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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)**

### **2021 ANNUAL RESULTS ANNOUNCEMENT**

#### **ANNUAL RESULTS**

The board of directors (the “**Board**”) of Technovator International Limited (the “**Company**” or “**Technovator**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, which are derived from the audited consolidated financial statements of the Group. These results have been reviewed by the Company’s audit committee, which comprises three independent non-executive Directors.

\* *For identification purposes only*

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(Expressed in Renminbi (“RMB”))

	Note	2021 RMB'000	2020 RMB'000
Revenue	2,3	1,619,065	1,736,664
Cost of sales		<u>(1,301,576)</u>	<u>(1,374,010)</u>
<b>Gross profit</b>		<b>317,489</b>	362,654
Other revenue		38,283	48,198
Other net loss		(17,999)	(1,203)
Selling and distribution costs		(103,532)	(89,981)
Administrative and other operating expenses		(143,800)	(129,176)
Impairment loss on trade and other receivables and contract assets		(28,638)	(24,061)
Share of losses or profits of associates		<u>(83)</u>	<u>187</u>
<b>Profit from operations</b>		<b>61,720</b>	166,618
Finance costs	4(a)	<u>(7,361)</u>	<u>(12,178)</u>
<b>Profit before taxation</b>		<b>54,359</b>	154,440
Income tax	5(a)	<u>(8,787)</u>	<u>(21,892)</u>
<b>Profit for the year</b>		<b><u>45,572</u></b>	<b><u>132,548</u></b>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		45,307	130,601
Non-controlling interests		<u>265</u>	<u>1,947</u>
<b>Profit for the year</b>		<b><u>45,572</u></b>	<b><u>132,548</u></b>
<b>Earnings per share</b>	6		
– Basic (RMB)		0.0579	0.1670
– Diluted (RMB)		<u>0.0579</u>	<u>0.1670</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED INCOME STATEMENT AND  
OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

*(Expressed in Renminbi (“RMB”))*

	<b>2021</b>	2020
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
<b>Profit for the year</b>	<b>45,572</b>	132,548
<b>Other comprehensive income for the year</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(1,113)</u>	<u>(5,723)</u>
<b>Total comprehensive income for the year</b>	<b><u>44,459</u></b>	<u>126,825</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>44,236</b>	124,975
Non-controlling interests	<u>223</u>	<u>1,850</u>
<b>Total comprehensive income for the year</b>	<b><u>44,459</u></b>	<u>126,825</u>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Renminbi (“RMB”))

		<b>31 December 2021</b>	31 December 2020
	<i>Note</i>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>135,290</b>	221,943
Interests in associates		<b>3,325</b>	3,571
Intangible assets		<b>533,227</b>	437,434
Other financial assets		<b>438,973</b>	514,922
Deferred tax assets		<b>33,975</b>	29,725
		<b>1,144,790</b>	1,207,595
<b>Current assets</b>			
Inventories		<b>983,040</b>	1,028,866
Contract assets		<b>803,913</b>	688,664
Trade and other receivables	7	<b>1,341,508</b>	1,250,290
Prepayments		<b>114,927</b>	116,621
Cash and cash equivalents		<b>411,747</b>	587,889
		<b>3,655,135</b>	3,672,330
<b>Current liabilities</b>			
Trade and other payables	8	<b>1,577,167</b>	1,555,301
Contract liabilities		<b>117,700</b>	137,131
Loans and borrowings		<b>99,388</b>	214,227
Lease liabilities		<b>2,266</b>	1,765
Income tax payable		<b>28,461</b>	36,213
		<b>1,824,982</b>	1,944,637
<b>Net current assets</b>		<b>1,830,153</b>	1,727,693
<b>Total assets less current liabilities</b>		<b>2,974,943</b>	2,935,288

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December 2021**(Expressed in Renminbi (“RMB”))*

		<b>31 December 2021</b>	31 December 2020
	<i>Note</i>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>27,259</b>	28,805
Deferred income		<b>7,887</b>	9,551
Lease liabilities		<b>220</b>	1,814
		<u><b>35,366</b></u>	<u>40,170</u>
<b>NET ASSETS</b>		<u><b>2,939,577</b></u>	<u>2,895,118</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	9	<b>1,189,968</b>	1,189,968
Reserves		<b>1,731,759</b>	1,687,523
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,921,727</b>	2,877,491
<b>Non-controlling interests</b>		<b>17,850</b>	17,627
<b>TOTAL EQUITY</b>		<u><b>2,939,577</b></u>	<u>2,895,118</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Expressed in RMB unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards (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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (b) Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions related rent concessions beyond 30 June 2021*

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

## 2 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.

### (a) Disaggregation of revenue

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from smart transportation business	484,377	574,417
Revenue from smart building and complex business	730,203	788,591
Revenue from smart energy business	404,485	373,656
	<u>1,619,065</u>	<u>1,736,664</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(a) and 3(c) respectively.

## 3 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 comprises a series of leading technologies such as regional energy planning, integrated utilisation 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 utilisation as well as optimisation 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.

### 3 SEGMENT REPORTING *(Continued)*

#### (a) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortisation, and certain allocated 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.



### 3 SEGMENT REPORTING (Continued)

#### (a) Information about reportable segments (Continued)

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 years ended 31 December 2021 and 2020 is set out below:

	STB		SBB		SEB		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	24,188	25,929	144,708	151,588	37,658	70,453	206,554	247,970
Over time	460,189	548,488	585,495	637,003	366,827	303,203	1,412,511	1,488,694
<b>Revenue from external customers</b>	<b>484,377</b>	<b>574,417</b>	<b>730,203</b>	<b>788,591</b>	<b>404,485</b>	<b>373,656</b>	<b>1,619,065</b>	<b>1,736,664</b>
Inter-segment revenue	-	-	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>484,377</b>	<b>574,417</b>	<b>730,203</b>	<b>788,591</b>	<b>404,485</b>	<b>373,656</b>	<b>1,619,065</b>	<b>1,736,664</b>
Reportable segment profit	39,027	93,902	74,149	93,985	82,908	86,047	196,084	273,934
Interest income	4,117	6,550	4,534	7,470	22,415	26,201	31,066	40,221
Impairment loss on trade and other receivables and contract assets	(8,849)	(8,844)	(12,623)	(7,688)	(7,166)	(7,529)	(28,638)	(24,061)
Impairment loss on property, plant and equipment	-	-	-	-	-	(12,941)	-	(12,941)
Impairment loss on prepayments	(4,078)	(1,368)	(6,168)	(1,878)	(152)	(1,438)	(10,398)	(4,684)

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

	2021 RMB'000	2020 RMB'000
<b>Profit</b>		
Reportable segment profit	196,084	273,934
Depreciation and amortisation	(108,601)	(95,478)
Finance costs	(7,361)	(12,178)
Unallocated head office and corporate expenses	(25,763)	(11,838)
Consolidated profit before taxation	<b>54,359</b>	<b>154,440</b>

#### (c) Geographic information

For the year ended 31 December 2021, as the Group does not have material operations outside the People's Republic of China ("PRC"), no geographic segment information is presented.

#### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on loans and borrowings	7,227	12,004
Interest on lease liabilities	<u>134</u>	<u>174</u>
	<b><u>7,361</u></b>	<b><u>12,178</u></b>

(b) Staff costs

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries and other benefits	204,553	183,770
Contributions to defined contribution retirement schemes	<u>19,435</u>	<u>8,882</u>
	<b><u>223,988</u></b>	<b><u>192,652</u></b>

## 5 INCOME TAX

### (a) Income tax in the consolidated income statement represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current tax</b>		
Provision for the year	10,798	24,898
Under-provision in respect of prior years	3,785	2,254
	<u>14,583</u>	<u>27,152</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(5,796)	(5,260)
	<u>8,787</u>	<u>21,892</u>

### (b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation		54,359	154,440
Expected tax calculated at the respective tax rates	<i>(i)/(ii)</i>	15,612	39,597
Tax effect on non-deductible expenses		1,554	1,336
Effect of tax concession	<i>(iii)</i>	(17,128)	(23,113)
Tax effect of non-taxable income		–	(940)
Tax effect of unused tax losses not recognised		4,964	3,168
Tax effect of utilisation of tax losses not recognised in prior years		–	(410)
Under-provision in prior years		3,785	2,254
Actual income tax expense		<u>8,787</u>	<u>21,892</u>

#### Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2021 and 2020. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2021 and 2020.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC corporate income tax (“CIT”) rate of 25% for the years ended 31 December 2021 and 2020.

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 established in Hong Kong is subject to Hong Kong profits tax rate of 16.5% for the years ended 31 December 2021 and 2020.

(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 2023.

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.

## 6 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 RMB45,307,000 (2020: RMB130,601,000) and the weighted average number of ordinary shares of 782,192,189 (2020: 782,192,189) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	<b>2021</b>	2020
	<i>Number of shares</i>	<i>Number of shares</i>
Issued ordinary shares at 1 January	<b>782,192,189</b>	782,192,189
Effect of purchase of own shares	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<b><u>782,192,189</u></b>	<b><u>782,192,189</u></b>

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2021 and 2020.

## 7 TRADE AND OTHER RECEIVABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade debtors due from related parties	<b>173,393</b>	147,157
Other trade debtors	<b>1,177,886</b>	1,093,049
Bills receivable	<b>31,302</b>	17,851
Less: Allowance for doubtful debts	<b>(139,978)</b>	(126,477)
	<b>1,242,603</b>	1,131,580
Other receivables		
– amounts due from related parties	<b>37,391</b>	41,550
– amounts due from third parties	<b>69,919</b>	83,702
Less: Allowance for doubtful debts	<b>(8,405)</b>	(6,542)
	<b>1,341,508</b>	1,250,290

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 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>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Current	<b>1,112,374</b>	1,029,789
Less than 1 month past due	<b>6,296</b>	1,495
More than 1 month but less than 3 months past due	<b>50,380</b>	1,755
More than 3 months but less than 12 months past due	<b>66,710</b>	82,400
More than 12 months past due	<b>6,843</b>	16,141
	<b>130,229</b>	101,791
	<b>1,242,603</b>	1,131,580

Trade debtors and bills receivable are due within 1–180 days from the date of billing.

## 8 TRADE AND OTHER PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills payables due to related parties	<b>116,661</b>	104,693
Other trade and bills payables	<b>1,228,427</b>	1,275,045
	<b>1,345,088</b>	1,379,738
Other payables and accruals		
– amounts due to related parties	<b>12,003</b>	11,745
– amounts due to third parties	<b>220,076</b>	163,818
Financial liabilities measured at amortised cost	<b>1,577,167</b>	1,555,301

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>By date of invoice:</b>		
Within 3 months	<b>906,468</b>	1,017,403
More than 3 months but within 6 months	<b>61,722</b>	52,803
More than 6 months but within 12 months	<b>86,348</b>	58,200
More than 12 months	<b>290,550</b>	251,332
	<b>1,345,088</b>	1,379,738

## 9 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

There were no dividends payable to equity shareholders attributable to the previous financial year, and no dividends were approved and paid during 2021 and 2020.

### (b) Share capital

	2021		2020	
	<i>Number of shares</i>	<i>Amounts RMB'000</i>	<i>Number of shares</i>	<i>Amounts RMB'000</i>
<b>Ordinary shares issued and fully paid:</b>				
At 1 January	<b>782,192,189</b>	<b>1,189,968</b>	782,192,189	1,189,968
Shares repurchased and cancelled	–	–	–	–
At 31 December	<b>782,192,189</b>	<b>1,189,968</b>	<b>782,192,189</b>	<b>1,189,968</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.

There were no shares issued by the Company during 2021 and 2020.

## 10 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### Impacts from Coronavirus outbreak

The Coronavirus outbreak (“COVID-19”) since early 2020 has brought additional uncertainties to the global business environment as well as to the Group. The Group has been closely monitoring the impact from the COVID-19 and has commenced to put in place various contingency measures including but not limited to increasing monitoring of the business environment of the Group's customers and suppliers. As the situation of prevention and control of COVID-19 continues to improve in China, the overall operation and project implementation of the Group have been resumed basically.

Up to the date on which these consolidated financial statements are issued, the directors of the Company were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. The Group will keep the contingency measures under review as the COVID-19 situation evolves.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GENERAL**

In 2021, the Group continued to be challenged by the COVID-19 pandemic and the market environment. Affected by post-pandemic effects, the number of the Group's existing orders decreased, project construction periods were extended, and revenue settlement slowed. At the same time, as various major events occurred in the country, the bidding of many large-scale projects was postponed during the period and the number of newly signed orders dropped, which also affected revenue settlement. The Group recorded revenue of approximately RMB1,619.1 million for the full year, representing a year-on-year decrease of 6.8%. Due to the rise in raw material prices, together with the significant increase in labor costs and various expenses as a result of post-pandemic effects, the Group recorded net profit of approximately RMB45.6 million for the full year, representing a year-on-year decrease of 65.6%.

Under an unfavorable external environment, the Group remained committed to its original aspiration and has strictly controlled its product and project quality while adhering to the "technology-oriented" concept, continued to increase investment in research and development and actively explored improvements and innovation. Desirable progress has been made in the research and development of and the extension of applications of core technologies, as well as the upgrading of self-owned software and hardware products.

### **BUSINESS REVIEW**

#### **Smart Transportation Business**

In 2021, both revenue and profit margin of the smart transportation business declined, as affected by post-pandemic effects and the overall shrinkage of the market. The segment has been actively exploring opportunities under the unfavorable environment, in hopes to drive business development through new technologies and new models.

The platform screen doors project for Zhengzhou Urban Rail Transit Line 6 was successfully completed during the period, which was the first to introduce the Group's self-developed smart operation and maintenance platform into the platform screen doors system, and has become a major business innovation highlight and future direction for expansion of the segment. The southern section of Tianjin Metro Line 4 was put into operation during the period. It adopts the self-developed "Smart station integrated operation and management platform ezSOM2.0", and became the first demonstration station for rail transit smart station in Tianjin, opening up the market for the segment's smart station business.

The energy-saving business of subway stations was affected by the pandemic. The energy-saving functions of ventilation and air-conditioning systems were limited, and the sharing of energy-saving benefits among Energy Management Contract (EMC) projects was suspended, though it may resume as the pandemic stabilizes. The new energy-saving project of Beijing Subway Line 19, which was newly-signed during the period, has been completed and opened for traffic with outstanding energy-saving efficiency. In the long run, the subway energy-saving market has broad prospects, and the segment will be cultivated more deeply to help the rail transit industry achieve "carbon emission peak and carbon neutrality".



The subway intelligence business has always been an advantageous segment of the Group. During the period, the segment overcame the adverse effects of pandemic prevention and control, and a number of projects under construction were delivered and commenced operation as scheduled. Jinan Rail Transit Line R2, Xuzhou Metro Line 3, Changchun Metro Line 2, Wuhan Rail Transit Line 5 and other lines were completed during the period. Meanwhile, the segment has newly signed integrated supervision and control projects such as Changchun Rail Transit Line 6 and Xian Metro Line 16, while the signing of several other projects that have won the bid are expected to be postponed to 2022 due to the impact of the pandemic.

### **Smart Building and Complex Business**

The negative impact of the pandemic on the Group's smart buildings and complex segment was reflected in 2021, during which revenue declined for the segment. However, due to the accelerated iterative research and development, and large-scale application of self-owned core software and hardware products, the profit margin of this segment increased significantly during the period.

The building intelligence business has traditionally been an advantageous segment of the Group. Technovator has been featured in national key projects, such as the "Tribute Project" for the 100th anniversary of the founding of the Communist Party of China, and the "Science and Technology Winter Olympics". During the period, the segment overcame the impact of the pandemic to ensure the successful implementation of key projects such as the renovation of the "Ice Cube", the Big Air Shougang Winter Olympics Jumping Platform, the Museum of the Communist Party of China, and the Central Gift and Cultural Relics Repository, winning a high reputation for the Group's brand. At the same time, the key application of self-developed core software technology in Beijing New Airport, Tongzhou Sub-center and the "National Stadium" projects contributed greatly to the improvement of the segment's profit margin during the period.

The self-owned Techcon Neosys IoT control system has opened up the smart interconnection from cloud management and control to the "last mile" of terminal equipment through continuous expansion and improvement, and realized energy-saving and efficiency improvement. During the period, it won several awards such as the Excellence Award in the Central Enterprise Innovation and Creativity Competition, and has been successfully applied in projects such as the Big Air Shougang Winter Olympics Jumping Platform, Pandingshan Smart Tunnel, Wuhan Dongxihu District Rehabilitation Hospital, and Wuyue Plazas across the country. It also extended the application to the Group's heating business and subway safety door business. In addition, Techcon 04/09, Techcon EMS, Techcon IBS and other self-owned software and hardware systems and products, thanks to their continuously upgraded excellent performance, continued to be widely applied in hotels, exhibition halls, hospitals, industrial parks, film and television studios and other projects around the country.

In the face of innovation and change in the digital age, Technovator has always adhered to the iterative upgrade and innovative application of its own products. By leveraging the localization advantages of national brands, it accelerates the digital transformation and upgrading of the industry and brings more vitality to urban buildings.

## **Smart Energy Business**

The progress of projects in the smart energy business segment affected by the pandemic began to recover in the second half of 2021. As the number of newly-signed projects increased, the overall revenue during the period also improved. However, due to the increase in costs and expenses caused by the pandemic and the gradual end of the sharing periods of early EMC projects, the profit margin level of the segment continued to decline during the period.

Under the strategic goal of “carbon emission peak and carbon neutrality”, the transformation and upgrading of the urban heating industry and the realization of zero-carbon heating have become the general trend and presented broad market opportunities for the Group’s smart energy segment. During the period, new heating intelligence projects were signed in places such as Yangquan, Jixi, Suihua and Xinjiang. Heating and energy-saving renovation EMC projects have also expanded significantly. New EMC projects have been signed with local heating companies in Shanyin in Shanxi Province, Dengta in Liaoning Province, Shaanxi Province and Daqing in Heilongjiang, laying a foundation for the segment to improve its revenue and profits in the future and to sustain its development.

Self-developed by the segment, the “Qihui IHM3.0 – Intelligent Heating Network Management Platform” has built an integrated platform for smart heating management and control, which collects, displays, controls and dispatches data from sources, networks, stations, households, and operation and management in a unified manner to achieve full network balance, intelligent management and control and refined heating. The system has been widely used in Taiyuan in Shanxi Province, Heze in Shandong Province, Ningxia, and Huludao in Liaoning Province. Meanwhile, the acquisition controller and private network, which were created based on the self-developed Techcon Neosys hardware platform especially for the secondary network of urban central heating, were successfully implemented in the Baoding project during the period.

Irrespective of any external environment changes, the smart energy segment has always abided by its original philosophy of “caring about climate change”. With over 30 years of deep industry experience and growth and continuous development and innovation, the Group continues to pursue the goal of conserving energy for the country and saving capital for the people.

## **OUTLOOK**

“Technology-oriented” is a core belief of the Group over a decade, and also the eternal driving force for future development. In today’s era, the rapid development of emerging technologies such as the IoT, big data, and 5G has provided smart cities with more meaning and connotations. In the face of the clear requirements set out in the national “14th Five-Year Plan” for the development of the digital economy and new infrastructure, and the strategic mission of “carbon emission peak and carbon neutrality”, Technovator feels the arduousness of its mission and the rareness of the opportunities at hand, and is more convinced of the importance and power of self-developed core technologies. We hope to empower future green and smart cities with our efforts. The Group shall stand by its beliefs and work hand-in-hand to face the difficulties and sail through tough times.

## FINANCIAL REVIEW

### Revenue

In 2021, under the impact of COVID-19 on the market for the previous period and our operation during the current period, Technovator, backed by its strong market position in its existing business, was able to proactively take measures to overcome the negative effects of the pandemic and, at the same time, kept promoting industrial transformation and upgrading in order to evolve with the industry and meet its challenges. The Group recorded a net revenue of approximately RMB1,619.1 million for the full year, representing a decline of 6.8% year-on-year. Affected by the delayed opening of bids for a number of projects during the previous period under the pandemic, together with the decrease in project implementation and settlement resulting from the social isolation measures to curb the pandemic during the year, the smart transportation business recorded a year-on-year decrease in revenue. During this year, the Group has focused on the enhancement of its own R&D technologies and the application of its proprietary products for the smart building and complex business, and concentrated the resources to ensure the completion of the benchmark projects, such as the Winter Olympics, as scheduled, resulting in the improvement on profitability but decrease in the amount of revenue. As benefited from the promotion and implementation of the “Three Supplies and Estate Management” (三供一業) and “One City, One Pipeline Network”(一城一網) business, the revenue of the smart energy business achieved a year-on-year growth.

### Revenue by business segments

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

	2021		2020		Comparison
	Revenue (RMB'000)	% of Revenue	Revenue (RMB'000)	% of Revenue	
Smart transportation	484,377	30%	574,417	33%	-15.7%
Smart building and complex	730,203	45%	788,591	45%	-7.4%
Smart energy	404,485	25%	373,656	22%	8.3%
Total	<u>1,619,065</u>	<u>100%</u>	<u>1,736,664</u>	<u>100%</u>	<u>-6.8%</u>

### ***Smart transportation***

The revenue from the smart transportation business decreased by 15.7% from approximately RMB574.4 million in 2020 to approximately RMB484.4 million in 2021. Affected by the delay in bidding for a large number of projects after the outbreak of the pandemic last year, the contribution from newly contracted projects on the revenue substantially decreased this year. The Group proactively took measures to cope with these circumstances, actively expand markets, and consolidated its resources to fully push forward the progress of the projects under construction. The projects such as the first phase of Hangzhou Metro Line 10 (杭州地鐵10號綫一期), Zhengzhou Airport-Xuchang Urban Railway, Zhengzhou section (鄭州機場至許昌市域鐵路工程(鄭州段)), and Wuhan Urban Rail Transit Line 5 (武漢軌道交通5號綫) have made considerable progress during this period. In addition, the smooth progress of the Project of Comprehensive Monitoring of the Construction of Jinhua-Yiwu-Dongyang Municipal Rail Transit (金華-義烏-東陽市域軌道交通工程綜合監控項目) and the Project of Emergency Command Center of Xi'an Metro Line Network (西安地鐵線網應急指揮中心項目) have made contribution to the revenue of the segment.

### ***Smart building and complex***

Revenue from the smart building and complex business decreased by 7.4% from approximately RMB788.6 million in 2020 to approximately RMB730.2 million in 2021. During this year, the Group entered into new contracts for projects such as the weak current intelligent engineering project in Rongdong area of Xiongan New Area (雄安新區容東片區弱電智能化工程項目), the commercial project in Zhujiang New Town in Tianhe District, Guangzhou (廣州市天河區珠江新城商業項目), and the weak current engineering for the comprehensive maintenance and renovation project of Gongzhufen office building of the Agricultural Bank of China (中國農業銀行公主墳辦公樓綜合維修改造工程弱電工程項目), all of which have progressed smoothly and began to generate revenues. The smooth implementation and delivery of the municipal transportation supporting project of the Airport Economic Zone of New Beijing Airport (北京新機場臨空經濟區市政交通配套工程), the construction project of China Fortune Financial Centre (West Bund) (西岸華鑫金融中心建設項目), the centenary of the founding of the Communist Party, and the Winter Olympics technology project have alleviated the negative impact from the pandemic and stabilized the revenue of the segment.

### ***Smart energy***

The smart energy business recorded a net revenue of approximately RMB404.5 million in 2021, representing an increase of approximately 8.3% as compared with approximately RMB373.7 million in 2020. The Group analyzed the business environment against the backdrop of the pandemic in the previous year and made arrangements in advance to manage the risk related to the pandemic. New Project such as Jixi City Smart Heating Demonstration Project (雞西市智慧供暖示範項目) and Taiyuan Absorption Heat Exchange Unit for the Centralized Heating System Project (太原市集中供熱工程吸收式換熱機組) were implemented and settled as scheduled. Hohhot City Heating EMC and Fushun Mining EMC have been operating stably, and generated revenue for the segment. In addition, the promotion and implementation of the “Three Supplies and Estate Management” (三供一業) and “One City, One Pipeline Network” (一城一網) have injected new impetus into the development of the urban energy sector.

## **Cost of sales**

The Group's cost of sales decreased by approximately 5.3% from approximately RMB1,374.0 million in 2020 to approximately RMB1,301.6 million in 2021. The decrease in cost of sales was mainly due to the decrease in revenue in 2021.

## **Gross profit**

Gross profit decreased by 12.4% from approximately RMB362.7 million in 2020 to approximately RMB317.5 million in 2021. Gross profit margin decreased by approximately 1.3 percentage points from 20.9% in 2020 to approximately 19.6% in 2021, among which, the smart transportation and smart energy segments have experienced a decline in gross profit margin as a result of rising raw material cost and labor cost for project implementation. The gross profit margin for the smart building and complex business increased which was attributable to the enhancement of its own R&D technologies and the application of its proprietary products in project implementation during the year.

## **Other revenue**

In 2021, the Group recorded other revenue of approximately RMB38.3 million, representing a decrease of approximately 20.5% as compared with that of 2020, mainly resulting from a decrease in interest income from long-term receivables which was related to EMC projects for this year.

## **Other net loss**

Other net loss increased from a net loss of approximately RMB1.2 million in 2020 to a net loss of approximately RMB18.0 million in 2021. The increase was mainly attributable to an one-off event of the receipt of final consideration settlement incurred from the disposal of subsidiaries in the previous period.

## **Selling and distribution costs**

Selling and distribution costs in 2021 amounted to approximately RMB103.5 million, representing an increase of approximately 15.0% as compared to that of 2020. Selling and distribution costs accounted for 6.4% (2020: 5.2%) of revenue. Affected by the physical isolation measures during the pandemic, the Group recorded a year-on-year increase in selling and distribution costs resulting from the increase in both travel expenses and the Company's incentives for sales staff.

## **Administrative and other operating expenses**

Administrative and other operating expenses increased by 11.3% from approximately RMB129.2 million in 2020 to approximately RMB143.8 million in 2021. In 2020, the Company enjoyed preferential policies for reduction and exemption on the contribution of the social security fund for the employees. However, such preferential policy was no longer applicable this year which resulted in a year-on-year increase in administrative and other operating expenses.

## **Impairment loss on trade and other receivables and contract assets**

In 2021, the Group made provision for impairment losses on trade and other receivables and contract assets of approximately RMB28.6 million, representing an increase of approximately 18.7% as compared with approximately RMB24.1 million for the corresponding period last year. During this year, the Group carried out an impairment test on trade and other receivables and contract assets based on the progress of the projects and the repayment ability of the owners, and made corresponding provisions for impairment losses, resulting in a increase in impairment losses on trade and other receivables and contract assets.

## **Finance costs**

The Group's finance costs in 2021 were approximately RMB7.4 million, representing a significant decrease from the previous year. The decrease in finance costs was mainly due to the decrease in the average outstanding loan as a result of the partial repayment by the Group of its bank loans according to its overall funding plan during the year.

## **Income tax**

Income tax decreased by 59.8% from approximately RMB21.9 million in 2020 to approximately RMB8.8 million in 2021. The effective tax rate was approximately 16.2%, representing an increase of approximately 2.0 percentage points from 2020. The decrease in income tax was mainly attributable to the decrease in profit before taxation for this year. As the Group's subsidiaries paid additional taxes of approximately RMB3.8 million in the final settlement for this year, the effective tax rate increased year-on-year.

## **Profit for the period**

During the year, profit for the period decreased by approximately 65.6% from approximately RMB132.5 million in 2020 to approximately RMB45.6 million in 2021. Net profit margin decreased by 4.8 percentage points from 7.6% in 2020 to approximately 2.8% in 2021.

The basic earnings per share from continuing operations of the Group decreased by 65.3 percentage points year-on-year to RMB0.0579 (2020: RMB0.1670). The diluted earnings per share decreased by 65.3 percentage points year-on-year to RMB0.0579 (2020: RMB0.1670).

## Working capital and financial resources

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

	<b>As at 31 December 2021 (RMB'000)</b>	As at 31 December 2020 (RMB'000)
Inventories	<b>983,040</b>	1,028,866
Trade and other receivables <i>(Note 1)</i>	<b>1,456,435</b>	1,366,911
Trade and other payables	<b>1,577,167</b>	1,555,301
Average inventory turnover days	<b>227</b>	200
Average trade receivables turnover days <i>(Note 2)</i>	<b>262</b>	231
Average trade payables turnover days <i>(Note 2)</i>	<b>351</b>	352

*Note 1:* Trade and other receivables included trade and other receivables and prepayments

*Note 2:* The calculation of turnover days excluded other receivables, other payables, prepayments and related party amounts

The Group's inventories decreased from approximately RMB1,028.9 million as at 31 December 2020 to approximately RMB983.0 million as at 31 December 2021. The inventory turnover days increased from approximately 200 days in 2020 to approximately 227 days in 2021. Affected by the pandemic, the Group stocked up less which caused a decrease in the inventory scale. However, the turnover days increased as compared to that of 2020 as a result of slowdown of the overall project implementation.

The Group's trade and other receivables amounted to RMB1,456.4 million as at 31 December 2021, representing an increase as compared to approximately RMB1,366.9 million as at 31 December 2020. The average trade receivables turnover days increased from approximately 231 days in 2020 to 262 days in 2021. As our key large-scale infrastructure projects accounted for a large proportion of settlement for this year, and such projects had a longer settlement cycle, the amount of trade receivables increased and the collection of them slowed down.

The Group's trade and other payables amounted to approximately RMB1,577.2 million as at 31 December 2021, which remained generally stable as compared to those as at 31 December 2020. The Group's average trade payables turnover days was approximately 351 days, which was roughly at the same level as compared to 2020, as a result of the Group making reasonable use of the credit terms of its downstream partners to ensure the matching of cash inflow and cash outflow for the projects based on the progress of the projects.

## Liquidity and financial resources

In 2021, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB411.7 million, which accounted for 14.0% of the Group's net assets (31 December 2020: cash and cash equivalents of approximately RMB587.9 million).

As at 31 December 2021, the Group's indebtedness consisted of short-term bank loans of approximately RMB99.4 million with an average interest rate of 4.0% (2020: 4.6%) per annum. During the year, in order to reduce its finance costs, the Group partially repaid its loans with the working capital available for such purposes, resulting in a decrease in the outstanding bank loans.

As at 31 December 2021, 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 and certain amounts in USD, HKD, MOP and SGD, and deposits that are readily convertible into known amounts of cash.

As at 31 December 2021, the net cash of the Group was approximately RMB312.4 million (31 December 2020: net cash of approximately RMB373.7 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 2.1% (2020: approximately 4.4%).

### **Pledge of assets**

As at 31 December 2021, the Group had no pledge of assets.

### **Contingent liabilities**

As at 31 December 2021, the Group did not have any material contingent liabilities.

### **Off-balance sheet arrangements**

The Group did not have any special purpose entities that provided financing, liquidity, market risk or credit support to it or were engaged in leasing, hedging or research and development services with it. The Group did not enter into any derivative contracts that were indexed to the shareholders of the Group (the "**Shareholders**") and classified as Shareholders' equity, or that were not reflected in its financial statements. Moreover, the Group did not have any retained or contingent interest in such assets that were transferred to unconsolidated entities to provide credit, liquidity or market risk support for non-consolidated entities.

### **Employee, training and development**

As at 31 December 2021, the Group had a total of 812 employees compared to the 863 employees as at 31 December 2020. Total staff costs in 2021 increased from approximately RMB192.7 million in 2020 to approximately RMB224.0 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 year ended 31 December 2021, the Group had no material acquisition or disposal of subsidiaries or associates.

## **Significant investments**

For the year ended 31 December 2021, the Group had no significant investment.

## **CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2021, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), except for deviation from C.5.1 of the Corporate Governance Code as disclosed below.

C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two Board meetings were held for approving the Group’s interim financial performance and annual financial performance which required the Board’s decision. In addition to the two Board meetings held by the Company, the Directors met regularly during the year to discuss the overall operation and strategy of the Group. However, there are neither regulatory matters nor other important decisions which was advised for the Board consider to resolve by way of Board meeting.

## **MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)**

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules since its adoption by the Company from 8 September 2011 and throughout the year ended 31 December 2021 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 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **DIVIDENDS**

During 2021, the Company has not declared any dividend in respect of the financial year ended 31 December 2020. The Board does not recommend any final dividend for the year ended 31 December 2021.

## **BOOK CLOSURE**

In order to determine the entitlement to attend and vote at the annual general meeting (“AGM”), the transfer books and register of members of the Company will be closed from Monday, 13 June 2022 to Thursday, 16 June 2022, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to be eligible to attend and vote at the forthcoming AGM of the Company to be held on Thursday, 16 June 2022, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 10 June 2022.

## **AGM**

The AGM of the Company will be held in Hong Kong on Thursday, 16 June 2022. Notice of the annual general meeting will be issued and disseminated to shareholders of the Company in due course.

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

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.technovator.com.sg](http://www.technovator.com.sg)). The annual report for the year ended 31 December 2021 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.

## **AUDIT COMMITTEE**

The Group’s audited consolidated results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company, who are of the opinion that the annual results comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

By order of the Board  
**Technovator International Limited**  
**Qin Xuzhong**  
*Chairman*

Beijing, 23 March 2022

*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. Liang Wuquan, Mr. Zeng Xuejie and Mr. Zhang Jian; and the independent non-executive directors of the Company are Ms. Chen Hua, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony.*