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)

2013 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of Technovator International Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012. These results have been reviewed by the Company's audit committee, comprising solely independent non-executive Directors, one of whom chairs the committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013
(Expressed in United States dollars)

	Note	**2013 US$'000**	2012 US$'000
Revenue	3, 4	**148,713**	124,209
Cost of sales		**(93,676)**	(79,704)
Gross profit		**55,037**	44,505
Other revenue		**3,103**	1,167
Other net (loss)/gain		**(1,108)**	36
Selling and distribution costs		**(10,952)**	(9,393)
Administrative and other operating expenses		**(15,439)**	(13,397)
Research and development expenses		**(4,509)**	(3,149)
Profit from operations		**26,132**	19,769
Finance costs	5(a)	**(1,519)**	(579)
Profit before taxation		**24,613**	19,190
Income tax	6	**(5,786)**	(3,981)
Profit for the year		**18,827**	15,209
Profit attributable to:			
Equity shareholders of the Company		**17,105**	13,392
Non-controlling interests		**1,722**	1,817
Profit for the year		**18,827**	15,209
Earnings per share*	7		
Basic (US$)		**0.033**	0.027
Diluted (US$)		**0.030**	0.027

* The basic and diluted earnings per share for the year ended 31 December 2013 are equivalent to Hong Kong dollars ("HKD") 0.256 (2012: HKD 0.209) and HKD 0.233 (2012: HKD 0.209), respectively, translated at a rate of USD 1.00 equals HKD 7.7519.

CONSOLIDATED BALANCE SHEET

At 31 December 2013
(Expressed in United States dollars)

	Note	**2013** **US$'000**	2012 US$'000
Non-current assets			
Property, plant and equipment		**9,776**	7,161
Intangible assets		**21,553**	16,953
Goodwill		**15,554**	16,257
Other financial assets		**26,471**	5,348
Deferred tax assets		**474**	401
		73,828	46,120
Current assets			
Trading securities		**1,823**	–
Inventories		**16,216**	12,208
Trade and other receivables	8	**65,665**	47,888
Gross amounts due from customers for contract work		**451**	824
Cash and cash equivalents		**53,553**	40,505
		137,708	101,425
Current liabilities			
Trade and other payables	9	**55,090**	44,052
Gross amounts due to customers for contract work		**51**	199
Loans and borrowings		**14,402**	7,922
Obligations under finance leases		**30**	12
Income tax payable		**1,625**	1,523
		71,198	53,708
Net current assets		**66,510**	47,717
Total assets less current liabilities		**140,338**	93,837
Non-current liabilities			
Loans and borrowings		**6,512**	7,062
Obligations under finance leases		**114**	171
Deferred tax liabilities		**1,965**	2,100
Other non-current liabilities		**35,571**	–
		44,162	9,333
NET ASSETS		**96,176**	84,504
CAPITAL AND RESERVES			
Share capital	10	**38,121**	38,121
Reserves		**56,498**	39,781
Total equity attributable to equity shareholders of the Company		**94,619**	77,902
Non-controlling interests		**1,557**	6,602
TOTAL EQUITY		**96,176**	84,504

1 BASIS OF PREPARATION

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2013 but the information herein has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2013.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements are presented in United States Dollars ("US$"), rounded to the nearest thousand except for per share data. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Financial instruments classified as available-for-sale or trading securities

- Redeemable preference shares

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.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

- HKFRS 10, *Consolidated financial statements*

- HKFRS 12, *Disclosure of interests in other entities*

- HKFRS 13, *Fair value measurement*

- *Annual Improvements to HKFRSs 2009–2011 Cycle*

- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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 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 the years ended 31 December 2012 and 2013 are as follows:

	2013 **US$'000**	2012 US$'000
Sales of goods	**117,862**	99,754
Provision of services	**18,429**	14,643
Contract revenue	**12,422**	9,812
	148,713	124,209

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), interest expense from borrowings managed directly by the segments, depreciation, amortisation 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 2012 and 2013 is set out below:

	BAS – PRC		BAS – North America		BAS – Europe		BAS – Other countries		CSS – PRC		FAS – PRC		EMS – PRC		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue from external customers	**52,793**	47,732	**28,203**	27,822	**14,362**	11,513	**11,462**	6,974	**19,316**	16,771	**725**	372	**21,852**	13,025	**148,713**	124,209
Inter-segment revenue	**6,759**	6,156	**378**	323	**–**	–	**3**	–	**–**	–	**–**	–	**–**	–	**7,140**	6,479
Reportable segment revenue	**59,552**	53,888	**28,581**	28,145	**14,362**	11,513	**11,465**	6,974	**19,316**	16,771	**725**	372	**21,852**	13,025	**155,853**	130,688
Reportable segment profit	**10,937**	9,315	**4,574**	4,043	**2,298**	1,654	**1,835**	1,002	**1,130**	1,087	**110**	57	**10,804**	6,702	**31,688**	23,860
Finance costs	**(503)**	(176)	**(431)**	(171)	**(585)**	(232)	**–**	–	**–**	–	**–**	–	**–**	–	**(1,519)**	(579)
Depreciation and amortisation for the year	**(896)**	(619)	**(2,142)**	(2,113)	**(1,091)**	(823)	**(51)**	–	**(291)**	(193)	**(11)**	(4)	**(329)**	(150)	**(4,811)**	(3,902)

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

	2013	2012
	US$'000	US$'000
Revenue		
Reportable segment revenue	**155,853**	130,688
Elimination of inter-segment revenue	**(7,140)**	(6,479)
Consolidated revenue	**148,713**	124,209
Profit		
Reportable segment profit	**31,688**	23,860
Elimination of inter-segment profits	**(36)**	48
Reportable segment profit derived from the Group's external customers	**31,652**	23,908
Depreciation and amortisation	**(4,811)**	(3,902)
Finance costs	**(1,519)**	(579)
Unallocated head office and corporate expenses	**(709)**	(237)
Consolidated profit before taxation	**24,613**	19,190

(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.

	2013 **US$'000**	2012 US$'000
Revenue derived from:		
PRC	**94,686**	77,900
United States	**23,836**	23,844
France	**10,624**	7,605
Canada	**4,367**	3,978
Switzerland	**2,147**	2,194
The Netherlands	**521**	535
Other countries	**12,532**	8,153
	148,713	124,209

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2013 **US$'000**	2012 US$'000
(a) Finance costs		
Interest on loans and borrowings wholly repayable within five years	**1,003**	575
Other financial costs	**2**	4
Net change in fair value of redeemable preference shares	**514**	–
	1,519	579
(b) Staff costs		
Salaries and other benefits	**13,763**	11,038
Contributions to defined contribution retirement schemes	**671**	634
Equity settled share-based payment expenses	**795**	411
	15,229	12,083
(c) Other items		
Cost of inventories	**92,928**	79,347
Amortisation of intangible assets	**3,577**	2,989
Depreciation	**1,234**	913

6 INCOME TAX

	2013 **US$'000**	2012 US$'000
Current tax		
Provision for the year	**5,918**	4,297
Under provision in respect of prior years	**48**	20
	5,966	4,317
Deferred tax		
Origination and reversal of temporary differences	**(180)**	(336)
	5,786	3,981

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the year ended 31 December 2013 (2012:17%). No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2012 and 2013.

(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 27% for the year ended 31 December 2013 (2012: 27%). Corporate income tax comprises 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 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 years ended 31 December 2012 and 2013.

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%. 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.

(iii) Technovator Beijing is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until September 2014.

(iv) The Group is not subject to Hong Kong corporate income tax during the years ended 31 December 2012 and 2013.

7 EARNINGS PER SHARE

(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 US$17,105,000 (2012: US$13,392,000) and the weighted average number of ordinary shares of 521,520,000 (2012: 501,519,123) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2013 Number of shares	2012 Number of shares
Issued ordinary shares at 1 January	**521,520,000**	485,200,000
Effect of exercise of Pre-IPO Share Option Scheme	**–**	16,319,123
Weighted average number of ordinary shares at 31 December	**521,520,000**	501,519,123

(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$16,142,000 (2012: US$13,392,000) and the weighted average number of ordinary shares of 544,719,359 (2012: 501,519,123) in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted):

	2013 US$'000	2012 US$'000
Profit attributable to ordinary equity shareholders	**17,105**	13,392
Diluted effects of redeemable preference shares	**(963)**	–
Profit attributable to ordinary equity shareholders (diluted)	**16,142**	13,392

(ii) Weighted average number of ordinary shares (diluted):

	2013 Number of shares	2012 Number of Shares
Weighted average number of ordinary shares at 31 December	**521,520,000**	501,519,123
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	**23,199,359**	–
Weighted average number of ordinary shares (diluted) at 31 December	**544,719,359**	501,519,123

The share options of the Company did not have dilutive effect as at 31 December 2012.

8 TRADE AND OTHER RECEIVABLES

	2013 US$'000	2012 US$'000
Trade debtors due from related parties	**4,156**	5,927
Other trade debtors and bills receivable	**56,508**	40,684
Less: Allowance for doubtful debts	**(1,797)**	(1,479)
	58,867	45,132
Other receivables	**1,243**	847
Loans and receivables	**60,110**	45,979
Deposits and prepayments	**5,555**	1,909
	65,665	47,888

At 31 December 2013, certain trade debtors and bills receivable with carrying value US$7,146,404 (2012: US$7,892,000) have been pledged as securities for the loans and borrowings.

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

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 period:

	2013 US$'000	2012 US$'000
Current	**39,073**	29,752
Less than 1 month past due	**4,690**	3,923
More than 1 month but less than 3 months past due	**3,449**	1,860
More than 3 months but less than 12 months past due	**8,498**	8,347
More than 12 months past due	**3,157**	1,250
	19,794	15,380
	58,867	45,132

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

9 TRADE AND OTHER PAYABLES

	2013 **US$'000**	2012 US$'000
Trade payables due to related parties	**360**	451
Other trade and bills payable	**41,209**	32,305
	41,569	32,756
Other payables and accruals	**11,121**	10,806
Financial liabilities measured at amortised cost	**52,690**	43,562
Receipts in advance	**2,370**	474
Deferred income	**30**	16
	55,090	44,052

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

	2013 **US$'000**	2012 US$'000
By date of invoice:		
Within 3 months	**35,509**	28,966
More than 3 months but within 6 months	**1,980**	1,849
More than 6 months but within 12 months	**2,592**	410
More than 12 months	**1,488**	1,531
	41,569	32,756

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2013 Number of shares	2013 Amounts US$'000	2012 Number of shares	2012 Amounts US$'000
Ordinary shares, issued and fully paid:				
At 1 January	**521,520,000**	**38,121**	485,200,000	33,786
Shares issued under Pre-IPO Share Option Scheme	**–**	**–**	36,320,000	4,335
At 31 December	**521,520,000**	**38,121**	521,520,000	38,121

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.

(i) On 20 July 2012, a total of 36,320,000 Shares were issued by the Company upon the exercise of shares options by all the grantees pursuant to the Pre-IPO Share Option Scheme at a consideration of US$3,255,000 which was credited to share capital and US$1,080,000 has been transferred from the share based compensation reserve to the share capital.

(ii) Terms of unexpired and unexercised share options under the Pre-IPO Share Option Scheme and Share Option Scheme 2012 and 2013 at the balance sheet dates are as follows:

Exercise period	2013 Exercise price	2013 Number of options	2012 Exercise price	2012 Number of options
23 July 2014 to 23 July 2017	**HK$1.15**	**24,250,000**	HK$1.15	24,250,000
23 July 2015 to 23 July 2017	**HK$1.15**	**24,250,000**	HK$1.15	24,250,000
5 September 2015 to 5 September 2018	**HK$3.06**	**26,950,000**	–	–
5 September 2016 to 5 September 2018	**HK$3.06**	**25,150,000**	–	–
		100,600,000		48,500,000

Each option entitles the holder to subscribe for one ordinary share in the Company.

(b) Dividends

The Company has not distributed any dividends during the years ended 31 December 2012 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Year 2013 was a year to build up strength for Technovator's future development. The overall research and development (R&D) capability of the Group accelerated rapidly during the year. The PRC market expanded bilaterally in respect of business fields and cooperation models, whereas the overseas market focused on strengthening capital operation and resources consolidation. Since then, these have improved the overall quality of our products and services and laid a solid foundation for leap-forward development while achieving steady growth.

Research and development upgrade: Enhancing the application of industrialization for core technologies

Technovator has been adopting the self-researched and developed high-tech energy management technologies and products as the basis and driving force of the Group's development. With over twenty years of industry experience and by closely relying on the strong science research capability of Tsing Hua University, we provided comprehensive building energy saving solutions and consolidated services for customers through rapid industrial application of our achievements in R&D. During the year, the Group has invested approximately US$12.6 million in R&D, representing approximately 8.5% of its revenue, primarily for improving and upgrading the core calculation in energy saving for central air-conditioning systems, the R&D application of energy monitoring platforms at provincial and municipal levels and the optimization and innovation of the existing software and hardware products. With all the above efforts, the Group continued to consolidate its leading technological position in the field.

The Group has been focusing on the training and development of our technical team. The Group has set up a research institute on building energy saving in Beijing. It gathered a number of experts, scholars and professionals in the field. During the year, the research institute completed the functional optimization and upgrade of Techcon E-Cloud Service Centre, which was a cloud-computing-based energy saving monitoring platform through self-research and development, and enhanced various supporting functions such as remote monitoring of systems and diversified download monitoring. Such functions were successfully applied to the establishment of national major energy consumption testing platforms in provinces and cities such as Chongqing, Wuhan, Hunan and Inner Mongolia. It provided a series of services, including consolidated and comprehensive monitoring, calculation, analysis and assessment in respect of initial energy consumption data as well as subsequent testing and assessment, for the implementation of urban energy saving reform by local governments and facilitated the Group to create massive market opportunities in these areas.

In addition, the Group introduced TC-Net^{AX} building monitoring production line during the year. The application of open platform largely expanded the integration and popularity of the existing product series, which offers solid protection for the network control of ultra large systems/projects in the future. Meanwhile, we improved all software and hardware functions of professional energy-saving monitoring system Techcon EEC, an equipment cabinet combining building monitoring and energy saving in the domestic market. In terms of the existing building monitoring products series in overseas market, the Group has also upgraded and enhanced several new functions, which include colored graphic interface display. With continuous involvement in R&D innovation, the Group expects to achieve market application of the most advanced building energy management technology as soon as possible in order to create higher values for the society.

The PRC market: Field and model expansion for facilitating industrial development

Building energy consumption substantially went up with the rapid urbanization in the PRC. In 2013, the total building energy consumption in the PRC accounted for 45% of the total energy consumption throughout the country, making comprehensive energy saving unavoidable. The building energy saving market is embracing a new development opportunity. With systematic and comprehensive advantages in "technologies, products and services", Technovator, as a leading enterprise in the building energy saving industry in China, has actively expanded business scopes, developed business models in an innovative manner and achieved further improvement in business development. During the year, the Group successfully involved in a number of large green buildings, such as Yingli International Financial Centre in Chongqing and Shuguang International Building in Chengdu. This substantially improved the internal energy consumption efficiency and the consolidated management level in those buildings, which gave the landlords the three-dimensional energy saving effects with high return rate.

Meanwhile, the Group continued to facilitate the business model of Energy Management Contract (EMC) in respect of energy saving reform in the PRC market. Currently, the reformed area in completion in Chongqing, the first EMC model pilot city, was over one million sq. m. and we started to recoup the investment. With the successful leadership under the Chongqing model, the Group continued to insist on moving forward on the path of urban energy saving reform. During the year, we entered into new contracts for the construction of energy consumption monitoring platforms in a number of provinces and cities, and will adopt EMC model in assisting those areas to carry out subsequent reform services. Nowadays, as the Chinese government strongly advocates and supports the EMC model, the Group is fully optimistic about its development and prospect as well. We will keep on devoting resources to the exploration and realization of such model.

With internationalized and advanced technology and ultra-high cost performance ratio, "Techcon", the Group's major brand in the PRC market, continued to rank first of the top 10 building monitoring brands in China in 2013. This fully demonstrated the Group's rising brand recognition and market influence in the PRC market. Meanwhile, the Group actively participated in the specification and preparation of the standards in respect of the energy management industry. By fully capitalizing on its own technological strengths, the Group hosted the formulation of several national and industrial standards for quality acceptance requirements in respect of intelligent building engineering during the year. In order to be responsible for the corporate development and industrial development, the Group is dedicated to accelerating the standardized progress of the building energy saving industry in China through self-research and development and promotion of comprehensive service standard.

Overseas markets: Consolidation of global resources and formation of emerging markets

In 2013, the Group, with its increasing efforts, continued to expand its businesses in overseas markets. It is dedicated to promoting brand recognition overseas and devoted to being an influential leader in the global building energy saving industry. The Group fully capitalized on the strengths of each of its subsidiaries, consolidated global resources and was committed to developing different technologies and products for diversified customer bases. During the year, the newly-developed customer targets covered different types of buildings such as chain supermarkets, commercial centers, energy service companies, hospitals, schools and data centers. Our results remain to develop in a continuously steady and fast-growing pace.

During the year, Distech Controls Contrôles Inc.(Distech Controls Controls Inc., "Distech Controls") , a direct non wholly-owned subsidiary of the Group, introduced several strategic investment partners to its businesses in North America, which provided additional operating funds for improvement in its capital structures, and successful realization of abundant capital. This also proved that the investment institutions had great confidence in the Group's business development in overseas markets. During the year, Distech Controls was granted two awards, namely Deloitte North America Fast 500 and Canada Fast 50, and was one of the fastest growing technology companies in such areas. It shows that the Group's business development in North America and its technological strength were in high regards. The awards have laid a strong foundation for the Group's future business development and resources consolidation throughout the world.

Expansion in emerging markets is one of the crucial strategies for our future development. South East Asia, being a starting point of green building industry, possesses huge development potential. The Group has established a new subsidiary responsible for the markets in South East Asia. In 2013, we commenced full market expansion in South East Asia, with business involved in several countries and districts such as Singapore, Malaysia, Thailand and Burma. We will keep up with our efforts and be dedicated to providing green building solutions with consolidation of quality, innovative and value-added ideas for different types of customers around the world.

PROSPECTS

Given the continuous growth in energy management demand as well as the implementation and execution of energy saving environmental measures and sustainable development, currently, the global building energy saving markets have entered into a golden development era. With opportunities and challenges ahead, Technovator will seize business opportunities, fully capitalize on the strengths of its technologies, brands and resources, determine the development direction of the Group's major development, defy challenges and maintain a steady and rapid growth.

Enhancement on R&D of our products and consolidated service capability

As a leading provider of building energy management products and consolidated services, product quality has been the source and driving force of Technovator's development, whereas consolidated service capability directly affects the prospectus of the Group. In the future, the Group will increase its investment in technological R&D and actively capitalize on its three R&D centers throughout the world in order to achieve complementary advantages. Meanwhile, targeting on customers' demand throughout different areas around the world, we will carry out refinement and customization for our products and services, and fulfil the increasing demands from different local customers. We will also build up iconic engineering works in respect of energy saving reform services in different places of the world. With increasing capability in products and comprehensive services, we focus on strengthening and consolidating brand recognition and influential power.

Comprehensive distribution and key advancement in various cities in China

As the major markets of the Group, the markets in China have contributed crucial power to the development of the Group. In the future, the Group will use regional segregation in order to continuously enhance marketing network covering the whole country, and facilitate the progress of urban energy saving reform in major cities through establishment of subsidiaries. Meanwhile, we will cooperate with micro and small enterprises which possess local advantages by means of technical support. We will also facilitate local application of energy saving service and industrial consolidation in building energy saving enterprises so as to achieve mutual benefits. Meanwhile, the Group will focus on energy saving reform advancement in first-tier and large scale cities. Starting from large scale iconic buildings, we will build up key trial projects and raise market shares with the benefits of remarkable product quality and consolidated service capability.

Full capitalization on capital market platform for rapid development

Two years upon its listing, the Group has successfully created considerable values for its extensive shareholders. In the future, the Group will continue to strengthen the investor relations. With full capitalization on the strength of capital market platform, we will further enhance operation management and the establishment of global marketing network of the entire Group, and promote brand recognition and global market shares. With effective energy saving strengths in resources consolidation and lateral business development, the management hopes to expand the coverage of the Group's products and services, upgrade consolidated service standards, provide a strong momentum for the Group in achieving rapid development, thus creating greater values to the shareholders.

Financial Review — Continuing Operations

Revenue

Our total revenue increased by approximately US$24.5 million from approximately US$124.2 million for the year ended 31 December 2012 to approximately US$148.7 million for the year ended 31 December 2013.

Revenue by business segments

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

	For the year ended 31 December				
	2012		**2013**		**2013 vs 2012**
	Revenue (US$'000)	% of revenue	**Revenue (US$'000)**	**% of revenue**	
Building energy-saving solutions:					
Integrated building automation systems	94,041	75.7%	**106,820**	**71.8%**	13.6%
Energy management systems	13,025	10.5%	**21,852**	**14.7%**	67.8%
Others:					
Control security systems	16,771	13.5%	**19,316**	**13.0%**	15.2%
Fire alarm systems	372	0.3%	**725**	**0.5%**	94.9%
Total	124,209	100.0%	**148,713**	**100.0%**	19.7%

Building energy-saving solutions

Revenue from building energy-saving solutions increased by approximately US$21.6 million from approximately US$107.1 million for the year ended 31 December 2012 to approximately US$128.7 million for the year ended 31 December 2013 which was contributed by both the PRC and overseas markets. For the China market, the Company recorded revenue from building energy-saving solutions of approximately US$74.6 million, representing an increase of approximately 22.9% as compared to the previous year. For the overseas market, the Company recorded revenue from building energy-saving solutions of approximately US$54.0 million, representing an increase of approximately 16.7% as compared to the previous year.

Increasing demand on building energy-saving played an important role in keeping sustainable growth, which arose from rolling out of domestic encouraging polices and increasing awareness of energy-efficient products globally. The increase was also due to the our brand recognition and experience in international projects riding on the Group's efforts to accelerate the research and development of new technology as well as strengthening sales and marketing strategies.

Others

The two non-core business segments, which are controls security systems and fire alarm systems, recorded a revenue of approximately US$20.0 million for the year ended 31 December 2013, representing an increase of approximately 16.9% as compared to 2012.

Revenue by Geographical Region

The table below sets out our revenue by Geographical Region for the periods indicated.

	For the year ended 31 December				
	2012		**2013**		**2013 vs 2012**
	Revenue (US$'000)	% of revenue	**Revenue (US$'000)**	**% of revenue**	
The PRC	77,900	62.7%	**94,686**	**63.7%**	21.5%
U.S.	23,844	19.2%	**23,836**	**16.0%**	0.0%
Canada	3,978	3.2%	**4,367**	**2.9%**	9.8%
Europe	11,513	9.3%	**14,361**	**9.7%**	24.7%
Rest of the world	6,974	5.6%	**11,463**	**7.7%**	64.4%
Total	124,209	100.0%	**148,713**	**100.0%**	19.7%

Revenue from The PRC market increased by approximately US$16.8 million to approximately US$94.7 million for the year ended 31 December 2013 from approximately US$77.9 million for the year ended 31 December 2012. This increase was due to numerous governments' energy policies and acceleration of urbanization in major cities as a result of increasing awareness of building energy-saving efficiency in China.

For the overseas market, the business in North America market (including America and Canada) remained stable, whereas the revenue from other markets (including Europe and the rest of the world) increased by approximately 39.7%. This increase was attributable to our increasing marketing efforts in such business segment to procure new projects in different countries all around the world and the increasing demand for building energy-saving solutions and relevant products in the market.

Cost of sales

Cost of sales increased by approximately 17.5%, or approximately US$14.0 million, from approximately US$79.7 million for the year ended 31 December 2012 to approximately US$93.7 million for the year ended 31 December 2013. Reasons lead to the increase were mainly attributable to an overall increase in both sales volume and manufacturing staff cost.

Gross profit

Due to the foregoing factors, gross profit increased by approximately US$10.5 million from approximately US$44.5 million for the year ended 31 December 2012 to approximately US$55.0 million for the year ended 31 December 2013. Gross profit margin slightly increased from approximately 35.8% for the year ended 31 December 2012 to approximately 37.0% for the year ended 31 December 2013.

Other revenue

Other revenue increased from approximately US$1.2 million for the year ended 31 December 2012 to approximately US$3.1 million for the year ended 31 December 2013, due to a approximately US$0.9 million increase in government grant from Energy management contracts program and an increase of approximately US$0.9 million in unrecognized finance income.

Other net (loss)/gain

Other net (loss)/gain decreased from approximately US$0.04 million gain for the year ended 31 December 2012 to approximately US$1.1 million loss for the year ended 31 December 2013 primarily due to the one-off foreign exchange loss from the disposal of the shares of DISTECH CONTROLS during the year.

Selling and distribution costs

Selling and distribution costs increased by approximately US$1.6 million, from approximately US$9.4 million for the year ended 31 December 2012 to approximately US$11.0 million for the year ended 31 December 2013. The increase was primarily due to an increase of approximately US$1.2 million in staff costs, business development costs and transportation costs associated with the expansion of the Group's sales and distribution network. As a percentage of sales, selling and distribution costs slightly decreased to 7.4% for the year ended 31 December 2013 from 7.6% for the year ended 31 December 2012.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately US$2.0 million, from approximately US$13.4 million for the year ended 31 December 2012 to approximately US$15.4 million for the year ended 31 December 2013. The increase was primarily due to an increase of approximately US$1.7 million in administrative staff costs.

Research and development expenses

Research and development expenses increased from approximately US$3.1 million for the year ended 31 December 2012 to approximately US$4.5 million for the year ended 31 December 2013, mainly due to our continuing effort in research and development activities.

Finance costs

Finance costs increased from approximately US$0.6 million for the year ended 31 December 2012 to approximately US$1.5 million for the year ended 31 December 2013. The increase was primarily due to the increase of approximately US$0.4 million in interest expense on borrowings and approximately US$0.5 million net change in fair value of redeemable preference shares.

Income tax

Income tax increased from approximately US$4.0 million for the year ended 31 December 2012 to approximately US$5.8 million for the year ended 31 December 2013. The increase was mainly due to an increase in the Group's profit before taxation in 2013.

Profit for the year

As a result of the foregoing factors, net profit for the year increased by approximately 23.8% from approximately US$15.2 million for the year ended 31 December 2012 to approximately US$18.8 million for the year ended 31 December 2013. Net profit margin slightly increased from approximately 12.2% for the year ended 31 December 2012 to approximately 12.7% for the year ended 31 December 2013.

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	
	2012 (US$'000)	**2013 (US$'000)**
Inventories	12,208	**16,216**
Trade and other receivables	47,888	**65,665**
Trade and other payables	44,052	**55,090**
Average inventories turnover days	62	**55**
Average trade and other receivables turnover days	116	**139**
Average trade and other payables turnover days	162	**193**

The Group's inventories increased from approximately US$12.2 million as at 31 December 2012 to approximately US$16.2 million as at 31 December 2013 primarily due to the increase in production volumes.

The Group's average inventory turnover days decreased from approximately 62 days in 2012 to approximately 55 days for the year ended 31 December 2013 to accommodate the Group's inventory management policy.

The Group's trade and other receivables amounted to approximately US$47.9 million and approximately US$65.7 million as at 31 December 2012 and 2013 respectively. Such increase in trade and other receivables is attributable to the increase in the revenue of the Group as a result of its global expansion.

The Group's average trade and other receivables turnover days were approximately 116 days and approximately 139 days for the year ended 31 December 2012 and 2013 to respectively, which primarily resulted from longer credit terms granted to certain customers for maintaining business relationships.

The Group's trade and other payables slightly increased from approximately US$44.1 million as at 31 December 2012 to approximately US$55.1 million as at 31 December 2013 resulting primarily from its business growth and capability to negotiate for positive credit terms.

The Group's average trade and other payables turnover days was approximately 162 days and approximately 193 days for the year ended 31 December 2012 and 2013 mainly due to the Group's capability to negotiate for longer credit period, in particular, to cope with the longer credit period granted to the Group's customers (especially those project–based customers) and the continued expansion of the Group's business.

Liquidity and financial resources

During 2013, the Group has financed its operations primarily through cash flow from operations, bank borrowings and proceeds from the global offering. As at 31 December 2013, the Group had approximately US$53.6 million in cash and cash equivalents. The Group's 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 of 31 December 2013, the Group's indebtedness consisted of short-term loan of approximately US$15.2 million, average annual interest rate is 5.83%, long-term loan of approximately US$5.7 million, average annual interest rate is approximately 3.84% and obligations under finance lease of approximately US$0.14 million. The short-term loan mainly represented an unsecured loan of approximately US$4.1 million from Bank of China, an unsecured loan of approximately US$3.3 million from CMB, an unsecured loan of approximately US$3.3 million from Bank of Huaxia, an unsecured loan of approximately US$1.6 million from Bank of Beijing, an unsecured loan of approximately US$1.6 million from Bank of Communications, a term loan of approximately US$1.2 million and secured bank overdraft of approximately US$0.07 million from HSBC and other financial institutions. The increase in the Group's indebtedness in 2013 was mainly due to business expansion.

The Group's 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 31 December 2013, defined as loans and borrowings divided by total assets, is approximately 9.9% (2012: approximately 10.2%).

The Group is 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. The Group had not used any financial instruments for hedging purposes during the year under review.

Nevertheless, the management will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when conditions are required.

Pledge of assets

As at 31 December 2013, certain of the Group's interest-bearing bank borrowings were pledged by the Group's assets. The Group's pledged assets increased from approximately US$14.8 million as at 31 December 2012 to approximately US$16.4 million as at 31 December 2013 resulting primarily from the requirement of the bank.

Contractual obligation and capital commitments

The following table sets forth the Group's non-cancellable operating lease commitments as at 31 December 2012 and 2013. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	2012 (US$'000)	**2013** **(US$'000)**
Within one year	1,021	**943**
After one year but within five years	1,458	**1,649**
Total	2,479	**2,592**

The Group had no capital commitments contracted for, and authorized but not contracted for, but not provided in the financial statements as at 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements

The Group does not have any special purpose entities that provide financing, liquidity, market risk or credit support to it or engage in leasing, hedging or research and development services with it. The Group has not entered into any derivative contracts that are indexed to the shareholders of the company (the "shareholders") and classified as Shareholders' equity, or that are not reflected in its financial statements. Moreover, the Group does 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.

On 5 September 2013 (the "Date of Grant"), the Company granted 52,100,000 share options to subscribe for a total of 52,100,000 ordinary shares in the share capital of the Company, subject to acceptance of the grantees, under the share option scheme adopted by the Company on 18 May 2012.

Employment, Training and Development

As at 31 December 2013, the Group had a total of 495 employees, representing an increase of 12.5% compared to 440 employees as at 31 December 2012. Total staff costs for 2013 increased to approximately US$15.2 million from approximately US$12.1 million for the year ended 2012, mainly due to employee and salary increment.

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.

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$74.6 million (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 report, approximately US$7.6million has been used to pursue purchase and strategic alliances opportunities, further strengthen the research and development capabilities and sales and marketing forces, and general working capital. We have deposited the unused Net Proceeds with licensed banks in Hong Kong and Singapore.

Material Acquisitions and Disposals

On 11 March 2013, Distech Controls, a direct non wholly-owned subsidiary of the Company, the Company, Étienne Veilleux ("Mr. Veilleux"), 9109-2759 Québec Inc. ("9109") and several institutional and strategic investors entered into a subscription agreement ("Subscription Agreement"), pursuant to which, among others, the investors agreed to subscribe an aggregate of 8,861,423 Class A Preferred Shares and 836,701 Class B Preferred Shares ("Preferred Shares") at the aggregate price of approximately CAD$25,499,956.32 (approximately) CAD$2.63 per Preferred Share).

As conditions precedent to the completion of the Subscription Agreement, the Company also entered into the following agreements on the closing date of the Subscription Agreement:

1. a share exchange agreement with Distech Controls for the exchange of 3,803,185 Class A common shares of Distech Controls held by the Company immediately prior to the completion of the share exchange agreement;

2. a share purchase agreement with Caisse de dépôt et placement du Québec ("CDPQ") and Distech Controls for the transfer of 798,669 Class A preferred shares of Distech Controls from the Company to CDPQ at a consideration of CAD$2,100,000; and

3. a share purchase agreement with Fonds de solidarité des travailleurs du Québec (F.T.Q) ("Fonds") and Distech Controls for the transfer of 3,004,516 Class A preferred shares of Distech Controls from the Company to Fonds at a consideration of CAD$7,900,000.

4. Distech Controls, the Company, the investors, Mr. Veilleux, 9109 and Fiducie Veilor entered into a shareholders' agreement, pursuant to which the terms and conditions governing the business of Distech Controls and certain rights regarding the shares of Distech Controls are defined. To facilitate the signing of the shareholders agreement, the Company, Distech Controls, Mr. Veilleux and 9109 entered into an agreement to terminate a unanimous shareholders' agreement dated 28 May 2008.

In addition, Distech Controls and 9109 also entered into the following agreements on the closing date of the Subscription Agreement:

1. a share purchase agreement with Distech Controls and 9109 for the purchase of 2,852,389 Class A common shares of Distech Controls for cancellation at a consideration of CAD$7,500,000; and

2. a share purchase and rollover agreement with Distech Controls and 9109 for the repurchase of 950,796 Class A common shares of Distech Controls and the allotment of 950,796 Class A preferred shares of Distech Controls by Distech Controls to 9109.

As at the date of the execution of the Subscription Agreement, Mr. Veilleux, together with 9109 which is a company controlled by him, held approximately 36.19% of the equity interest in Distech Controls. Mr. Veilleux is also a director and the chief executive officer of Distech Controls. Accordingly, Mr. Veilleux and 9109 are connected persons of the Company under the Listing Rules and the transactions contemplated under each of the above-mentioned agreements therefore constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Further details of such transactions are set out in the announcement of the Company dated 11 March 2013 and the circular of the Company dated 5 April 2013.

Save as disclosed above, for the year ended 31 December 2013, no acquisition or disposal of subsidiaries or associates was made by the group.

Significant investment

For the year ended 31 December 2013, the group had no significant investment.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2013, 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 Main Board Listing Rules.

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

The Company has also adopted the Model Code set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2013 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 2013.

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 year ended 31 December 2013.

DIVIDENDS

The Company has not declared and paid any dividend during the year ended 31 December 2013. The Board does not recommend any final dividend for the year ended 31 December 2013.

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 Friday, 23 May 2014 to Friday, 30 May 2014, 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 Friday, 30 May 2014. In order to be eligible to attend and vote at the forthcoming AGM of the Company to be held on 30 May 2014, 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), not later than 4:30 p.m. on Thursday, 22 May 2014.

AGM

The AGM of the Company will be held in Hong Kong on 30 May 2014. 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.hkex.com.hk) and the Company (http://www.technovator.com.sg). The annual report for the year ended 31 December 2013 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.

PUBLICATION OF RESULTS ANNOUNCEMENT

This annual results announcement is available for viewing on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.technovator.com.sg.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2013 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
Lu Zhicheng
Chairman

Beijing, 21 March 2014

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 of the Company are Mr. Lu Zhicheng, Dr. Li Jisheng, Mr. Liu Tianmin and Mr. Ng Koon Siong; and the independent non-executive directors of the Company are Mr. Fan Ren Da Anthony, Mr. Chia Yew Boon and Ms. Chen Hua.

* *For identification purposes only*