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TECHNOVATOR INTERNATIONAL LIMITED

同方泰德國際科技有限公司*

(incorporated in Singapore with limited liability)

(Stock Code: 1206)

2020 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 2020 (“**1H2020**”), together with the comparative figures for the corresponding period in 2019 (“**1H2019**”). 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 1H2020 have been reviewed by the Company’s external auditor.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Revenue	3, 4	624,840	665,883
Cost of sales		<u>(481,196)</u>	<u>(513,641)</u>
Gross profit		143,644	152,242
Other revenue		23,794	27,205
Other net (loss)/gain		(659)	970
Selling and distribution costs		(47,801)	(46,647)
Administrative and other operating expenses		(97,422)	(87,441)
Share of (loss)/gain of associates		<u>(18)</u>	<u>1,000</u>
Profit from operations		21,538	47,329
Finance costs	5(a)	<u>(8,121)</u>	<u>(6,857)</u>
Profit before taxation		13,417	40,472
Income tax	6	<u>(1,638)</u>	<u>(2,365)</u>
Profit for the period		<u>11,779</u>	<u>38,107</u>
Profit attributable to:			
Equity shareholders of the Company		12,791	38,703
Non-controlling interests		<u>(1,012)</u>	<u>(596)</u>
Profit for the period		<u>11,779</u>	<u>38,107</u>
Earnings per share	7		
– Basic (RMB)		0.0164	0.0495
– Diluted (RMB)		<u>0.0164</u>	<u>0.0495</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi (“RMB”))

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	11,779	38,107
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>1,416</u>	<u>158</u>
Total comprehensive income for the period	<u>13,195</u>	<u>38,265</u>
Attributable to:		
Equity shareholders of the Company	14,174	38,859
Non-controlling interests	<u>(979)</u>	<u>(594)</u>
Total comprehensive income for the period	<u>13,195</u>	<u>38,265</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

(Expressed in Renminbi (“RMB”))

		At 30 June 2020 <i>RMB’000</i>	At 31 December 2019 <i>RMB’000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		264,426	256,954
Interests in associates		3,366	3,384
Intangible assets		329,757	311,321
Other financial assets		558,485	524,146
Deferred tax assets		31,635	24,134
		<u>1,187,669</u>	<u>1,119,939</u>
Current assets			
Inventories		1,023,791	901,725
Contract assets		868,138	905,752
Trade and other receivables	8	1,303,284	1,342,333
Cash and cash equivalents		262,727	657,759
		<u>3,457,940</u>	<u>3,807,569</u>
Current liabilities			
Trade and other payables	9	1,556,986	1,723,068
Contract liabilities		71,002	88,905
Loans and borrowings		161,260	257,098
Lease liabilities		1,565	2,610
Income tax payable		31,631	44,831
		<u>1,822,444</u>	<u>2,116,512</u>
Net current assets		<u>1,635,496</u>	<u>1,691,057</u>
Total assets less current liabilities		<u>2,823,165</u>	<u>2,810,996</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2020 – unaudited**(Expressed in Renminbi (“RMB”))*

		At 30 June 2020 <i>RMB’000</i>	At 31 December 2019 <i>RMB’000</i>
Non-current liabilities			
Lease liabilities		2,135	–
Deferred tax liabilities		29,863	28,474
Deferred income		9,630	10,003
Other non-current liabilities		49	57
		<u>41,677</u>	<u>38,534</u>
NET ASSETS		<u>2,781,488</u>	<u>2,772,462</u>
CAPITAL AND RESERVES			
Share capital	<i>10</i>	1,189,968	1,189,968
Reserves		1,576,722	1,562,548
Total equity attributable to equity shareholders of the Company		2,766,690	2,752,516
Non-controlling interests		14,798	19,946
TOTAL EQUITY		<u>2,781,488</u>	<u>2,772,462</u>

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 24 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2020	2019
	RMB'000	RMB'000
Revenue from smart transportation business	194,361	230,643
Revenue from smart building and complex business	328,037	279,881
Revenue from smart energy business	102,442	155,359
	<u>624,840</u>	<u>665,883</u>

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 amortization, and certain unallocated head office and corporate expenses/(gains). 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 2020 and 2019 are set out below:

For the six months ended	STB		SBB		SEB		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000							
Disaggregated by timing of revenue recognition								
Point in time	2,364	788	48,597	36,065	33,721	35,168	84,682	72,021
Over time	191,997	229,855	279,440	243,816	68,721	120,191	540,158	593,862
Revenue from external customers	194,361	230,643	328,037	279,881	102,442	155,359	624,840	665,883
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	194,361	230,643	328,037	279,881	102,442	155,359	624,840	665,883
Reportable segment profit	26,488	33,853	23,861	30,221	23,966	45,050	74,315	109,124
Interest income	2,914	2,112	4,092	5,256	11,198	12,061	18,204	19,429
Impairment losses	(11,657)	(8,225)	(14,710)	(9,980)	(10,869)	(5,540)	(37,236)	(23,745)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit		
Reportable segment profit	74,315	109,124
Depreciation and amortisation	(44,692)	(53,424)
Finance costs	(8,121)	(6,857)
Unallocated head office and corporate expenses	(8,085)	(8,371)
	<u>13,417</u>	<u>40,472</u>

(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	
	2020	2019
	RMB'000	RMB'000
(a) Finance costs		
Interest on loans and borrowings	8,020	6,719
Interest on lease liabilities	101	138
	<u>8,121</u>	<u>6,857</u>
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(b) Other items		
Amortisation	29,141	31,360
Depreciation		
– owned property, plant and equipment	12,720	19,605
– right-of-use assets	2,831	2,514
Impairment losses		
– trade and other receivables and contract assets	37,236	23,745
Interest income	(18,204)	(19,429)

6 INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax	7,750	4,087
Deferred tax	(6,112)	(1,722)
	<u>1,638</u>	<u>2,365</u>

Notes:

- (i) The Company is subject to Singapore corporate income tax at 17% for the six months ended 30 June 2020 and 2019. 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 2020 and 2019.

- (iii) Tongfang Technovator Int (Beijing) Co., Ltd. (“**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 Engineering Technology Co., Ltd. (“**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 2022.

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 RMB12,791,000 (six months ended 30 June 2019: RMB38,703,000) and the weighted average of 782,192,189 ordinary shares (2019: 782,192,189 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 RMB12,791,000 (six months ended 30 June 2019: RMB38,703,000) and the weighted average number of ordinary shares of 782,192,189 (2019: 782,192,189 shares).

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are 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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Current	986,206	993,640
Less than 1 month past due	6,965	28
More than 1 month but less than 3 months past due	736	4,219
More than 3 months but less than 12 months past due	3,459	25,682
More than 12 months past due	21,356	46,927
Trade debtors and bills receivable, net of allowance for doubtful debts	1,018,722	1,070,496
Other receivables	146,017	140,615
Financial assets measured at amortised cost	1,164,739	1,211,111
Deposits and prepayments	138,545	131,222
	1,303,284	1,342,333

Trade debtors and bills receivable are due within 1–180 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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
By date of invoice:		
Within 3 months	882,950	1,080,668
More than 3 months but within 6 months	133,745	61,982
More than 6 months but within 12 months	67,124	78,997
More than 12 months	272,167	300,118
Total creditors and bills payable	1,355,986	1,521,765
Other payables and accruals	201,000	201,303
	1,556,986	1,723,068

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2020		At 31 December 2019	
	Number of shares	Amounts <i>RMB'000</i>	Number of shares	Amounts <i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At 1 January	782,192,189	1,189,968	782,192,189	1,189,968
Share repurchased and cancelled	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June/31 December	<u>782,192,189</u>	<u>1,189,968</u>	<u>782,192,189</u>	<u>1,189,968</u>

(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 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

In 1H2020, China and the world were under fierce challenge from the Coronavirus pandemic (“COVID-19”). Under the complicated and changing domestic and international economic and social environment caused by COVID-19, the Group’s businesses were affected to varying degrees. The Group recorded revenue of approximately RMB624.8 million for the first half of the year, representing a year-on-year decrease of 6.2%, and profit for the period was approximately RMB11.8 million, representing a year-on-year decrease of 69.1%.

In the face of COVID-19, the Group actively implemented the policy requirements of local governments for the pandemic prevention and control. By placing the prevention and control of the pandemic and the protection of the health of all employees as our top priority, and at the same time putting the safeguard of the interests of our customers and the progress of our projects as our target, the Group has pressed forward for the resumption of work and production in order to minimize the negative impact of the pandemic on the progress of the Group’s existing projects and future business development.

BUSINESS REVIEW

Smart Transportation Business

Due to the negative impact caused by COVID-19, the bidding process of a number of new intelligent subway projects were postponed, and the construction period of projects under construction were extended. The revenue of the smart transportation business of the Group declined in the first half of the year. However, due to the accelerated promotion and application of the proprietary core software control platform, the profit margin of the segment experienced an increase.

In order to mitigate the impact of COVID-19 on the business of the segment, the resumption of work has commenced in February for several projects under construction in the smart transportation segment. To date, all projects under construction were able to carry forward in accordance with the schedule required by the owners. In the first half of the year, Jinan Urban Rail Transit Line R2, Xi’an Subway Line 5, Hangzhou Subway Line 7, Xuzhou Urban Rail Transit Line 3 and other projects had overcome various unfavorable factors and achieved smooth progress and good receipt of payment.

In response to the “Program of Building National Strength in Transportation” (《交通強國建設綱要》) issued by the Chinese government in 2019, and to further improve the safety and efficiency of urban rail transit operations, the smart transportation segment has simultaneously carried out the development and implementation of the “Intelligent Station” concept, which is based on the implementation of the Xi’an Subway Line 5 and Chongqing Urban Rail Transit Line 6 projects. The “Intelligent Station” concept is closely integrated with the operation and maintenance needs of subway stations, appropriately added hardware and software equipment and processed and comprehensively reused various types of data, and helped establish a scene-oriented, intelligent and humanized smart station integrated operation and management platform to provide more comprehensive and intelligent butler-style integrated application for subway stations.

Smart Building and Complex Business

The Smart Building and Complex Business of the Group has strived to safeguard the progress of existing projects, and at the same time overcome unfavorable factors to develop new projects during the pandemic by leveraging on its good project accumulation in previous periods, resulting in an increase in revenue and profits for the segment in the first half of the year.

A number of key national projects and landmark projects of the segment progressed smoothly during the first half of the year, including Chengdu Tianfu international airport’s integrated pipeline project, Beijing new airport’s integrated pipeline project, the intelligent project for Zhuhai Hengqin Port and integrated transportation hub, the Silk Road Economic Belt in Xixian New District, and the headquarters intelligent project of Asia Infrastructure Investment Bank. Meanwhile, the segment has committed to the promotion of the integration between proprietary building control products and engineering projects. During the period, the Techcon series building control products have been successfully used in several projects such as the integrated pipeline projects in Beijing new airport and Tongzhou, which significantly improved the profit margins of engineering projects.

Following the launch of Techcon Neosys, a next-generation IoT controller, at the end of 2019, the product also obtained the European Union CE certification during the period, which signified that the product’s research and development technology, process design, internal production and product inspection all met international leading standards, meaning that the internationalization of the Group’s products have made a firm step forward. In addition, the segment has launched the “Kunlun Digital Platform” plan during the period. The plan aims to achieve the integration and overall planning between smart building technology and energy conservation application, which has been piloted in building projects and is expected to be used in various areas such as building, transportation and heating network in the future.

Smart Energy Business

The smart energy segment was more negatively affected by COVID-19 in the first half of the year, where a number of engineering projects have been postponed while tender of new projects was delayed, resulting in a decline in segment revenue during the period. Meanwhile, due to the impact of the pandemic, the implementation of operation and maintenance projects were hindered, which led to a significant decrease in profit margin for the segment.

During the period, various projects relating to absorption heat pumps for substantial temperature differentials have been signed or smoothly carried forward, including Taiyuan Heating Project (太原熱力項目), Tai'an Kaiyuan Heating Project (泰安開元熱力工程), Shenyang Railway Administration Project (瀋陽鐵路局項目) and Jinzhou Petrochemical Corporation Project (錦州石化公司項目), while self-developed hardware products have seen rapid promotion and application in heat supply network in various cities. In addition, a number of existing energy management contract (EMC) projects in the segment were settled on schedule. During the period, the segment continued to expand its business model by signing a new contract for the Energy Trust Operation and Maintenance Project of Peking University Resource Innovation and Entrepreneurship Park (北大資源雙創園能源托管運維項目) to provide a driving force for the sustainable development for the segment.

In a bid to conform to the rapid integration of new technology with livelihood construction, the Group continuously improved the operation and maintenance efficiency in urban centralized heating. In the first half of the year, the segment commenced the research and development on the reconstruction of the centralized heating network related software, and at the same time embarked on developing the Smart Heating Information Management System V4.0. Both systems will combine the latest big data and AI technology, with an aim to comprehensively improve the intelligent management and control over urban centralized heating by using high-tech measures.

OUTLOOK

With the increasingly positive trend in the domestic pandemic prevention and control, the resumption of work and production across the nation has been accelerated. The management of the Group believes that the overall domestic economic situation will gradually recover in the second half of the year, with improvement in the overall market conditions for each segment of the Group.

In 2020, it was accentuated in the PRC's Report on the Work of the Government (中國政府工作報告) that the PRC will step up the construction of new types of infrastructure. In recent years, Technovator has, in fields such as urban rail transit, building and energy, provided its services in the construction of new types of infrastructure including urban integrated pipeline, data center, urban subway and heating network. The Group continued to integrate the latest technology into our projects to realize the implementation of technology in major research projects, and at the same time assisted in the acceleration of the development of "New Infrastructure". We believe that leveraging on the continuous improvement in the Group's technology innovation capabilities, the business of the Group driven by "New Infrastructure" will push forward under the difficult conditions, injecting momentum into the accelerating recovery and development of cities and communities, as well as contributing to the construction of future green smart cities.

FINANCIAL REVIEW – CONTINUING OPERATIONS

Revenue

Under the impact of COVID-19, industries had been affected to different extent as global economy declined. The Group recorded a net revenue of approximately RMB624.8 million in 1H2020, representing a year-on-year decrease of 6.2%. Affected by COVID-19, the slowdown of the economy had resulted in a certain degree of impact on different business segments of the Group. Benefiting from the accumulation of project resources and fully committing to the resumption of work, the smart transportation segment experienced less impact with a slight decrease in revenue. During the pandemic, as the Group had endeavored to ensure the construction progress of key national projects, the revenue of the smart building and complex segment maintained strong momentum and growth amidst challenges. The pandemic has had more impact on our operation and maintenance projects, as the overall revenue of the smart energy segment shrank noticeably.

Revenue by business segments

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

	For the six months ended 30 June		2019		Comparison
	2020	% of	Revenue	% of	
	Revenue (RMB'000) (Unaudited)	revenue	(RMB'000) (Unaudited)	revenue	
Smart transportation	194,361	31%	230,643	35%	-15.7%
Smart building and complex	328,037	53%	279,881	42%	17.2%
Smart energy	102,442	16%	155,359	23%	-34.1%
Total	624,840	100%	665,883	100%	-6.2%

Smart transportation

Smart transportation segment recorded a revenue of approximately RMB194.4 million in 1H2020, representing a decrease of 15.7% from approximately RMB230.6 million in 1H2019. Affected by COVID-19, construction for a large number of projects under the segment have been delayed, and the settlement progress was slower than expected. Benefiting from project resource reserves and by fully committing to the resumption of work, the negative impact of the pandemic on the smart transportation segment has been mitigated to a certain extent. Integrated supervision project for the Jinan Urban Rail Transit Line R2 Phase I, integrated supervision project for the Xi'an Subway Line 5 Phase I & II, and the operation management and command center project for the Qingdao Subway Network (青島地鐵綫網運營管理與指揮中心項目) have made certain progress during the period, and recorded revenue for the segment.

Smart building and complex

Revenue from the smart building and complex segment recorded an increase of 17.2% from approximately RMB279.9 million in 1H2019 to approximately RMB328.0 million in 1H2020. Smart utility tunnel business promoted under the segment in the prior period experienced limited impact from the pandemic due to its own feature of “quick implementation and high integration”. Smart utility tunnel projects such as the municipal transportation ancillary project of the Airport Economic Area of Beijing New Airport, Chengdu Tianfu International Airport proceeded smoothly during the period, and generated revenue for the segment. In addition, as some projects under the smart building segment are key national large-scale infrastructure projects, the Company made every effort to facilitate the project progress subject to the premise of first ensuring safety in terms of preventing and controlling the spread of the pandemic. These projects were settled as scheduled, and segment revenue achieved strong momentum and growth amidst challenges.

Smart energy

Revenue from the smart energy segment decreased from approximately RMB155.4 million for 1H2019 to approximately RMB102.4 million for 1H2020. The decrease in revenue from the smart energy segment was mainly due to hindrance in the implementation of operation and maintenance projects, a slowdown in settlement and a corresponding significant decrease in revenue for the period under the influence of the pandemic. During the period, the Group actively promoted the progress of EMC projects such as Shenmu Heat Network (神木智慧熱網), Shandong Binzhou Xincheng Central Heating (山東濱州鑫誠熱力集中供熱) and Fushun Mining while implementing effective control measures against the pandemic, contributing revenue to the segment. The newly signed Zhumadian Central Heating Project (駐馬店市集中供暖項目) and the Heat Supply Project of Zhongyuan Oilfield Headquarters Base (中原油田總部基地供熱項目) also made certain progress to mitigate the impact of the pandemic on the segment, and laid a foundation for the business development of segments such as the smart energy segment after the pandemic.

Cost of sales

Cost of sales decreased by approximately 6.3% from approximately RMB513.6 million for 1H2019 to approximately RMB481.2 million for 1H2020, which was due to the decrease in cost driven by the decrease in revenue scale.

Gross profit

Gross profit decreased by 5.6% from approximately RMB152.2 million for 1H2019 to approximately RMB143.6 million for 1H2020. In a market environment heavily hit by the pandemic, the Company stabilised its profit margin of projects through a guarantee on construction quality, generating a gross profit margin for the period of approximately 23.0%, which remained flat as compared to the corresponding period last year.

Other revenue

Other revenue decreased by approximately 12.5% from approximately RMB27.2 million for 1H2019 to approximately RMB23.8 million for 1H2020, which was mainly due to the decrease in interest income from EMC and government subsidies during the period.

Other net (loss)/gain

Other net (loss)/gain changed from the net gain of approximately RMB1.0 million for 1H2019 to the net loss of approximately RMB0.7 million during the period. This was mainly attributable to the exchange loss of approximately RMB1.2 million from foreign currencies held by the Group during the period as compared to the exchange gains of RMB1.0 million for the corresponding period of last year.

Selling and distribution costs

Selling and distribution costs of the Group for 1H2020 was approximately RMB47.8 million, representing a year-on-year increase of 2.5% as compared to approximately RMB46.6 million for 1H2019. Selling and distribution costs as a percentage of revenue for the period was 7.7%, representing a slight increase as compared to the corresponding period last year.

Administrative and other operating expenses

Administrative and other operating expenses increased by 11.4% from approximately RMB87.4 million for 1H2019 to approximately RMB97.4 million for 1H2020. The Group increased provision for impairment loss of approximately RMB10.8 million on aged receivables in response to the market environment mainly under the impact of the pandemic.

Finance costs

Finance costs of the Group for 1H2020 were approximately RMB8.1 million, representing an increase as compared to approximately RMB6.9 million for 1H2019. This was mainly due to loan of approximately RMB133.8 million due for repayment concentrated at the end of the period, which was not provided for in the loan balance at the end of the period, but was reflected in the corresponding finance costs of RMB3.4 million during the period.

Income tax

Income tax decreased by approximately 30.7% from approximately RMB2.4 million for 1H2019 to approximately RMB1.6 million for 1H2020, mainly driven by the decrease in profit before taxation.

Profit for the period

Profit for the period decreased by approximately 69.1% from approximately RMB38.1 million for 1H2019 to approximately RMB11.8 million for 1H2020. Net profit margin for the period decreased by approximately 3.8 percentage points from 5.7% to approximately 1.9%. The decrease in profit and net profit margin for the period was due to the combined effect of the decrease in revenue and the increase in impairment losses under the impact of the pandemic.

The basic earnings per share from continuing operations of the Group dropped by 66.9 percentage points year-on-year to RMB0.0164 (1H2019: RMB0.0495). The diluted earnings per share decreased by 66.9 percentage points to RMB0.0164 (1H2019: RMB0.0495).

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 2020 (RMB'000)	As at 31 December 2019 (RMB'000)	As at 30 June 2019 (RMB'000)
Inventories	1,023,791	901,725	876,117
Trade and other receivables	1,303,284	1,342,333	1,329,915
Trade and other payables	1,556,986	1,723,068	1,418,018
Average inventories turnover days	277	174	229
Average trade receivables turnover days ^{Note}	312	218	295
Average trade payables turnover days ^{Note}	490	338	415

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

The Group's inventories increased from approximately RMB901.7 million as at 31 December 2019 to approximately RMB1,023.8 million for 1H2020. Affected by the pandemic, the progress of projects has slowed down, coupled with the poor sales and temporary stacking of previously-accumulated inventories, resulted in an increase in inventory scale as compared with the beginning of the period. With the improving situation of the prevention and control of the pandemic, and the continuous implementation of the projects, the "stacking" of inventories would be gradually alleviated. The inventory turnover days increased from approximately 229 days for 1H2019 to approximately 277 days for 1H2020. This increase in turnover days was mainly due to the temporary increase in inventory scale.

The Group's trade and other receivables decreased from approximately RMB1,342.3 million as at 31 December 2019 to approximately RMB1,303.3 million as at 30 June 2020. The average trade receivables turnover days increased from 295 days for the corresponding period last year to 312 days for the period. The increase in the receivables turnover days was due to the fact that both project settlement during the pandemic and payment collection saw a decline as compared with the corresponding period last year.

The Group's trade and other payables amounted to approximately RMB1,557.0 million as at 30 June 2020, representing a decrease of approximately 9.6% as compared with approximately RMB1,723.1 million as at 31 December 2019. The Group's average trade payables turnover days increased from approximately 415 days for 1H2019 to approximately 490 days for 1H2020. Affected by COVID-19, project payments have slowed down, resulting in an increase in the average trade payables turnover days as compared to the corresponding period last year.

Liquidity and financial resources

During the period, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 30 June 2020, the Group had approximately RMB262.7 million in cash and cash equivalents, which accounted for 9.4% of the Group's net assets (31 December 2019: cash and cash equivalents of approximately RMB657.8 million).

As at 30 June 2020, the Group's indebtedness comprised short-term bank loans of approximately RMB161.3 million with an average annual interest rate of 4.9%. It is the result of the Group's financial planning based on the financial costs in the market and normal working capital required.

As at 30 June 2020, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 30 June 2020, the net cash of the Group was approximately RMB101.5 million (31 December 2019: net cash of approximately RMB400.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 3.5% (31 December 2019: approximately 5.2%).

Pledge of assets

As at 30 June 2020, the Group had no pledge of assets.

Contingent liabilities

As at 30 June 2020, 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 provision of 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 for such entities.

Employees, training and development

As at 30 June 2020, the Group had a total of 880 employees compared to 885 employees as at 30 June 2019. Total staff costs for 1H2020 was approximately RMB103.0 million, which was basically unchanged as compared with 1H2019 of approximately RMB102.7 million.

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 2020, the Group had no material acquisition or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2020, the Group had no significant investment.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2020, 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 2020 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 2020.

ISSUE OF SECURITIES

During the six months ended 30 June 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2020.

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 2020 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 Order of the Board
Technovator International Limited
Qin Xuzhong
Chairman

Beijing, 24 August 2020

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. 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.