC

Technovator entered into the industrial energy saving fields, and further enhanced its business layouts, through the acquisition of Tongfang Energy Saving Engineering Technology Co., Ltd. from the parent company.

## Jinzhou Energy Saving Heat and. Electricity Co., Ltd - waste heat recovery project

### Project overview:

- Jinzhou heating supply area of 3.7m sqm in 2013, and expected to reach 6m sqm in 2016, its heating supply period covers 147 days each year;
- Applied 2x40.5MW absorption heat pump units to preheat heating network backwater, and to recover waste heat from circulating cooling water produced by unit No.1&3, thereby achieving 660 to 800K sqm additional heating supply to the city.

### Energy saving effect:

- **EMC model** with nominal contract value of RMB33.87 million, with estimated annual revenue of RMB10.68 million;
- With 85:15 benefit sharing within 6 heating supply seasons;
- Expected payback period of 3.7 years.



# Case : heating network - energy saving EMC

## Guodian Taiyuan Thermal Power Plant I – central heating energy saving

### Project overview:

- Covered 1,200m sqm heating supply area, with 1 monitoring center & 180 thermal stations;
- Enhanced the O&M of heating supply network to ensure fast and efficient network adjustment;
- Reduced heating energy consumption & reduced operating costs.

### Energy saving effect:

- **EMC model** with nominal contract value of RMB48.55 million; with benefit sharing period of 7 heating seasons; with 80:20 benefit sharing before covering cost, and 50:50 sharing afterwards.
- Realized energy saving of 6%+, annual saving of up to RMB 10 million for customers;
- Entitled to government subsidy of RMB 2.25 million

