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

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2018 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the "**Board**") of Technovator International Limited (the "**Company**") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "**Group**" or "**Technovator**") for the six months ended 30 June 2018 ("**1H2018**"), together with the comparative figures for the corresponding period in 2017 ("**1H2017**"). These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive directors of the Company. The unaudited interim financial statements for 1H2018 have been reviewed by the Company's external auditor.

* *for identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2018	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	*3,4*	**786,926**	642,262
Cost of sales		**(605,575)**	(481,233)
Gross profit		**181,351**	161,029
Other revenue		**24,898**	18,320
Other net (loss)/gain		**(1,157)**	2,906
Selling and distribution costs		**(40,442)**	(36,495)
Administrative and other operating expenses		**(75,112)**	(68,158)
Profit from operations		**89,538**	77,602
Finance costs	*5(a)*	**(5,183)**	(5,074)
Profit before taxation		**84,355**	72,528
Income tax	*6*	**(14,468)**	(10,354)
Profit for the period		**69,887**	62,174
Profit attributable to:			
Equity shareholders of the Company		**72,509**	63,989
Non-controlling interests		**(2,622)**	(1,815)
Profit for the period		**69,887**	62,174
Earnings per share	*7*		
– Basic (RMB)		**0.0927**	0.0798
– Diluted (RMB)		**0.0927**	0.0796

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi ("RMB"))

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Profit for the period	**69,887**	62,174
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**1,148**	(2,322)
Total comprehensive income for the period	**71,035**	59,852
Attributable to:		
Equity shareholders of the Company	**73,647**	61,667
Non-controlling interests	**(2,612)**	(1,815)
Total comprehensive income for the period	**71,035**	59,852

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**260,301**	284,644
Long-term equity investments		**8,148**	–
Lease prepayment		**2,789**	2,848
Intangible assets		**270,716**	271,957
Other financial assets		**454,385**	414,328
Deferred tax assets		**20,960**	17,604
		1,017,299	991,381
Current assets			
Inventories and other contract costs		**946,592**	375,525
Contract assets		**699,929**	–
Trade and other receivables	*8*	**1,470,361**	1,438,201
Gross amounts due from customers for contract work		**–**	899,324
Cash and cash equivalents		**228,361**	521,262
		3,345,243	3,234,312
Current liabilities			
Trade and other payables	*9*	**1,513,378**	1,512,632
Gross amounts due to customers for contract work		**–**	15,507
Contract Liabilities		**82,507**	–
Loans and borrowings		**241,716**	242,306
Obligations under finance leases		**86**	169
Income tax payable		**25,684**	30,613
		1,863,371	1,801,227
Net current assets		**1,481,872**	1,433,085
Total assets less current liabilities		**2,499,171**	2,424,466

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2018 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	**At 30 June 2018** **RMB'000**	At 31 December 2017 *(Note)* *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**26,281**	22,863
Deferred income		**11,339**	11,339
		37,620	34,202
NET ASSETS		**2,461,551**	2,390,264
CAPITAL AND RESERVES			
Share capital	*10*	**1,189,968**	1,191,209
Reserves		**1,255,071**	1,180,931
Total equity attributable to equity shareholders of the Company		**2,445,039**	2,372,140
Non-controlling interests		**16,512**	18,124
TOTAL EQUITY		**2,461,551**	2,390,264

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Technovator International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 10 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on *Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15.

	At 31 December 2017	**Impact on initial application of HKFRS 15** *(Note 2(c))*	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Inventories and other contract costs	375,525	471,809	847,334
Contract assets	–	427,515	427,515
Gross amount due from customer for contract work	899,324	(899,324)	–
Total current assets	**3,234,312**	**–**	**3,234,312**
Trade and other payables	1,512,632	(83,855)	1,428,777
Contract liabilities	–	99,362	99,362
Gross amount due to customer for contract work	15,507	(15,507)	–
Total current liabilities	**1,801,227**	**–**	**1,801,227**
Net current assets	**1,433,085**	**–**	**1,433,085**
Total assets less current liabilities	**2,424,466**	**–**	**2,424,466**
Total non-current liabilities	**34,202**	**–**	**34,202**
Net assets	**2,390,264**	**–**	**2,390,264**
Total equity attributable to equity shareholders of the company	**2,372,140**	**–**	**2,372,140**
Total equity	**2,390,264**	**–**	**2,390,264**

Further details of these changes are set out in sub-sections (c) of this note.

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has assessed that the transition of HKFRS9 has no material impact on impairment loss, therefore, the Group does not recognise any cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018, and comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) ***Classification of financial assets and financial liabilities***

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Currently, the Group does not have financial assets classified as FVOCI and FVPL. Non-equity investments held by the Group are classified into the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

(ii) ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– contract assets as defined in HKFRS 15 (see note 2(c))

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The transition to HKFRS 15 has no material impact on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

(ii) ***Significant financing component***

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group would only apply such a policy when payments are significantly deferred, which is currently common for EMC contracts regarding energy system upgrading or reforming. The Group recognize revenue when the reforming or upgrading project is finished and related control and risk are transferred to customer. As customer will pay for the project by instalments, which cover from 7 years to 20 years, in assessing whether such deferred payments schemes include a significant financing component, the Group has considered the difference between the total amount of instalments due from those customers and the cash selling price, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the properties) based on the typical arrangements entered into with the customers. The Group has assessed that this change in policy does not have significant impact and no opening adjustment was made.

Advance payments are not common in the Group's arrangements with its customers. The Group has assessed that this change in policy does not have significant impact and no opening adjustment was made.

(iii) ***Presentation of contract assets and liabilities***

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "trade and other receivables", "trade and other payables", or "Gross amounts due from/to customers for contract work" respectively, and construct cost incurred related to future activities on the contract, which mainly include materials that have been delivered to a contract site for use in a contract but not yet installed, used or applied during contract performance, are recognised as "Gross amount due from customers for contract work"

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

a. "Gross amounts due from customers for contract work" amounting to RMB427,515,000, which was previously included in gross amounts due from customers for contract work is now included under contract assets;

b. "Gross amount due from customers from contact work" amounting to RMB471,809,000, which related to uninstalled materials that have been delivered to a construct site for use in a contract, but the control has not been transferred to customers, are now included under inventories and other contract costs;

c. "Gross amounts due to customers for contract work" amounting to RMB15,507,000, are now included under contract liabilities;

d. "Receipts in advance" amounting to RMB83,855,000, which was previously included in trade and other payables is now included under contract liabilities.

3 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.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue from smart transportation business	**200,987**	238,559
Revenue from smart building and complex business	**339,485**	242,849
Revenue from smart energy business	**246,454**	160,854
	786,926	642,262

4 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. 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.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below:

For the six months ended	STB 2018 RMB'000	STB 2017 RMB'000	SBB 2018 RMB'000	SBB 2017 RMB'000	SEB 2018 RMB'000	SEB 2017 RMB'000	Total 2018 RMB'000	Total 2017 RMB'000
Disaggregated by timing of revenue recognition								
Point in time	**33**	–	**82,474**	61,154	**29,190**	23,928	**111,697**	85,082
Over time	**200,954**	238,559	**257,011**	181,695	**217,264**	136,926	**675,229**	557,180
Revenue from external customers	**200,987**	238,559	**339,485**	242,849	**246,454**	160,854	**786,926**	642,262
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**200,987**	238,559	**339,485**	242,849	**246,454**	160,854	**786,926**	642,262
Reportable segment profit	**47,538**	62,130	**21,123**	11,111	**89,636**	58,353	**158,297**	131,594
Interest income	**3,191**	2,884	**1,966**	2,889	**12,215**	9,173	**17,372**	14,946
Impairment losses	**(7,953)**	(5,375)	**(10,495)**	(6,248)	**(867)**	(3,624)	**(19,315)**	(15,247)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Profit		
Reportable segment profit	**158,297**	131,594
Depreciation and amortisation	**(60,582)**	(48,196)
Finance costs	**(5,183)**	(5,074)
Unallocated head office and corporate (expenses)	**(8,177)**	(5,796)
Consolidated profit before taxation	**84,355**	72,528

(c) Geographic information

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on loans and borrowings	**5,183**	5,074
(b) Other items		
Amortisation	**31,572**	31,254
Depreciation	**29,010**	16,942
Impairment losses		
– trade and other receivables and contract assets	**19,315**	15,247
Interest income	**(17,372)**	(14,946)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

6 INCOME TAX

Income tax in the consolidated income statements represents:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax	**14,406**	11,711
Deferred tax	**62**	(1,357)
	14,468	10,354

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2017 and 2018. No provision for Singapore income tax was made because the Company sustained tax losses for the period.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

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 incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2017 and 2018.

(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.

7 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 RMB72,509,000 (six months ended 30 June 2017: RMB63,989,000) and the weighted average of 782,455,376 ordinary shares (2017: 801,769,310 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB72,509,000 (six months ended 30 June 2017: RMB63,989,000) and the weighted average number of ordinary shares of 782,455,376 (2017: 804,085,714 shares).

8 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current	**778,396**	727,979
Less than 1 month past due	**2,915**	3,080
More than 1 month but less than 3 months past due	**25,125**	93,943
More than 3 months but less than 12 months past due	**40,069**	133,040
More than 12 months past due	**228,139**	184,901
Trade debtors, net of allowance for doubtful debts	**1,074,644**	1,142,943
Other receivables	**158,307**	167,533
Loans and receivables	**1,232,951**	1,310,476
Deposits and prepayments	**237,410**	127,725
	1,470,361	1,438,201

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

9 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
By date of invoice:		
Within 3 months	**846,573**	906,842
More than 3 months but within 6 months	**137,724**	44,006
More than 6 months but within 12 months	**128,153**	109,479
More than 12 months	**242,783**	221,812
Trade creditors and bills payable	**1,355,233**	1,282,139
Other payables and accruals	**158,145**	146,638
Financial liabilities measured at amortised cost	**1,513,378**	1,428,777
Receipts in advance	**–**	83,855
	1,513,378	1,512,632

Note: Upon the adoption of HKFRS 15, receipts in advance is included in contract liabilities (see note 2(c)).

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares	**Amounts** *RMB'000*	Number of shares	Amounts *RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**782,842,189**	**1,191,209**	801,652,189	1,254,909
Share repurchased and cancelled *(note 13(d))*	**(650,000)**	**(1,241)**	(35,530,000)	(82,685)
Shares issued upon exercise of share options(i)	**–**	**–**	16,720,000	18,985
At 30 June/ 31 December	**782,192,189**	**1,189,968**	782,842,189	1,191,209

(i) There were no shares issued by the Company during the six-month period ended 30 June 2018. In 2017, a total of 16,720,000 shares were issued by the Company upon the exercise of shares options by certain grantees at a total consideration of HK$19,228,000 (RMB16,727,000 equivalent) which was credited to share capital and HK$2,592,150 (RMB2,258,000 equivalent) has been transferred from the share-based compensation reserve to the share capital.

(b) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

(c) Dividends

The Company has not declared interim dividend attributable to the six months ended 30 June 2018 and 2017.

(d) Treasury shares

	Number of shares	**Amounts** *RMB'000*
Treasury shares		
At 1 January 2018	250,000	493
Shares repurchased to be cancelled	400,000	748
Shares cancelled *(note 13(a))*	(650,000)	(1,241)
At 30 June 2018	–	–

During the six-month period ended 30 June 2018, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *HK$'000*
January 2018	400,000	2.45	2.22	938

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK$938,120 (approximately RMB748,000 equivalent) was paid wholly out of capital. 650,000 shares out of the total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by HK$1,518,340 (approximately RMB1,241,000 equivalent).

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 2018, the Chinese government explicitly set out that "the energy-saving and environmental protection industry shall be boosted" and pointed out that "a host of green low-carbon industries relating to new urbanization, such as energy-saving building, smart transportation and new energy, have created fresh opportunities not only for China, but for global businesses". Technovator, a leading service and solutions provider in the areas of smart transportation, smart building and complex as well as smart energy, remains committed to "being smart and energy-saving" as its principal development focus to embrace this critical period of reform and for even greater opportunities.

By leveraging on its years of technology experience, in-depth industrial engagements, talent pool and its brand's strength, the Group recognized revenue of RMB786.9 million for 1H2018, representing a year-on-year increase of 22.5%. Meanwhile, amidst a multitude of domestic and global uncertainties, the Group thrived to reform, innovate and prevail over difficulties. As a result, Technovator recognized a profit before taxation of RMB84.4 million for 1H2018, representing a year-on-year increase of 16.3%. Net profit amounted to RMB69.9 million for 1H2018, representing a year-on-year increase of 12.4%.

BUSINESS REVIEW

Smart Transportation Business

Technovator has been paving the way in terms of development in the industry of the rail transit intelligent system and energy-saving businesses for years and will continue to benefit from such industry development. In 2018, the smart transportation business continued to develop steadily. Nevertheless, as a number of new projects were still in their early stage of execution and such revenue was not yet recognised in the period, the segment revenue recorded a decline as compared to the corresponding period of last year. Even so, the development of the industry stays positive, as it remains in a period of high-speed construction for urban rail transit in China.

In respect of technology research and development and innovation, the Group launched lifetime subway energy-saving solutions during the period. In particular, the successful development of the high-efficiency magnetic suspension direct-expansion air-conditioning unit (高效磁懸浮直膨空調機組) opened up a new horizon for technological innovation of equipment for the subway energy-saving business. At the same time, the segment continues to use cloud computing and big data platform as its core, connecting the upper-level smart application, enriching and optimizing urban rail transit information management platform and rail transit comprehensive monitoring cloud platform, exploring the application of big data analysis platform for railway energy consumption, and conducting design and research and development of the supporting software for the network command system and smart operation and maintenance system. In the new era of "smart", the Group's rail transit segment has driven strong markets by strong technology, providing "smart" services with robust functionality, flexible expansion, safe and efficient features for more than 50 subway routes in over 20 cities in China. The mileage of the routes under the services is more than 1,300 kilometers, accelerating the smart development of China's urban rail transit system at full speed.

In respect of business expansion, the Group made a new breakthrough in the energy-saving transformation business for subway services in Southern China during the period by successfully securing the energy management contract (EMC) project for the energy-saving transformation of Ningbo Subway Line No.2. The Group's business of municipal rail transportation network command center has entered the standardized development stage with advanced technology. During the period, it successfully secured projects in Xi'an and Qingdao, which continued to anchor its leading position in the market. Furthermore, at the same time, Technovator participated in the editorial of the "Case Study and Standard Establishment of Network Operation Command Center System" (《綫網運營指揮中心系統方案研究和規範編製》), standardizing and documenting its own technology and experience to contribute to the industry development. As for the subway integrated supervisory control business, being its traditional competitive edge, the Group made smooth progress of its projects in Changchun, Wuhan and Qingdao, secured new projects such as the Caidian Line of Wuhan Subway and projects such as the Hangzhou-Ningbo intercity railway during the period.

Smart Building and Complex Business

China's building construction industry in the new era is undergoing a transitional period from high-speed development to high-quality development, while high-quality demand requires high-quality supply. In 2018, the Group briskly captured market demands in the smart building and complex segment by focusing on key areas of the new era such as smart urban buildings, smart complex, data center and integrated pipeline, and targeted high-end customers to meet high-end needs. As such, the segment has been successful in its transformation. During the period, the segment recognized an increase in both revenue and profit.

In respect of technology research and development and innovation, the segment successfully launched IBS4.0 information integration platform during the period, which realised multi-system integration management, cross-system remote linkage and profound integration of control management and information management, assisting customers in information collection, resource sharing and optimisation management. The building control products of the self-developed Techcon series continued being optimised and innovated on an on-going basis, and maintained a leading position on the list of China's National Brands of Building Control Products (中國樓控產品民族品牌榜). Meanwhile, the segment was fully engaged in the design and research and development of the intelligent pipeline integrated service platform. This platform adopts the international advanced building information technology (BIM) + geographic information system (GIS) technology, which can achieve the 3D monitoring of pipelines under the macroscopic view of GIS and the pipeline monitoring under the microscopic view of BIM, and combines with innovative edge computing technology to provide strong backup for the pipeline smart building and subsequent operation management. The Group also participated in the editorial of the "Guidelines for the Smart Pipeline Building" (《智慧管廊建設導則》) by the Intelligent Building Branch of China Construction Industry Association (中國建築業協會智能建築分會). It is expected that the business of urban integrated pipeline will become a new highlight of the Group's smart building and complex segment in the future. In the new era of urbanization constructions, the Group will remain committed to application as the base and technology as the focus, and adopt a pragmatic attitude to move forward and create greater value on an ongoing basis.

In respect of business expansion, during the period, the Group made significant progress in the EMC business for the energy-saving transformation of buildings, its key development area, by securing the Hengshui Taihua Boyue Hotel Project (衡水泰華博悅酒店項目) and Chongqing Public Security Command Center Project (重慶市公安指揮中心項目). For such projects, the Group has applied its proprietary energy-saving technologies and products to ensure the sustainable operations and higher profit margin contribution for the segment. The Group sustained the stable development of the building intelligent business within its traditional competition edge. During the period, the Group also successfully secured numerous large-scale projects with government and state enterprises in China, such as Qingdao Hongdao International Convention and Exhibition Center (青島紅島國際會展中心), Logistics Headquarters of Jingdong in Xi'an (西安京東物流總部), and Huaneng Information Industry Base (華能信息產業基地). The Techcon series building control products continued to be widely used in many places such as Chongqing. In the field of integrated pipeline in emerging cities, the Group continued to make great strides with its solid foundation and innovative technology during the period. The Group has secured multiple large-scale premium projects, which will accumulate valuable experience for developing in this field in the future.

Smart Energy Business

Technovator is a leader in the smart energy saving for central heating. While anchoring its leading position in the industry, the Group has focused on its institutional reform, integration of resources, and change and innovation to break through the boundaries between thermal energy generation and consumption, thereby promoting effective interaction within the entire supply chain from energy-saving operation, system construction to product technology development. During the period, the segment's coverage expanded rapidly and the revenue increased substantially.

In terms of technology research and development and innovation, during the period, the segment successfully developed the Taiyuan Smart Heating Information Platform, which is based on the GIS system and combined with Internet of things (IoT), the Internet and big data technology. The platform is expected to achieve unified display, centralised management, cross-analysis and integrated application of energy data for heating area of nearly 150 million square meters governed by the Taiyuan Heat Power Group* (太原市熱力集團), forming "One Network for One City" (「一城一網」). This is not only the achievement of the Group's exploration and research on large and complicated urban heating system over the years, but also a milestone in the development of municipal central heating and intelligent applications in the era of big data. At the same time, the absorption style heat exchange units for substantial temperature differentials (吸收式大溫差換熱機組) jointly developed by the Group and Tsinghua University continued to have technological upgrades in the actual application in its project, which further enhanced the transportation and distribution capabilities of urban heating network and reduced the consumption of heat supply, so as to achieve greater economic benefits.

* *For identification purposes only*

In respect of business expansion, while further enhancing its leadership in urban central heating intelligence, the Group continued to grow its advantage in the EMC business for heating network energy-saving transformation and actively expand the business scope of franchised operation for the heating business. During the period, the smart heating projects in Karamay, Taiyuan and Anshan have made more progress. At the same time, the Group secured several new projects such as Jilin Datang (吉林大唐) and Xinxiang Huadian (新鄉華電). It continued to expanded current business scope to maintain the leading market position while exploring new markets. EMC projects, such as Linyi City Hengyuan Thermal, Xinjiang Tianfu and Fushun Mining (撫順礦業), are progressing smoothly, which boosted the profit margin of the segment, and also achieved energy saving and cost reduction for customers. Numerous projects are expected to have further cooperation and share greater energy-savings benefits. At the same time, the franchised operation project of Youyi Heating (友誼熱力) in Heilongjiang continued to increase investment and expand heating coverage area during the period. The segment will also keep on exploring new business model, thereby helping the Group to achieve sustainable operation.

OUTLOOK

The construction of a low-carbon energy system is one of the major tasks of China's economic restructuring in the new era. China will strive to achieve a target mission of controlling the total energy consumption within 5 billion and 6 billion tons of standard coal by 2020 and 2030, respectively. In the meantime, the pace of urbanisation continues to accelerate and the era of "smart movement" is on its way. Regardless of the past, present and future, Technovator remains firm with "serving society with technology" as its mission and "being smart and energy-saving" as its principal development focus, with continuous efforts to develop new urbanization industries that are smart, green and healthy.

Positioned as a leading service provider of smart energy-saving technology in the urban energy arena, the Group will stay firm with its reform, transformation, innovation and development. In respect of technological research and development, the Group overcame difficulties with continuous innovation and managed to drive a strong market with powerful technology. In respect of business expansion, it will deepen its collaboration with upstream and downstream partners, to jointly capture the "Blue Ocean Markets". In respect of the supply chains, the Group will continue to seek mergers and acquisitions of advantageous markets, technologies and products, facilitate effective interaction between "industry players, academic and research institutions, policies, capital and commerce", and realize win-win development in green supply chains.

We act pragmatically and overcome difficulties while having the dream and great ambition. Going forward, Technovator will not forget why we started, and is committed to building a green low-carbon energy system based on technologies and all-round innovation. We will also integrate resources and enlarge cooperation to introduce even more innovative solutions for urban green development, leading the healthy development of the industry and creating greater value for shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group recorded net revenue of approximately RMB786.9 million for 1H2018, representing a year-on-year increase of 22.5%. The Group's transformation attained outstanding results. During the period, the Group sped up the expansion of its layout in the heating industry and delivered significant revenue growth in the smart energy business segment. In respect of its smart building and complex business, the Group continued with its transformation and maintained substantial revenue growth. Nevertheless, the smart transportation business recorded a revenue decline during the period compared with the corresponding period of last year, as the newly signed smart transportation business was still in the early stage of project and such revenue was not yet recognised during the period.

Revenue by business segment

The table below sets forth the Group's revenue by business segments for the periods indicated.

	For the six months ended 30 June				
	2018		2017		
	Revenue *(RMB'000)* **(unaudited)**	**% of revenue**	Revenue *(RMB'000)* (unaudited)	% of revenue	Comparison
Smart transportation	**200,987**	**26%**	238,559	37%	(15.7%)
Smart building and complex	**339,485**	**43%**	242,849	38%	39.8%
Smart energy	**246,454**	**31%**	160,854	25%	53.2%
Total	**786,926**	**100%**	642,262	100%	22.5%

Smart transportation

Revenue from the smart transportation business segment decreased by 15.7% from approximately RMB238.6 million for 1H2017 to approximately RMB201.0 million for 1H2018, with the percentage of revenue decreasing from 37% for the same period last year to 26% for the period. During the period, the Group made smooth progress with its smart urban subway projects such as Changchun Subway Line No.2, Wuhan Subway Line No.7 and Qingdao Subway Line No.2. Nevertheless, as the new projects, including Xi'an Subway Network Emergency Command Center, Caidian Line of Wuhan Rail Transit and Qingdao Subway Network Operation Management and Command Center System, were still in their early stage, such revenue was not yet recognised which led to a decline in the revenue from the smart transportation business for this period.

Smart building and complex

During the period, revenue from the smart building and complex segment continued to grow, significantly increased by 39.8% from approximately RMB242.8 million for 1H2017 to approximately RMB339.5 million for the period. During the period, the Group successfully secured traditional smart projects such as the Hongdao International Convention and Exhibition Center Project and the Intelligent System Project of Bengbu Medical College (蚌埠醫學院智能化系統工程). Besides, it proactively promoted the implementation progress of certain smart building projects for a first-tier city in Northern China, the weak-current engineering project for Yujiapu Financial District (於家堡金融區弱電工程) with certain revenue recorded.

Smart energy

During the period, the Group was active in pushing forward the structure optimization and resource reorganization for its business relating to smart energy, while continuing to explore various business models, such as entrusted and franchised operations for heating networks to enlarge its industry presence. All these led to the rapid growth in revenue of the smart energy business segment in 1H2018, which increased by 53.2% from approximately RMB160.9 million for 1H2017 to approximately RMB246.5 million for 1H2018. Certain progress has been made in EMC projects such as Linyi City Hengyuan Thermal, Xingjiang Tianfu Energy and Fushun Mining during the period. In addition, major progress has been attained in such projects as the maintenance and transformation project of heating supply of Karamay (克拉瑪依供熱系統維修改造工程), the central heating project of clean energy cogeneration in the southern region of Taiyuan Heat Power (太原熱力南部熱電聯產清潔能源集中供熱工程) and the distributed variable frequency and automatic control system of Anshan Heating Company (鞍山供熱公司分布式變頻及自控改造系統), which contributed revenue to the segment during the period.

Cost of sales

Cost of sales increased by approximately 25.8%, from approximately RMB481.2 million for 1H2017 to approximately RMB605.6 million for 1H2018. The increase was due to increase in project revenue, which resulted in the corresponding increase in costs (as further discussed in the section headed "Gross profit" below).

Gross profit

Gross profit increased by 12.6% from approximately RMB161.0 million for 1H2017 to approximately RMB181.4 million for 1H2018. Gross profit margin decreased by 2.0 percentage points, from approximately 25.1% for 1H2017 to approximately 23.1% for 1H2018. For the period, the decrease in the gross profit margin of the Group as a whole was attributable to the decrease in the proportion of the revenue from its smart transportation business with a relatively high gross profit margin.

Other revenue

Other revenue increased by approximately RMB6.6 million, from approximately RMB18.3 million for 1H2017 to approximately RMB24.9 million for 1H2018. This was mainly attributable to the increase in interest income from EMC and government grants during the period.

Other net (loss)/gain

Other net loss amounted to approximately RMB1.2 million for 1H2018, which changed from the net gain of RMB2.9 million for the corresponding period of last year, representing a decrease of RMB4.1 million. Such decrease was mainly due to the exchange rate fluctuations during the period, which resulted in an exchange loss of approximately RMB1.1 million from the foreign currency assets held by the Company in 1H2018 (1H2017: an exchange gain of approximately RMB2.5 million from the foreign currency assets held by the Company)

Selling and distribution costs

Selling and distribution costs for 1H2018 amounted to approximately RMB40.4 million, representing an increase of 10.8% over 1H2017. Selling and distribution costs accounted for 5.1% of revenue, which was roughly at the same level with a fractional decline of approximately 0.6 percentage point as compared to the corresponding period of last year. The increase in selling and distribution costs was mainly driven by the Group's business expansion.

Administrative and other operating expenses

Administrative and other operating expenses for 1H2018 amounted to approximately RMB75.1 million, which represented an increase of approximately 10.2% from approximately RMB68.2 million in 1H2017. In particular, the increase in administrative and other operating expenses for 1H2018 mainly came from the additional staff hired and wage incurred for the Group's business expansion. Administrative and other operating expenses accounted for 9.5% of revenue, representing a decrease of 1.1 percentage points from 10.6% over the corresponding period of last year.

Finance costs

Finance costs slightly increased by 2.1%, from approximately RMB5.1 million for 1H2017 to approximately RMB5.2 million for 1H2018. The increase of finance costs were primarily due to higher interest rates of the loans during the period as compared with the corresponding period of last year.

Income tax

Income tax increased by 39.7%, from approximately RMB10.4 million for 1H2017 to approximately RMB14.5 million for 1H2018.

Profit for the period

Profit for the period increased by approximately 12.4%, from approximately RMB62.2 million for 1H2017 to approximately RMB69.9 million for 1H2018. Net profit margin decreased by approximately 0.8 percentage points, from 9.7% to approximately 8.9%, which was mainly driven by lower gross profit margin for the period.

The basic earnings per share from continuing operations of the Group rose by 16.2% year-on-year to RMB0.0927 (IH2017: RMB0.0798), while the diluted earnings per share grew by 16.5% year-on-year to RMB0.0927 (IH2017: RMB0.0796).

Working capital and financial resources

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

	As at 30 June 2018 ***(RMB'000)*** (unaudited)	As at 31 December 2017 *(RMB'000)* (audited)	As at 30 June 2017 *(RMB'000)* (unaudited)
Inventories and other contract costs	**946,592**[Note2]	375,525[Note1]	339,475[Note1]
Trade and other receivables	**1,470,361**	1,438,201	1,556,879
Trade and other payables	**1,513,378**	1,512,632	1,091,745
Average inventories and other contract costs turnover days	**205**[Note2]	62[Note1]	120[Note1]
Average trade receivables turnover days[Note3]	**263**	212	334
Average trade payables turnover days[Note3]	**360**	266	333

Note 1: Adoption of HKAS 11 and HKAS 18

Note 2: Adoption of HKFRS 15

Note 3: The calculation of turnover days excluded other receivables, other payables and related party amounts

The Group adopted HKFRS 15 on 1 January 2018. As such, inventories and certain gross amounts due from customers for contract work have been presented under "inventories and other contract costs". As of 30 June 2018, the Group's inventories and other contract costs amounted to approximately RMB946.6 million, which represented an increase of RMB571.1 million compared with 31 December 2017 mainly due to the change in financial reporting standards.

The Group's trade and other receivables grew by a marginal 2.2%, from approximately RMB1,438.2 million as at 31 December 2017 to approximately RMB1,470.4 million as at 30 June 2018. Average trade receivables turnover days declined from approximately 334 days for 1H2017 to 263 days for 1H2018, owing to faster collection for the period as the Group strengthened the receivables management.

The Group's trade and other payables amounted to approximately RMB1,513.4 million as of 30 June 2018, which was roughly at the same level as the approximately RMB1,512.6 million recorded as of 31 December 2017. The Group's average trade payables turnover days increased from 333 days for 1H2017 to approximately 360 days for 1H2018, mainly due to the negotiation on longer credit terms as the Group tried to obtain favorable payment conditions from its suppliers.

Liquidity and financial resources

In 1H2018, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2018, the Group had approximately RMB228.4 million in cash and cash equivalents, which accounted for 9.3% of the Group's net assets (31 December 2017: cash and cash equivalents of approximately RMB521.3 million). Depending on the finance costs in the market and the requirements of the Group, the Group plans to reasonably allocate the funds for the normal working capital purposes, and/or future acquisitions and/or repayment of loans. The Group's cash and cash equivalents primarily consist of cash in banks and on hand and deposits that are readily convertible into known amounts of cash.

As at 30 June 2018, the Group's indebtedness consisted of short-term bank loans of approximately RMB173.7 million (with an average annual interest rate of 4.70%) and borrowings of approximately RMB68.0 million.

As at 30 June 2018, 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 and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2018, the net debt of the Group amounted to approximately RMB13.4 million (31 December 2017: net cash of the Group approximately RMB279.0 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 5.5% (30 June 2017: approximately 7.8%).

Pledge of assets

As at 30 June 2018, 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 30 June 2018 and 31 December 2017. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Within 1 year	**15,312**	15,758
After 1 year but within 5 years	**5,057**	8,327
	20,369	24,085

Outstanding capital commitments not provided for in the financial statements at 30 June 2018 and 31 December 2017 are as follows:

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Contracted for	**118,463**	131,121

Contingent liabilities

As at 30 June 2018, 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 provide credit, liquidity or market risk support services for such entities.

Employees, training and development

As at 30 June 2018, the Group had a total of 858 employees (30 June 2017: 769). Total staff costs increased by approximately 26.0%, from approximately RMB63.5 million for 1H2017 to approximately RMB80.0 million for 1H2018, which was attributable to the additional staff recruited in response to the Group's business expansion.

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

The Group provides regular training for its employees to keep them abreast of the Group's products, technology developments and the market conditions of its industry. The Group also offers additional training for frontline sales staff regarding each new product launch, so as to help them deliver more effective sales and promotion. In addition, the Group's senior management also attends conferences and exhibitions to broaden their knowledge of the industry

Material acquisitions and disposals

For the six months ended 30 June 2018, the Group had no other material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2018, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, 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 (the "**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 Listing Rules throughout the six months ended 30 June 2018 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 throughout the six months ended 30 June 2018.

ISSUE OF SECURITIES

During the six months ended 30 June 2018, the Company did not conduct any fund raising activities through issue of equity securities.

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

During the six months ended 30 June 2018, the Company repurchased a total of 400,000 ordinary shares of the Company 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$*	**Lowest price paid per share** *HK$*	**Total consideration paid** *(Note)* *HK$*
January 2018	400,000	2.45	2.22	938,120
Total	**400,000**			938,120

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

For the six months ended 30 June 2018, the Company cancelled a total of 650,000 ordinary shares of the Company, of which, 250,000 shares were repurchased in December 2017, and the remaining 400,000 shares were repurchased during the six months ended 30 June 2018. As at 30 June 2018, all ordinary shares repurchased during the six months ended 30 June 2018 were cancelled.

Except as disclosed in this paragraph, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

DIVIDENDS

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.technovator.com.sg). The interim report for the six months ended 30 June 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By the Order of the Board
Technovator International Limited
Qin Xuzhong
Chairman

Hong Kong, 10 August 2018

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