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## **TECHNOVATOR INTERNATIONAL LIMITED**

**科諾威德國際有限公司**

*(incorporated in Singapore with limited liability)*

**(Stock Code: 1206)**

### **2011 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 (together referred to as the “Group”) for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010. 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 2011*  
*(Expressed in United States dollars)*

	<i>Note</i>	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Revenue</b>	<i>3, 4</i>	<b>97,513</b>	74,085
Cost of sales		<u>(61,118)</u>	<u>(48,888)</u>
<b>Gross profit</b>		<b>36,395</b>	25,197
Other revenue		<b>1,293</b>	1,433
Other net (loss)/gain		<b>(60)</b>	13
Selling and distribution costs		<b>(8,520)</b>	(6,720)
Administrative and other operating expenses		<b>(11,017)</b>	(8,798)
Research and development expenses		<u>(2,956)</u>	<u>(1,945)</u>
<b>Profit from operations</b>		<b>15,135</b>	9,180
Finance costs	<i>5(a)</i>	<u>(542)</u>	<u>(541)</u>
<b>Profit before taxation</b>		<b>14,593</b>	8,639
Income tax	<i>6</i>	<u>(2,777)</u>	<u>(1,459)</u>
<b>Profit for the year</b>		<u><b>11,816</b></u>	<u>7,180</u>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>10,445</b>	7,049
Non-controlling interests		<u>1,371</u>	<u>131</u>
<b>Profit for the year</b>		<u><b>11,816</b></u>	<u>7,180</u>
<b>Earnings per share</b>	<i>7</i>		
Basic (US\$)		<b>0.027</b>	0.019
Diluted (US\$)		<b>0.026</b>	0.019

## CONSOLIDATED BALANCE SHEET

at 31 December 2011

(Expressed in United States dollars)

	<i>Note</i>	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,431</b>	2,889
Intangible assets		<b>14,125</b>	13,352
Goodwill		<b>15,914</b>	15,713
Other financial assets		–	836
Deferred tax assets		<b>287</b>	100
		<hr/> <b>33,757</b>	<hr/> 32,890
		<hr/> <b>33,757</b>	<hr/> 32,890
<b>Current assets</b>			
Inventories		<b>14,807</b>	10,448
Trade and other receivables	8	<b>31,136</b>	24,142
Gross amounts due from customers for contract work		<b>508</b>	52
Income tax recoverable		–	30
Cash and cash equivalents		<b>27,940</b>	15,243
		<hr/> <b>74,391</b>	<hr/> 49,915
		<hr/> <b>74,391</b>	<hr/> 49,915
<b>Current liabilities</b>			
Trade and other payables	9	<b>26,562</b>	21,357
Gross amounts due to customers for contract work		<b>357</b>	310
Loans and borrowings		<b>3,591</b>	9,344
Obligations under finance leases		<b>60</b>	119
Income tax payable		<b>1,064</b>	592
		<hr/> <b>31,634</b>	<hr/> 31,722
		<hr/> <b>31,634</b>	<hr/> 31,722
<b>Net current assets</b>		<hr/> <b>42,757</b>	<hr/> 18,193
		<hr/> <b>42,757</b>	<hr/> 18,193
<b>Total assets less current liabilities</b>		<hr/> <b>76,514</b>	<hr/> 51,083
		<hr/> <b>76,514</b>	<hr/> 51,083

**CONSOLIDATED BALANCE SHEET** *(continued)*  
*at 31 December 2011*  
*(Expressed in United States dollars)*

	<i>Note</i>	<b>2011</b> <b>US\$'000</b>	2010 <i>US\$'000</i>
<b>Non-current liabilities</b>			
Loans and borrowings		<b>3,382</b>	373
Obligations under finance leases		<b>27</b>	79
Deferred income		<b>87</b>	50
Deferred tax liabilities		<b>2,290</b>	2,222
		<u><b>5,786</b></u>	<u>2,724</u>
<b>NET ASSETS</b>		<u><b>70,728</b></u>	<u>48,359</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>10</i>	<b>33,786</b>	24,228
Reserves		<b>31,227</b>	19,708
<b>Total equity attributable to equity shareholders of the Company</b>		<b>65,013</b>	43,936
<b>Non-controlling interests</b>		<b>5,715</b>	4,423
<b>TOTAL EQUITY</b>		<u><b>70,728</b></u>	<u>48,359</u>

## 1 BASIS OF PREPARATION

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2011 but the information herein has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2011.

The consolidated 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. The 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. A summary of the significant accounting policies adopted by the Group is set out below.

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

These financial statements are presented in United States Dollars (“US\$”), rounded to the nearest thousand except for per share data, which is the functional currency of the Group’s major operating units. The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### 3 REVENUE

The principal activities of the Group are the 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 2010 and 2011 are as follows:

	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
Sales of goods	<b>85,095</b>	62,458
Provision of services	<b>4,371</b>	1,157
Contract revenue	<b>8,047</b>	10,470
	<b>97,513</b>	74,085

### 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 year ended 31 December 2010 and 2011 is set out below:

	BAS - PRC		BAS - North America				BAS - Europe		BAS - Other countries		CSS - PRC		FAS - PRC		EMS - PRC		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	US\$'000	US\$'000
Revenue from external customers	38,235	31,499	20,952	19,748	12,578	8,074	5,754	668	12,090	7,935	271	545	7,633	5,616	97,513	74,085		
Inter-segment revenue	6,694	131	921	599	-	-	22	-	-	-	-	-	-	-	7,637	730		
<b>Reportable segment revenue</b>	<b>44,929</b>	<b>31,630</b>	<b>21,873</b>	<b>20,347</b>	<b>12,578</b>	<b>8,074</b>	<b>5,776</b>	<b>668</b>	<b>12,090</b>	<b>7,935</b>	<b>271</b>	<b>545</b>	<b>7,633</b>	<b>5,616</b>	<b>105,150</b>	<b>74,815</b>		
<b>Reportable segment profit/ (loss)</b>	<b>8,807</b>	<b>6,217</b>	<b>4,112</b>	<b>3,435</b>	<b>2,240</b>	<b>145</b>	<b>1,210</b>	<b>(571)</b>	<b>531</b>	<b>261</b>	<b>22</b>	<b>41</b>	<b>3,630</b>	<b>3,164</b>	<b>20,552</b>	<b>12,692</b>		
Finance costs	(87)	(25)	(420)	(476)	(35)	(40)	-	-	-	-	-	-	-	-	(542)	(541)		
Depreciation and amortisation for the year	(411)	(172)	(2,140)	(1,560)	(832)	(920)	-	(1)	(111)	(43)	(2)	(2)	(70)	(29)	(3,566)	(2,727)		

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

	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Revenue</b>		
Reportable segment revenue	105,150	74,815
Elimination of inter-segment revenue	<u>(7,637)</u>	<u>(730)</u>
Consolidated revenue	<u>97,513</u>	<u>74,085</u>
<b>Profit</b>		
Reportable segment profit	20,552	12,692
Elimination of inter-segment profits	<u>(552)</u>	<u>(159)</u>
Reportable segment profit derived from Group's external customers	20,000	12,533
Depreciation and amortisation	<u>(3,566)</u>	<u>(2,727)</u>
Finance costs	<u>(542)</u>	<u>(541)</u>
Unallocated head office and corporate expenses	<u>(1,299)</u>	<u>(626)</u>
Consolidated profit before taxation	<u>14,593</u>	<u>8,639</u>

(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.

	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Revenue derived from:</b>		
PRC	58,229	45,787
United States	18,691	14,126
France	7,833	5,886
Canada	2,261	2,547
Switzerland	1,687	1,266
The Netherlands	1,107	2,638
Other countries	<u>7,705</u>	<u>1,835</u>
	<u>97,513</u>	<u>74,085</u>

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>(a) Finance costs</b>		
Interest on loans and borrowings wholly repayable within five years	532	529
Other financial costs	10	12
	<u>542</u>	<u>541</u>
<b>(b) Staff costs</b>		
Salaries and allowances	7,931	5,568
Contributions to defined contribution retirement schemes	1,493	1,388
Equity settled share-based payment expenses	340	674
	<u>9,764</u>	<u>7,630</u>
	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>(c) Other items</b>		
Cost of inventories	55,674	42,800
Amortisation of intangible assets	2,844	2,088
Depreciation	722	639
Impairment losses on trade and other receivables	226	560
Operating lease charges in respect of:		
– motor vehicles, plant and machinery	881	562
– properties	221	147
Auditors' remuneration	723	128

## 6 INCOME TAX

	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Current tax</b>		
Provision for the year	2,869	1,433
Over-provision in respect of prior years	(18)	(120)
	<u>2,851</u>	<u>1,313</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(74)	146
	<u>2,777</u>	<u>1,459</u>

*Notes:*

- (i) The Company is subject to Singapore corporate income tax at 17% for the year ended 31 December 2011 (2010:17%). No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2010 and 2011.
- (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 28.4% for the year ended 31 December 2011 (2010:29.9%). Corporate income tax comprises of 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 Europe is subject to the Netherlands corporate income tax at progressive rates ranging from 20% to 25.5%, depending on the amount of taxable income.

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 2010 and 2011. Distech U.S. was incorporated in the United States on 17 February 2010. 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. Tax losses brought forward that were incurred before the formation can only be utilised by the individual entities that incurred the tax losses and cannot be utilised by the tax-consolidated group.

- (iii) Technovator Beijing was recognised as a high and new technology enterprise since 2008 for the period of three years from 2008 to 2010 and has renewed this status for the period of three years from 2011 to 2013, and is eligible to enjoy a preferential tax rate of 15% during these years.
- (iv) The Group is not subject to Hong Kong corporate income tax during the years ended 31 December 2010 and 2011.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of US\$10,445,000 (2010: US\$7,049,000) and the weighted average number of ordinary shares of 384,926,027 (2010: 363,200,000 after adjusting the subdivision of shares in 2011) in issue during the year, calculated as follows:

#### (i) *Weighted average number of ordinary shares*

	<b>2011</b>	2010
	<b>Number</b>	Number
	<b>of shares</b>	of shares
Ordinary shares issued at 1 January	<b>9,080,000</b>	9,080,000
Effect of subdivision of shares	<b>354,120,000</b>	354,120,000
Effect of issuance of shares	<b>21,726,027</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b><u>384,926,027</u></b>	<b><u>363,200,000</u></b>

### (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\$10,445,000 (2010: US\$7,049,000) and the weighted average number of ordinary shares of 398,256,592 (2010: 376,061,880 after adjusting the subdivision of shares in 2011) in issue during the year, calculated as follows:

#### (i) *Weighted average number of ordinary shares (diluted)*

	<b>2011</b>	2010
	<b>Number</b>	Number
	<b>of shares</b>	of Shares
Weighted average number of ordinary shares at 31 December	<b>384,926,027</b>	363,200,000
Effect of deemed issue of ordinary shares under the Company's option scheme for nil consideration	<b>13,330,565</b>	12,861,880
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<b><u>398,256,592</u></b>	<b><u>376,061,880</u></b>

## 8 TRADE AND OTHER RECEIVABLES

	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
Trade debtors due from related parties	<b>2,613</b>	38
Other trade debtors and bills receivable	<b>26,243</b>	19,262
Less: Allowance for doubtful debts	<b>(735)</b>	(720)
	<b>28,121</b>	18,580
Other receivables	<b>437</b>	793
Loans and receivables	<b>28,558</b>	19,373
Deposits and prepayments	<b>2,578</b>	4,769
	<b>31,136</b>	24,142

At 31 December 2011, certain trade debtors and bills receivable with carrying value US\$5,137,000 (2010:US\$5,202,000) 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.

### Ageing analysis

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

	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
Current	<b>17,838</b>	9,144
Less than 1 month past due	<b>4,758</b>	3,461
More than 1 month but less than 3 months past due	<b>2,431</b>	4,707
More than 3 months but less than 12 months past due	<b>2,114</b>	815
More than 12 months past due	<b>980</b>	453
	<b>10,283</b>	9,436
	<b>28,121</b>	18,580

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

**9 TRADE AND OTHER PAYABLES**

	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
Trade payables due to related parties	<b>947</b>	854
Other trade and bills payable	<b>18,968</b>	14,360
	<b>19,915</b>	15,214
Other payables and accruals	<b>5,881</b>	5,326
Financial liabilities measured at amortised cost	<b>25,796</b>	20,540
Receipts in advance	<b>734</b>	649
Deferred income	<b>32</b>	168
	<b>26,562</b>	21,357

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:

	<b>2011</b> <i>US\$'000</i>	2010 <i>US\$'000</i>
By date of invoice:		
Within 3 months	<b>18,038</b>	13,007
More than 3 months but within 6 months	<b>228</b>	1,655
More than 6 months but within 12 months	<b>476</b>	702
More than 12 months	<b>1,173</b>	598
	<b>19,915</b>	15,962

## 10 CAPITAL AND DIVIDENDS

### (a) Share capital

	2011		2010	
	Number of shares	Amounts US\$'000	Number of shares	Amounts US\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	9,080,000	24,228	9,080,000	24,228
Subdivision of shares	354,120,000	–	–	–
Issuance of shares	122,000,000	15,693	–	–
Share issuance costs	–	(6,135)	–	–
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 December	<b>485,200,000</b>	<b>33,786</b>	<b>9,080,000</b>	<b>24,228</b>

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) Pursuant to the written resolutions passed by the Company's shareholders on 15 August 2011, the Company adopted a 40-for-1 share subdivision of its ordinary shares (the "subdivision of shares").
- (ii) On 27 October 2011, the Company was successfully listed on the Stock Exchange following the completion of its initial public offering of 122,000,000 shares to the investors. The proceeds of US\$15,693,000 were credited to the Company's share capital.
- (iii) No shares were issued under the Pre-IPO Share Option Scheme during the years ended 31 December 2010 and 2011.
- (iv) Terms of unexpired and unexercised share options under the Pre-IPO Share Option Scheme at the balance sheet dates are as follows:

Exercise period	Exercise price	2011	Exercise price	2010
		Number of options		Number of options
12 February 2011 to 11 August 2012	<b>HK\$0.695</b>	<b>12,106,680</b>	US\$3.57	302,667
12 August 2011 to 11 August 2012	<b>HK\$0.695</b>	<b>24,213,320</b>	US\$3.57	<u>605,333</u>
		<b><u>36,320,000</u></b>		<b><u>908,000</u></b>

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 2010 and 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

2011 was a challenging and remarkable year for Technovator. The Company was successfully listed on main board of the Hong Kong Stock Exchange. In addition, we managed to sustain our business with significant growth.

On 27 October 2011, the Company was successfully listed on the Hong Kong Stock Exchange and received warm support from the investor public under the uncertain financial market in late of 2011. Technovator is the first overseas listed company under Tsinghua University and the first spin-off listing subsidiary by an A-share listed company on an overseas stock exchange.

Meanwhile, we never forgot to put effort in our business and operation so as to generate excellent returns to the shareholders of the Company (the “Shareholders”). In 2011, we managed to sustain significant growth in our business with our effort put in developing strong and in-depth sales channel, investing in research and development projects, increasing our brand recognition and contributing in building energy awareness of the society.

For the year ended 31 December 2011, the Company recorded revenue of approximately US\$97.5 million, representing an increase of 31.6% from 2010. For the mainland China market, the Company recorded revenue of approximately US\$58.2 million, representing an increase of 27.2% from 2010. For the overseas market, the Company recorded revenue of approximately US\$39.3 million, representing an increase of 38.8% from 2010. Gross profit of the Company for the year ended 31 December 2011 was approximately US\$36.4 million, representing an increase of 44.4% from 2010. Net profit from continuing operations attributable to equity shareholders for the year ended 31 December 2011 amounted to US\$10.4 million, up 48% from the same period in 2010.

### Financial Review – Continuing Operations

#### *Revenue*

Our total revenue increased by approximately US\$23.4 million from approximately US\$74.1 million for the year ended 31 December 2010 to approximately US\$97.5 million for the year ended 31 December 2011. The increase is mainly due to our continuous efforts mentioned aforesaid putting in its building energy saving solutions business (which including two of our major product segments namely integrated building automation systems and energy management systems). In aggregate, revenue generated from our building energy saving solutions business increased by approximately US\$19.5 million from approximately US\$65.6 million for the year ended 31 December 2010 to approximately US\$85.2 million for the year ended 31 December 2011.

## Revenue by business segments

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

	For the year ended 31 December				2011 vs. 2010
	2010		2011		
	Revenue (US\$'000)	% of revenue	Revenue (US\$'000)	% of revenue	
<i>Building energy saving solutions:</i>					
Integrated building automation systems	59,989	81.0%	<b>77,519</b>	<b>79.5%</b>	29.2%
Energy management systems	5,616	7.6%	<b>7,633</b>	<b>7.8%</b>	35.9%
<i>Others:</i>					
Control security systems	7,935	10.7%	<b>12,090</b>	<b>12.4%</b>	52.4%
Fire alarm systems	545	0.7%	<b>271</b>	<b>0.3%</b>	(50.3%)
Total	<u>74,085</u>	<u>100.0%</u>	<u><b>97,513</b></u>	<u><b>100.0%</b></u>	<u>31.6%</u>

### Integrated building automation systems

Revenue from integrated building automation systems increased by approximately US\$17.5 million from approximately US\$60.0 million for the year ended 31 December 2010 to approximately US\$77.5 million for the year ended 31 December 2011 which was contributed by both our China and overseas markets. For the China market, the Company recorded revenue from integrated building automation of approximately US\$38.2 million for the year ended 31 December 2011, representing an increase of 21.4% from 2010. For the overseas market, the Company recorded revenue from integrated building automation systems of approximately US\$39.3 million for the year ended 31 December 2011, representing an increase of 37.9% from 2010.

The increase was primarily due to (i) the continuing growth of property development/renovation and building construction/renovation in China (ii) increasing global awareness of energy efficiency products for buildings, (iii) the increasing recognition of our brands and our product's quality, and (iv) strengthen our sales and marketing strategies in overseas market in order to focus more on mega-size contracts, develop and commercialise our energy-saving solution for customers with significant number of branches.

### Energy management systems

Revenue from energy management systems increased by approximately US\$2.0 million from approximately US\$5.6 million for the year ended 31 December 2010 to approximately US\$7.6 million for the year ended 31 December 2011. The increase was primarily due to (i) the increasing awareness of building energy-saving solution, (ii) our continuing investment in research and development to enhance the competitiveness of our energy management system, and (iii) the increasing recognition of our brands and our product's quality.

## Control security systems and fire alarm systems

Controls security systems and fire alarm systems are two non-core business segments which in aggregate represented 12.7% of the Company's revenue for the year ended 31 December 2011. Revenue from control security systems increased from approximately US\$7.9 million for the year ended 31 December 2010 to approximately US\$12.1 million for the year ended 31 December 2011 because the progress of certain control security systems contracts entered in 2010 were deferred and the respective revenue was recognized in 2011.

### *Revenue by Geographical Region*

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

	For the year ended 31 December				2011 vs. 2010
	2010		2011		
	Revenue (US\$'000)	% of revenue	Revenue (US\$'000)	% of revenue	
The PRC	45,787	61.8%	<b>58,229</b>	<b>59.7%</b>	27.2%
U.S.	14,126	19.1%	<b>18,691</b>	<b>19.2%</b>	32.3%
Canada	2,547	3.4%	<b>2,261</b>	<b>2.3%</b>	(11.2%)
Europe	9,790	13.2%	<b>10,627</b>	<b>10.9%</b>	8.6%
Rest of the world	1,835	2.5%	<b>7,705</b>	<b>7.9%</b>	319.9%
Total	<u>74,085</u>	<u>100.0%</u>	<u><b>97,513</b></u>	<u><b>100.0%</b></u>	<u>31.6%</u>

Revenue from The PRC market increased by approximately US\$12.4 million to approximately US\$58.2 million for the year ended 31 December 2011 from approximately US\$45.8 million for the year ended 31 December 2010. This increase was attributable to the (i) continuing growth of property development/renovation and building construction/renovation in China. (ii) increasing awareness of building energy-saving solution, and (iii) the increasing recognition of our brands and our product's quality.

Revenue from U.S. market increased by approximately US\$4.6 million to approximately US\$18.7 million for the year ended 31 December 2011 from approximately US\$14.1 million for the year ended 31 December 2010. The increase was mainly attributable to our strengthen sales and marketing in this market segment in order to focus more on mega-size contracts, develop and commercialise our energy saving solution for customer with number of branch.

Revenue from Canada market decreased by approximately US\$0.3 million to approximately US\$2.3 million for the year ended 31 December 2011 from approximately US\$2.5 million for the year ended 31 December 2010. The slight decrease was mainly due to the increasing competitiveness of the respective market.

Revenue from Europe market increased by approximately US\$0.8 million to approximately US\$10.6 million for the year ended 31 December 2011 from approximately US\$9.8 million for the year ended 31 December 2010. This increase was attributable to the fact that our French subsidiary acquired in 2010 is continuing to expand the building energy saving products market in Europe.

Revenue from the rest of the world increased by approximately US\$5.9 million to approximately US\$7.7 million for the year ended 31 December 2011 from approximately US\$1.8 million for the year ended 31 December 2010. This increase was attributable to the Group's continuous effort in expanding our building energy saving products in different countries globally.

#### *Cost of sales*

Cost of sales increased by approximately 25.0%, or approximately US\$12.2 million, from approximately US\$48.9 million for the year ended 31 December 2010 to approximately US\$61.1 million for the year ended 31 December 2011. The increase was primarily due to the increase in cost of raw materials and manufacturing costs as a result of an overall increase in sales volume.

#### *Gross profit*

As a result of the foregoing factors, gross profit increased by approximately US\$11.2 million from approximately US\$25.2 million for the year ended 31 December 2010 to approximately US\$36.4 million for the year ended 31 December 2011. Gross profit margin was approximately 34.0% for the year ended 31 December 2010 and approximately 37.3% for the year ended 31 December 2011 as gross profit margin was relatively high in 2011 due to a relatively higher margin contract that the Group recognized in 2011.

#### *Other revenue*

Other revenue decreased from approximately US\$1.4 million for the year ended 31 December 2010 to approximately US\$1.3 million for the year ended 31 December 2011, due to a approximately US\$0.4 million decrease in value added tax refunds by the PRC tax bureau for the sale of the Group's energy management systems, partially offset by an approximately US\$0.3 million increase in government grant income in view of its high and new technology enterprise status.

#### *Other net (loss)/gain*

Other net loss of approximately US\$0.06 million was recorded for the year ended 31 December 2011 as compared to a net gain of approximately US\$0.01 million for the year ended 31 December 2010 primarily due to the decrease of approximately US\$0.17 million in net gain on disposal of fixed assets, partially offset by an approximately US\$0.11 million decrease of net exchange loss.

#### *Selling and distribution costs*

Selling and distribution costs increased by approximately US\$1.8 million, from approximately US\$6.7 million for the year ended 31 December 2010 to approximately US\$8.5 million for the year ended 31 December 2011. The increase was primarily due to an increase of approximately US\$1.4 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 8.7% for the year ended 31 December 2011 from 9% for the year ended 31 December 2010.

### *Administrative and other operating expenses*

Administrative and other operating expenses increased by approximately US\$2.2 million, from approximately US\$8.8 million for the year ended 31 December 2010 to approximately US\$11.0 million for the year ended 31 December 2011. The increase was primarily due to an increase of approximately US\$0.4 million in administrative staff costs, an increase of approximately US\$0.4 million in provision for doubtful debt, approximately US\$0.6 million in audit fee and approximately US\$0.5 million in listing expenses incurred in preparation for the Group's corporate restructuring and the Listing.

### *Research and development expenses*

Research and development expenses increased from approximately US\$1.9 million for the year ended 31 December 2010 to approximately US\$3.0 million for the year ended 31 December 2011, mainly due to the increase of the Group's effort in research and development activities.

### *Finance costs*

Finance costs incurred approximately US\$0.5 million for the year ended 31 December 2011 which were maintained in similar level of 2010.

### *Income tax*

Income tax increased from approximately US\$1.5 million for the year ended 31 December 2010 to US\$2.8 million for the year ended 31 December 2011. The increase was mainly due to an increase in the Group's profit before taxation. The Group's effective tax rate increased from 16.9% for the year ended 31 December 2010 to 19.0% was mainly due to the change in composition of profits generated from different countries.

### *Profit for the year*

As a result of the foregoing factors, profit attributable to equity shareholders for the year increased by approximately 48% from US\$7.0 million for the year ended 31 December 2010 to US\$10.4 million for the year ended 31 December 2011. Net profit margin increased from 9.7% for the year ended 31 December 2010 to 12.1% for the year ended 31 December 2011.

### *Working capital and financial resources*

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

	<b>As at December 31</b>	
	<b>2010</b>	<b>2011</b>
	<b>(US\$'000)</b>	<b>(US\$'000)</b>
Inventories	10,448	<b>14,807</b>
Trade and bills receivables	19,262	<b>26,243</b>
Trade payables	13,773	<b>18,968</b>
Average inventories turnover days	65	<b>75</b>
Average trade receivables turnover days	67	<b>85</b>
Average trade payables turnover days	73	<b>98</b>

The Group's inventories increased from approximately US\$10.4 million as at 31 December 2010 to approximately US\$14.8 million as at 31 December 2011 primarily due to additional storage of raw materials of approximately US\$2.6 million and finished goods of approximately US\$1.8 million in anticipation of securing large projects for sufficient supply.

The Group's average inventory turnover days increased from approximately 65 days in 2010 to 75 days for the year ended 31 December 2011 to cope with the Group's expansion.

The Group's trade and bills receivables amounted to approximately US\$19.3 million and approximately US\$26.2 million as at 31 December 2010 and 2011 respectively. Such increase in trade and bills receivables is due to the increase in the revenue of the Group as well as its global expansion.

The Group's average trade receivable turnover days was approximately 67 days and 85 days for the year ended 31 December 2010 and 2011 to cope with the Group's expansion.

The Group's trade payables increased from approximately US\$13.8 million as at 31 December 2010 to approximately US\$19.0 million as at 31 December 2011 resulting primarily from its global expansion and capability to negotiate for longer credit periods.

The Group's average trade payable turnover days was approximately 73 days and 98 days for the year ended 31 December 2010 and 2011 primarily attributable to the Group's capability to negotiate for longer credit periods, in particular, to cope with the longer credit period provided to the Group's customers (especially those project base customers) and the increased volume of the Group's business.

### *Liquidity and financial resources*

During 2011, the Group has financed its operations primarily through cash flow from operations and proceeds from the global offering. As at 31 December 2011, the Group had approximately US\$27.9 million in cash and cash equivalents. The Group's cash and cash equivalents consist primarily of cash at bank and on hand and deposits that are readily convertible into known amounts of cash.

As of 31 December 2011, the Group's indebtedness consisted of short-term loan of approximately US\$3.6 million, average annual interest rate is 5.1%, long-term loan of approximately US\$3.4 million, average annual interest rate is 4.2% and obligations under finance lease of approximately US\$87,000. The short-term loan mainly represented an unsecured term loan of US\$1.2 million from Bank of China, a secured term loan of approximately US\$1.3 million and secured bank overdraft of approximately US\$0.3 million from banks in the overseas. The increase in the Group's indebtedness in 2011 was mainly due to the payment of due loans.

### *Pledge of assets*

As at 31 December 2011, certain of the Group's interest-bearing bank borrowings were pledged by the Company's assets. The Group's pledged assets increased from approximately US\$8.5 million as at 31 December 2010 to approximately US\$9.2 million as at 31 December 2011 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 2010 and 2011. The Group's operating lease commitments relate primarily to its leases of office spaces, workspaces and machinery.

	2010 (US\$'000)	2011 (US\$'000)
Within one year	960	<b>965</b>
After one year but within five years	1,580	<b>1,714</b>
Total	<u>2,540</u>	<u><b>2,679</b></u>

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 2011.

### *Contingent Liabilities*

As at 31 December 2011, 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 financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, The Group has not entered into any derivative contracts that are indexed to the shares of the Company (the “Shares”) 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.

### *Employment, Training and Development*

As at 31 December 2011, the Group had a total of 349 employees, an increase of 12.2% compared to 311 employees as at 31 December 2010. Total staff costs for 2011 increased to approximately US\$9.8 million from approximately US\$7.6 million for the year ended 2010, 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 locally 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 Hong Kong 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 in accordance with the proposed applications set out in the section headed “Use of Proceeds” in the Prospectus. As at the date of this annual report, approximately US\$1 million has been used as general working capital. The Group has deposited the remaining unused proceeds with licensed banks in Hong Kong and Singapore.

### *Merger and Acquisition*

For the year ended 31 December 2011, no material acquisition or disposal of subsidiaries or associates was made by the group.

### *Significant investment*

For the year ended 31 December 2011, the group had no significant investment.

## Prospects

After our successfully listing on the Hong Kong Stock Exchange in 2011, 2012 will be a new starting point for Technovator as well as an important year for us to move towards a higher goal.

As mentioned in the Chairman Statement section of this report, as one of the leading providers of building energy management solution services in PRC with global footprint around the world, we are facing both opportunities such as the enormous market demand being posed by the rapid growth of China's building energy management market, and challenges such as to sustain our business growth in our overseas market under the uncertain economic environment in the United States and Europe. In view of these, the Group is dedicated to escalate its business to the next level through the execution of the following:

### *Pursue product and technology purchase opportunities, strategic acquisitions and alliances*

From time to time, the Directors are continually and actively evaluating opportunities to acquire and/or ally with companies which would allow the Group to broaden its products offerings and enable the Group to acquire new technological expertise. The Group continues to explore any acquisition opportunities in (i) complementary product areas that will allow the Group to capitalize on its extensive network of distributors and research and development capabilities, (ii) strategic acquisitions of businesses and assets that will complement its business, and (iii) potential international acquisitions, partnerships or licensing opportunities to provide technologies, and brands or distribution capabilities that will complement its expansion strategy.

### *Continue to strengthen and expand our global sales and distribution network*

The global building energy management industry is undergoing different changes and development among different countries. In China, the growth of building energy management market is becoming faster under the support of various Governments' energy policies and the speedy urbanization of second and third tier cities. In our major overseas market, Canada, France and the United States, our in-depth distribution network becomes even more important in order to sustain stable business growth under the uncertain economic environment in those countries. The Directors believe that strong and in-depth distribution network is one of the key driving forces of our business growth. Therefore the Group will continue to invest resources in its global sales and distribution network in order to strengthen the competitive advantages among the industry. In addition, the Group will continue to explore opportunities to expand or acquire additional distribution network in order to increase our products coverage internationally. Furthermore, the Group will continue to recruit experienced sales staff and provide comprehensive training to its sales team in order to build up a marketing team that is energetic and knowledgeable with expertise in the industry so as to deliver professional and passionate services to our customers. With all these efforts to build and expand our strong and in-depth distribution network, we believe that it will help to drive the Group's sales among different countries, expand our market share and further enhance the leading position of Technovator.

*Continue to invest in research and development in order to enhance the competitiveness of our products and solutions and expand our product and solutions portfolio*

Being a high-technology building energy management solution provider, the Directors believe that one of the key elements for the success of the Group is attributable to its continuous investment in globalized research and development capability to improve the quality and technical capabilities of its products and solutions and develop new and innovative next-generation products and solutions offerings to the market. Currently the Group has three research and development centers located in Beijing of the PRC, Brossard of Canada and Brindas of France. For the year ended 2011, the Group has invested US\$6.7 million which represented 6.9% of its revenue in its research and development forces. In the future, the Group will maintain same level of investment in research and development or increase the investment when considering the market changes from time to time. In addition, the Group will further enhance the cooperativeness among our three research and development centers in planning and implementing the Group's short-term and long-term research and development pipeline so as to further strengthen our technical expertise and our products competitiveness in our global market.

Last but not least, in order to maintain and strengthen its competitiveness in the market, the Group will continue to collaborate with universities and institutions to research and develop new products and/or technologies from time to time. One of the collaboration is that the Group has established relationships with Tsinghua University (清華大學), one of the leading universities in the PRC, to research and develop new technology in energy efficiency matters. Under such collaboration, the Group would usually contribute its technology know-how while the universities would usually contribute human resources and research and development facilities. The Directors believe these research institutions enjoy well-regarded academic reputations, and the Group's long-term relationships with these universities and institutions will enable it to stand at the forefront of and to keep abreast of the latest trends and developments in the energy management and building automation industry.

*Continue to enhance its brand recognition and market position globally*

Currently, Technovator operates its business all over the world through two well-recognized brands namely "Techcon" for China market and "Distech Controls" for overseas market. Over the past years, these two brands received many industry awards such as Intelligent Building Management System Excellent Brand Award and AHR Expo Innovation Honorable Award which proved that the Group's brands are fully recognized in the industry.

In order to further enhance our brand recognition and the market penetration of our products and solutions, we plan to (i) solidify our brands through deepening its existing strong sales channels, (ii) expand our coverage through establishing new sales channels in countries in which the Group expects a relatively high economic growth, (iii) strengthen demand from new and existing end-user markets through introducing our high-quality building energy management solutions to the market and promoting the best mix of product performance, innovative and advanced product features and cost flexibility to the end-users, and (iv) form alliances with strategic distribution partners and system integrators who have effective global distribution networks in order to increase our market coverage.

*Continue to promote building energy saving concept in order to capitalize business opportunities and sustains its business growth*

Following the increase in environmental awareness and the heightening of environmental protection issues by governments around the world, the Directors believe there exists a multitude of business opportunities in the building energy management and environmental awareness sectors. As such, as one of the leading domestic providers and one of the key international players in the building energy management industry, the Group will continue to actively participate in different kind of industry academic forums, industry development committees and industry associations in order to contribute for the promotion of building energy management concept. Throughout these activities, the Group will be able to not only continue to keep abreast of market condition and upcoming industry policies but also highlight the environmentally-friendly features and benefits of its building energy management solutions.

We believe that as environmental consciousness grows the demand for our building energy saving products and solutions will increase, which will further prosper the Group's business growth.

With all these strategies, we believe we can grasp the opportunities and turn the challenges to opportunities with our philosophy of continual innovation and high technology and move forward with passion and ultimately becoming a world-class enterprise for greater achievements and results so as to generate excellent returns to our Shareholders.

#### **CODE OF CORPORATE GOVERNANCE PRACTICES (“CORPORATE GOVERNANCE CODE”)**

The Company has adopted the code provisions contained in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2011. The Company has complied with such code provisions during the year ended 31 December 2011.

#### **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 effective since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2011 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 2011.

#### **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 2011.

## **DIVIDENDS**

The Company has not declared and paid any dividend during the year ended 31 December 2011. The Board does not recommend any final dividend for the year ended 31 December 2011.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.technovator.com.sg>). The annual report for the year ended 31 December 2011 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](http://www.hkexnews.hk) and the Company's website at [www.technovator.com.sg](http://www.technovator.com.sg).

By Order of the Board of  
**Technovator International Limited**  
**Lu Zhicheng**  
*Chairman*

Hong Kong, 21 March 2012

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